



CENTER FOR INNOVATIVE FINANCE SUPPORT

QUICK FACTS

Sales tax districts are special districts that are levied taxes to help pay for the transportation infrastructure that services the area.

Sales tax districts are established by statute and have set sales tax rates on all purchases made within the district with details on where the generated revenue is allocated.

This value capture financing tool is popular in States such as Missouri, Kansas, Illinois, and Georgia.

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VALUE CAPTURE

Sales Tax Districts

Sales tax districts levy an incremental sales tax on goods sold within a designated area that derives benefit from a transportation improvement. The resulting revenue is used to support the development of the infrastructure improvement. Sales tax districts may be established at the municipal or county level, but they are more commonly implemented in smaller local areas.

Statutes establishing sales tax districts normally specify the rate of the incremental sales tax and the types of projects their proceeds may support. Unlike other special assessment districts, there is no formal process for establishing the rate of the incremental sales tax. The revenue raised by the tax, however, should reflect the value the area derives from the transportation improvements funded by the district.

It is helpful to distinguish sales tax districts from local option sales taxes. Local option sales taxes are normally collected at the county or municipal level, whereas sales tax districts are more often—but not always—confined to smaller zones that benefit from a specified transportation improvement. Although municipal governments rely on property taxes for a majority of their tax income, local sales tax districts have the potential to generate significant revenues.

PROJECT EXAMPLES

MISSOURI TRANSPORTATION DEVELOPMENT DISTRICTS

In Missouri, transportation development districts may be used to levy sales tax increments between 1/8 percent and 1 percent to provide funding for transportation projects. These taxes were originally collected at the district or local authority level; however, House Bill 191 of 2009 now requires that sales tax increments are collected at the State level by the Missouri Department of Revenue.



Transportation development districts may be formed by a petition of registered voters, property owners, or a local or multijurisdictional transportation authority. The petition must be approved by a circuit court. Transportation development districts may be used for the following purposes:

- Funding, promoting, planning, designing, constructing, improving, maintaining, and operating transportation projects.
- Creating a board of directors to administer the district's legislative and executive powers.
- Working in collaboration with the Missouri Highways and Transportation Commission and other local transportation authorities to provide revenue for transportation improvement projects.

Missouri has 205 transportation development districts that generate over \$70 million in annual revenue to support local transportation needs.

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LAWRENCE, KS TRANSPORTATION DEVELOPMENT DISTRICTS

Lawrence, KS, has established three transportation development districts that levy an additional one-cent sales tax to cover transportation-related expenses associated with development projects. Local developers provide upfront funding and are then reimbursed over time as the incremental tax revenue is generated. In April 2008, the city approved a 22-year transportation development district to pay for up to \$11 million in transportation-related public infrastructure expenses associated with the construction of the 11-floor, 99-room Oread Hotel. In October 2008, the city approved another 22-year transportation development district to pay for \$6.8 million in public infrastructure expenses associated with the Bauer Farms retail development. In 2014, the city approved a third transportation development district to provide \$3 million to support the development of a new hotel and retail complex at the intersection of 9th and New Hampshire. The first \$850,000 in incremental sales tax revenues will be used to cover bond costs for a parking garage and the rest will reimburse developer-paid transportation infrastructure expenses.



The Oread Hotel, Lawrence, KS.



OFFICE OF INNOVATIVE PROGRAM DELIVERY

PROGRAM AREAS OF THE CENTER FOR INNOVATIVE FINANCE SUPPORT

The Center for Innovative Finance Support provides a one-stop source for expertise, guidance, research, decision tools, and publications on program delivery innovations. Our Web page, workshops, and other resources help transportation professionals deliver innovation.

PUBLIC—PRIVATE PARTNERSHIPS

The Center for Innovative Finance Support's P3 program focuses on the potential of design–build–finance–operate–maintain (DBFOM) concessions funded through tolls or availability payments to reduce project cost, improve quality outcomes, and provide additional financing options.

ALTERNATIVE PROJECT DELIVERY

The Center for Innovative Finance Support's Alternative Project Delivery program provides information on contractual arrangements that allow for greater private participation in infrastructure development by transferring risk and responsibility from public project sponsors to private sector engineers, contractors, and investors.

PROJECT FINANCE

The Center for Innovative Finance Support's Project Finance program focuses on alternative financing, including State Infrastructure Banks (SIBs), Grant Anticipation Revenue Vehicles (GARVEEs), and Build America Bonds (BABs).

TOLLING AND PRICING

The Center for Innovative Finance Support's Federal Tolling and Pricing program focuses on the use of tolling and other road user charges as a revenue source to fund highway improvements and the use of variably priced tolls as a tool to manage congestion.

VALUE CAPTURE

The Center for Innovative Finance Support's Value Capture Strategies program explores strategies for tapping into the added value the transportation improvements bring to nearby properties as a means to provide new funding for surface transportation improvements.



U.S. Department of Transportation
Federal Highway Administration