

Table 9: Summary of Options for Additional Revenue for Rutherford County

Option	Estimated Additional Annual Revenue	Advantages	Disadvantages
Do nothing	Uncertain.	Simplest solution. Sales tax collections are rebounding already.	Does not help to diversify sources for county government revenues. Policy options are limited if additional revenue is needed. Spending cuts or property tax increases may be needed.
Sales Tax Increase single article cap by \$1,600.	\$1,376,000	Tax collection mechanism in place. Will generate substantial revenue.	Could cause some sales to shift to nearby counties. Sales tax burden already very high. Will increase the volatility of the local option sales tax base. Single article cap may be removed anyway in 2006 for goods other than vehicles. Does not help diversify sources for county government revenues. Revisions to state law needed to implement. Would have to leap-frog over state portion of single article cap.
Local gasoline tax Example: Tax rate of 1 cent per gallon	\$1,000,000 estimated	Legislation in place, but revisions required. Stable source of revenue. Diversifies the revenue base. Will help capture spending from commuters and travelers. Low 1 cent tax rate may go unnoticed. Good source for operating expenditures. Will raise substantial revenue.	Will shift some gasoline sales to adjacent counties if the tax rate is set too high. Will raise transportation costs for Rutherford County commuters. Will raise transportation costs for businesses. Not a source of growth revenue. Revisions to state law needed to implement.
Local realty transfer tax Example: Tax rate of 5 cents per \$100 sales price	\$493,000 for FY2003	State collects this tax now at the county level. Tax collection mechanism currently in place. Revenue will grow along with population growth. Will raise substantial revenue.	Revenue base will fluctuate with the volume of real estate activity. May not be suitable source for operating expenditures. May price some low-income home buyers out of the market. Revisions to state law needed to implement.
Local mortgage tax Example: tax rate of 2 cents per \$100 sales price	\$549,000 for FY2003	State collects this tax now at the county level. Tax collection mechanism currently in place. Revenue will grow along with population growth. Will help capture tax revenue from additional spending created by mortgage refinancings. Will raise substantial revenue.	Revenue base will fluctuate with the volume of real estate activity and mortgage rates. May not be suitable source for operating expenditures. May price some low-income home buyers out of the market. Revisions to state law needed to implement.

Table 9: Summary of Options for Additional Revenue for Rutherford County

Option	Estimated Additional Annual Revenue	Advantages	Disadvantages
<p>Business tax Example: Extend base to ambulatory health care and some professional services. Rate of 0.1% of revenue.</p>	<p>\$163,000 estimated</p>	<p>Tax collected now for retailing, wholesaling, and construction. Tax collection mechanism currently in place. Diversifies the revenue base. Incorporates growing sectors in the business tax base. Will likely add stability to business tax collections.</p>	<p>Will generate tax compliance costs for businesses. Unless health care and/or manufacturing included, revenue potential is limited. Creates disincentive for attracting high-paying business professional jobs.</p>
<p>Development tax Example: additional tax of \$350 per new housing unit for 2,500 housing units per year.</p>	<p>\$875,000</p>	<p>Tax collection mechanism currently in place. Will raise substantial revenue. Revenue generated is proportional to population growth.</p>	<p>Tax per square foot is higher for small homes than for large homes. May price some low-income home buyers out of the market. Revenue base will fluctuate with the volume of construction activity.</p>
<p>Adequate facilities tax Example: tax of \$0.40 per square foot for new residential housing.</p>	<p>\$1,062,000 estimate for single-family homes only</p>	<p>Authorized by private act in 1996. Tax is proportional to size of new home. Diversifies the revenue base. Revenue will grow along with population growth. Will raise substantial revenue. More low-income friendly than the development tax or impact fees.</p>	<p>Revenue base will fluctuate with the volume of real estate activity and mortgage rates. May not be suitable source for operating expenditures. May price some low-income home buyers out of the market.</p>
<p>Impact fees Rates depend on estimate impacts per unit of service.</p>	<p>Unknown but substantial.</p>	<p>Revenue generated is proportional to population growth. Will raise substantial revenue for particular projects. Developer has some certainty that rates will remain stable.</p>	<p>Cannot be used for operating expenditures. May price some low-income home buyers out of the market. Spending must benefit neighborhoods from which tax was collected. Administratively more difficult than development tax or adequate facilities tax.</p>

Note: Tax rates are for purposes of illustration only; no recommendation is intended or implied.