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Governments Eye Taxes, Fees to Balance Budgets

Both state and local governments are considering raising taxes and creating new ones to plug budget shortfalls.

WASHINGTON – In tough economic times like this, state and local governments are searching for ways to balance their budgets, which inevitably includes increasing taxes and adding new ones, the *Washington Times* reports.

A recent report by the National Association of State Budget Offices and the National Governors Association warned that “state fiscal conditions will remain weak in fiscal 2010 and likely into fiscal years 2011 and 2012.” Revenue streams from usually steady sources, such as state lotteries, have been dwindling.

Which means that officials are gearing up to add nuisance and “sin” taxes, as well as fees, to generate much-needed income. States often target out-of-state visitors, such as those visiting Orlando, Fla., Nevada and Hawaii, where they will pay higher car rental and hotel taxes. Also, states are taking a harder line on Internet sales by making small businesses collect sales taxes for goods sold online.

On the transportation side, speed cameras and red-light cameras are bringing in more revenue. Bridge and turnpike tolls have been increased across the country, too.

In Massachusetts, dog owners have to pay a \$3 state surcharge on city licensing fees. Pennsylvania is considering raising the cost for a state marriage license from \$3 to \$28 in order to fund domestic programs by the Department of Public Welfare. Iowans wanting to shed their spouse will find the cost jumping to \$100 after state lawmakers doubled court fees for filing divorce papers.

Other considerations include sin taxes on tobacco, alcohol, junk food and soda. “Obviously, it’s nickel-and-dime time,” said Tad DeHaven, a federal and state budget analyst at the libertarian Cato Institute. “They’re going after the unpopular, the less defensible, more vulnerable items like cigarettes, cigars and alcohol.”

From January through August, more than a dozen states and the District of Columbia bumped up their tobacco taxes. Eight states have increased alcohol taxes thus far this year.

“With so many states rushing to raise taxes on tobacco and booze, the levies frequently don’t bring in the anticipated revenues because they drive black-market sales or because people cross state borders to buy their cigarettes and booze,” said DeHaven.