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Reimagining Local Public Finance: Equitable Reform of Taxes, Fines, and Fees

As a result of the American Recovery Plan Act (ARP), many cities and counties are seeking to make transformative investments while prioritizing equity in the process. Naturally, the spending decisions local governments are making have received a lot of attention.

However, local governments should also take advantage of this opportunity to review and reform revenue-raising (i.e. taxes, fines, and fees) practices with an eye toward equity. The ARP provides local governments significant flexible funds to replace revenue that they lost due to the pandemic, but policymakers should not be satisfied with just replacing revenues. Black taxpayers and other taxpayers of color bear a heavier tax burden for public services due to the local assessment and collection practices of tax and non-tax revenues. Counties and cities should strive to achieve the ARP's explicit equity goals not only through spending programs, but also by evaluating, and when necessary, reforming the methods through which they raise revenue in the first place.

LOCAL GOVERNMENTS RAISE REVENUES INEQUITABLY

Depending on the local unit of government, revenues can consist of local taxes, such as sales taxes and property taxes, as well as other forms of non-tax revenue, such as fines and fees. Fees are often used as a surcharge to fund local government services, whereas a fine is more punitive—a form of punishment for violating a municipal code or law, such as a parking ticket.

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The Brookings Institution

by Tonantzin Carmona

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