

## POTENTIAL FUNDING SOURCES

Revenue	Potential Amount	Reliability	Equity	Political Feasibility
Fuel Tax	Robust	Driving rates are historically steady (subject to increasing fuel efficiency standards and recent changes in driving patterns)	Regressive—not a concern for transit dependent residents	Low—high fuel prices make new taxes difficult and not all local governments have the authority to impose a fuel tax. Phoenix is pre-empted from imposing a fuel tax. State legislative action required.
Sales Tax	Sales taxes are broad-based and generate robust revenue	Sales taxes are a little less stable than property taxes but still provide a great deal of predictability	Sales taxes are regressive—although this may be addressed by exempting certain items such as food	High—sales taxes are typically politically successful when the projects they fund bring regional benefits. No state action required; local control.
Vehicle Registration Tax	Moderate	Vehicle ownership rates are stable	Regressive like all other flat taxes—not a concern for transit dependent residents	Moderate—vehicle owners are sensitive to registration fees. NEED TO DETERMINE WHETHER PHOENIX IS PRE-EMPTED
Tax Increment	Variable depending on the size of the tax increment district boundary around the transit facility	Land values tend to be stable over time providing predictable revenues	Tax increment revenues tie project benefits (increased land values) to funding the transit project	Low—although tax increment is not a new tax or a tax increase, it is not legal in Arizona, and would be restricted by the property value growth limitation imposed by Arizona proposition 117. State legislative action required.
Special Assessment District (property tax)	Variable depending on the size of the district and the tax rate applied to properties	Land values tend to be stable over time providing predictable revenues	Ties project funding to taxes levied on surrounding landowners who are direct beneficiaries	Low—these are new taxes and land owners need to understand the connection between a new project and its benefits. Arizona state law does not specifically allow for public transit districts, and would be restricted by the property value growth limitation

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				imposed by Arizona proposition 117.
Primary Property Tax	Variable depending on property values and tax rates applied. Current additional revenue capacity limitations for Phoenix specifically	Fairly stable and predictable revenues	Few equity concerns other than the burden is solely on City property owners, and users of transit include those who live outside City limits and visitors	Low—depends on local support. Phoenix is restricted by state imposed 2% annual levy growth limit and the property value growth limitation imposed by Arizona proposition 117. State legislative action and/or constitutional amendment required to remove limitations.
Development Contributions	Specific amount negotiated between project sponsor and developer	Typically a one-time contribution	Ties project funding to real estate development that will benefit directly from the new transit facility	High—provided the contribution is viewed as reasonable in relation to the benefit to the developer. No state action required; local control.

**Proposition 117** passed by the voters of Arizona takes effect with the 2015 tax year. This measure places a 5 percent annual limit on how much the assessed value of properties can increase.