The Northern Virginia Sales Tax Hike: Coming Soon to a Location Near You

By Peter Ferrara

The big bucks developers of Northern Virginia have been scheming for over a decade to increase taxes on working people to aid their megadevelopment dreams. Now they are on the verge of taking a large step in that direction.

Their current scheme is to win legislative approval of a referendum in Northern Virginia to raise sales taxes there to fund road projects in that region. The legislature seems poised to approve this idea, with Governor-elect Mark Warner’s support.

The natural tendency in the rest of the state is to think that if Northern Virginia wants to vote higher taxes on themselves for their roads, that’s their business. But here’s why taxpayers throughout the commonwealth should oppose the measure.

Suppose Northern Virginians actually do vote to approve the sales tax increase for roads. What’s going to happen, as the state continues to grow, when any other region asks the state government for funds for roads, highways, or bridges?

The large Northern Virginia delegation is going to adamantly oppose any such funding. They will say, “We voted to increase taxes for our own roads. If you need money for transportation in your region, then vote to raise your sales taxes as well.”

In addition, the whole gamut of Northern Virginia retailers will be vigorously lobbying to level the playing field by extending the tax increase statewide, whether by referendum or otherwise. This rich lobby will not be long denied.

Effectively, then, Northern Virginians alone will get to vote for a tax increase that will eventually apply to the whole state.

Increasing sales taxes anywhere in the state would be a terrible idea. Commonwealth spending has soared by forty-two percent over the last four years. Virginia now has the fifth fastest growing budget in the entire country, faster than liberal Maryland and faster than far left DC. Increasing taxes

Summary

Our state government is becoming little more than a financial intermediary between citizens who produce wealth and special interests who want to consume that wealth. We must stop the good ol’ boys who preach higher taxes and increased government spending as the pilgrimage to economic nirvana before they wreck havoc on our prosperity.

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Moreover, higher taxes would undercut our already reeling economy. A whole library of economic studies comparing state and local tax policies across the country demonstrates conclusively that economic growth slows when state and local governments raise taxes, but increases when they cut taxes.

Indeed, seven states and DC adopted temporary sales tax holidays to get their economies going again. For Virginia to raise sales taxes now would be foolhardy and counterproductive.

Furthermore, the sales tax is regressive, falling hardest on low and moderate income people. In effect, these lower income families will have to pay higher taxes on basic necessities so that the government can finance infrastructure to aid the big development plans of the richest interests in the state. Doesn’t sound right to me.

If these developers are so certain we need higher taxes, then let’s assess fees on new developments to finance transportation projects.

But the truth is Virginians already pay more than enough in taxes to fund basic government services like roads and transportation. What is needed is not a tax increase, but for the government to use more of the taxes we are already paying to fund essential road programs.

The problem is that the current practice is to use funds only from gasoline taxes for transportation projects. But Virginia has grown and developed too much for that to work now. The state must use some of its high income taxes, thirty percent above the national average, for roads and transportation.

This would be more than adequate if the state government would restrain the growth of its other spending. If that spending were limited to the rate of growth of inflation plus population in the state, there would be plenty of money for essential transportation projects, and additional tax cuts as well.

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(Peter Ferrara is president of the Coalition of Virginia Taxpayers and a member of the Board of Scholars of the Virginia Institute for Public Policy, an education and research organization headquartered in Potomac Falls, Virginia. Permission to reprint in whole or in part is hereby granted, provided the author and his affiliations are cited.)