

Executive Summary Outline: Mecklenburg Transportation Referendum
Monday, February 24, 2025

Part I: Legislative Findings.

Benefits of investments in transportation infrastructure including the costs of traffic congestion and specific impacts on the Charlotte metropolitan area.

Part II: Revisions to Current Mecklenburg County Sales Tax for Public Transportation.

Section 2.1: Reserved.

Section 2.2: Requires that any repeal of the tax by the County may only become effective once there is no debt outstanding that is associated with the tax. This also allows an entity to refinance any existing debt after a resolution of repeal is adopted so long as the refinancing does not extend the maturity date of the debt.

Section 2.3: Reserved.

Section 2.4: The amendment in G.S. 105-507.3(a) would shift the distribution of the existing tax proceeds from the City of Charlotte to the new Authority once the new tax is levied and becomes effective.

The amendments in G.S. 105-507.3(b) would:

1. Remove references to the financial plan.
2. Remove the maintenance of effort requirements currently imposed on the County, the City of Charlotte, and the Town of Huntersville.

Section 2.5: Shifts the proceeds of the existing tax from the City of Charlotte to the new Authority, would become effective only if the new tax is levied, and it would become effective on the effective date of that levy. The remainder of the changes in this Part would become effective when the bill becomes law.

Part III: Revisions to Current Mecklenburg County U-Drive-It Tax

Under current law, the following entities may levy a tax on the short-term rental of motor vehicles:

1. All municipalities are allowed to levy a tax on these rentals of up to 1.5%, the proceeds of which may be used for any legitimate purpose. G.S. 160A-215.1.
2. All counties are allowed to levy a tax on these rentals of up to 1.5%, the proceeds of which may be used for any legitimate purpose. G.S. 153A-156.

Mecklenburg County has been given special authority to levy an additional tax on rental vehicles, usually referred to as the U-drive-it tax, of up to 5%, the proceeds of which must be given to the largest city in the County operating a public transportation system. S.L. 1997-417, as added by Section 30 of S.L. 2006-162 and amended by Section 2(h) of S.L. 2009-527.

The change in this Part affects only the 5% tax levied by Mecklenburg County – it does not affect the 1.5% tax levied by the County or a 1.5% tax levied by any municipality. It would shift the distribution of these tax proceeds (for public transportation purposes) from the City of Charlotte to the Authority when the new sales tax becomes effective.

Part IV: Additional Mecklenburg County Roadway Systems and Public Transportation Systems Sales Tax

Section 4.1: Title of the Part

Section 4.2: Definitions

Creates definitions of:

1. An eligible municipality – the municipalities of Charlotte, Cornelius, Davidson, Huntersville, Matthews, Mint Hill, and Pineville.
2. The Red Line – a rail line running from the center of Charlotte through the northern towns and terminating north of Davidson.
3. Roadway system.

Section 4.3: Exemption of food.

As with the current 0.5% sales tax for transportation, this tax would not apply to sales of most food.

Section 4.4: Advisory Referendum

Section 4.4(a) provides that before the tax could be levied, the Mecklenburg County Board of Commissioners would have to adopt a resolution to put a referendum authorizing the tax on the ballot. The Board would also be required to hold a public hearing on the issue at least 30 days before the election.

Section 4.4(b) provides the exact question that must appear on the ballot.

Section 4.5: Levy of tax.

Provides that the Board of Commissioners may levy the tax by resolution only after the following have occurred:

1. The referendum passes.
2. An Authority has been created.
3. At least one municipality or an Authority operates a public transportation system.

Section 4.6: Administration.

This is standard language that provides that, except as otherwise provided in this Part, this new tax will be administered in the same manner as other local sales and use taxes.

Section 4.7: Distribution.

This Section sets out the distribution of the proceeds of the new tax. Forty percent (40%) of the net proceeds of the new tax must be used for roadway systems as provided in Section 4.8 and sixty percent (60%) must be used for public transportation as provided in Section 4.9.

Section 4.8: Roadway distribution.

40% of the proceeds would be distributed to the seven eligible municipalities and could be used for roadway systems only. The proceeds would be divided between the City of Charlotte and the Towns based on a formula.

This formula seeks to ensure that all municipalities share in the pain when there is an overall decrease in tax proceeds (e.g., during a severe recession) AND in the bounty when a rising tide is lifting all ships (e.g., during a strong economy). There is an adjustment that comes into play when overall tax receipts are growing, but something about the distribution formula causes the amount to be distributed to one or more Towns to decrease. There would be a multistep process to determine the amount to be distributed to each municipality each year.

To summarize, the amount is determined by a formula that uses the most recent annual population estimates and the most recent figures with respect to street miles as submitted to the Department of Transportation with respect to Powell Bill funds. For the Towns, this is equal to 125% of the greater of two formulas – one based solely on street miles and one using the Powell Bill methodology (which is based off street miles and population). For Charlotte, this would be the remainder of the funds after the distribution to the Towns.

Section 4.9: Public Transportation Distribution.

This Section requires that 60% of the proceeds be distributed to the Authority to be used for public transportation purposes. This Section imposes the following additional restrictions on the use of these funds:

1. No more than two-thirds of this amount (40% of the net tax proceeds overall) could be used for rail projects.
2. The Authority must complete at least 50% of the Red Line before any other rail project is completed, absent the existence of an event beyond the control of the Authority that delays completion or makes completion impossible. Once the event that caused the delay no longer exists, the Authority must resume work on the Red Line.
3. The Authority must solicit input from the Towns of Cornelius, Davidson, Huntersville, and, in some cases, Mooresville on all aspects of the Red Line.
4. The Authority must reimburse the City of Charlotte for the purchase of the O-Line.

Section 4.10: Repeal of Tax.

Provides that the Mecklenburg County Board of Commissioners may repeal the tax by resolution, but the repeal may not become effective until the latest of the following:

1. The end of the current fiscal year (this is standard language for all local sales and use taxes).
2. All debt that is supported by the tax revenues have been satisfied.
3. The Authority has reimbursed the City for the purchase of the O-line.

V-VIII: Parts 5-8 are reserved.

Based on the proposal in its entirety, these are the Parts/Sections that are dedicated to the Authority.

IX: Part 9. Miscellaneous Provisions

Section 9.1: Reserved.

Section 9.2: This is the provision that ties the local bill to the Current Operations Appropriations Act for the 2025-2026 fiscal year.