

A. Revenue Generator

Tax on purchases of new bicycles

Application

Local and/or regional: Improvements to bike facilities are in high demand and there is a considerable backlog of projects for dedicated bikeways, safety improvements, commuting and recreational riding. Population centers with higher ridership such as the San Francisco Bay Area may be the best candidates initially for a local or regional tax.

State: California may want to implement a 1% sales tax on all new bicycles to generate a sustainable and dedicated return-to-source fund. Implementation at a statewide level would ensure market equity.

Introduction

A 1% tax on purchase of new bicycles and bicycling accessories would generate a dedicated funding source for bike improvements. These fees could be used for system expansion and to make bicycling a safer and more attractive travel mode through the addition of new bike facilities, of which dedicated bike lanes and cycle tracks would be most desirable. The tax revenue could also be used to finance system preservation to maintain existing striping, signage and attended bicycle facilities.

Yield Potential

Yield potential is likely Low/Medium. However, a lack of available statistics on bicycle sales in California makes yield potential difficult to estimate. According to the National Bicycle Dealers Association (NBDA), US retailers sold approximately 15.7 million bicycles in 2011. Assuming equal bicycle sales across 50 states, with 12% of the population living in California (2010 Census) and an average bicycle cost of \$465, California could generate approximately \$8.7 million annually from a 1% tax on the purchase of new bicycles.

This revenue would fluctuate based on sales volume. By using the five year average of new bike sales from 2007-2011 (17.4 million units sold), a 1% tax would generate approximately \$9.5 million annually for California. That number could double if accessories are included as well. All revenue should be dedicated exclusively to bicycle facility improvements.

Use/Restrictions

While cycling has enjoyed wide popularity as a recreational activity for many years, the use of cycling as a daily form of transportation in the U.S. has rapidly gained momentum over the last decade. Cycling is a sustainable form of transportation that offers a multitude of financial and environmental benefits to both individual users and society at large. While many municipalities in California have improved their bicycle infrastructure to date, identifying a dedicated funding stream to support further expansion as well as maintenance of dedicated bicycle facilities has proven challenging. In addition to providing a dedicated source for bicycle facility improvements and ongoing maintenance needs, a tax on bicycle sales is consistent with a user-fee strategy and can counter the claim that bicyclists do not pay "their fair

share” for facility improvements. It is essential that these revenues are protected from diversion to other uses. However, most bicyclists are paying sales taxes, property taxes, fuel taxes, etc. to provide their fair share. Most just also happen to be impacting the transportation system and environment and lower levels than those who drive for the majority of their trips.

This fund should be exclusively designated for improvements for the bicycle mode split and revenues should be “return-to-source” at the local or regional level. Historically, funding such improvements has been a contested issue with other transportation funding sources (i.e. raiding the gas tax fund to close gaps in the general fund.) Projects with indirect benefits, such as traffic calming along a major bicycle route, could be considered.

The primary goal of this funding category is to create new bicycle facilities for system expansion. Revenue could also be used for system preservation to maintain existing striping, signage and attended bicycle facilities.

Sustainability

Most new bicycle purchases are discretionary and recession periods impact the bicycle retail industry. While bicycle accessories necessary for daily operation such as tubes and spare parts are in relatively high demand (representing nearly 60% of specialty retailer revenue in 2011 according to the NBDA and accounting for 55% of sales volume for the total market), it is difficult to estimate their total contribution to a proposed tax. In all cases, the sustainability of the revenue source would be impacted by the overall state of the economy.

The bicycle tax should not require significant administration costs, aside from ongoing evaluation of the costs and benefits of the program.

Pros/Cons

Pros:

The fee would create a dedicated funding source for improvements to bicycle facilities and maintenance needs of existing facilities. It would also provide a direct forum for bicyclists to pay user fees to contribute to the system. A dedicated and protected funding source for bicycle facilities would provide local and regional agencies with the ability to leverage other funding sources to implement planned bicycle improvements and address the lack of funds for maintaining urban commuter and recreational pathways, which have historically not competed well for other available maintenance funding.

Cons:

A tax on new bicycle purchases could discourage the promotion of a sustainable form of transit through increased user costs and could adversely impact low-income individuals who use the bicycle as a primary mode of transport. There is also the potential opposition from manufacturers of bicycles/accessories parts and their distributors. National bicycling support organizations have historically rejected any fee proposals associated with the sale of bicycles, or accessories.

Implementation

Implementation would be a medium/high effort, though it could be legislated within a short term. An implementation strategy must be carefully planned and vetted with bicycle retailers and evaluated periodically to determine any disproportionate impacts on sales. In addition, to gain full support, the bicycle advocacy community would have to agree (at least in part) to the substance of the proposal. The associated costs of implementation would likely be low.

Conclusion/Recommendation

Bicycling and bicycle infrastructure are critical components of Sustainable Community Strategies developed as a part of Regional Transportation Plans. While new sources of dedicated funding for bicycle improvements and maintenance remain crucial, taxing bicycle sales must not be viewed as a primary funding solution. The proposed revenues generated will likely be low and could be viewed as complimentary to other funds sources and could create incentives for integrated planning.

However, since bicycling directly assists in meeting statewide GHG reduction goals, as well as other benefits to society as a whole, potential impediments to its use should be pursued with caution and with consensus building. Bicyclists already contribute to the transportation system in various ways, while imposing a fraction of wear and tear on the roadway network as compared to auto users. Lastly, bicycle projects are extremely cheap and provide enhanced safety and positive mode share impacts compared to highway, streets and road projects.

Reference Materials

For many talking points both for and against the tax, see this post from Streetsblog.org, “Revisiting the Idea of a Bicycle Tax”: <http://streetsblog.net/2010/03/24/revisiting-the-idea-of-a-bicycle-tax/>

National Bike Dealers Association—2011 Statistics: <http://nbda.com/articles/industry-overview-2011-pg34.htm>

US Census: <http://2010.census.gov/news/releases/operations/cb10-cn93.html>

Oregon: A user fee for bikes was chosen as a priority for “additional consideration for further implementation” and possible legislative action. A report presented to the governor in May listed a total 16 possible new ‘non-roadway’ funding mechanisms. The user fee for bikes was one of the possible mechanisms. Article link: <http://bikeportland.org/2012/05/30/user-fee-for-bikes-prioritized-in-funding-report-given-to-governor-kitzhaber-72515>

Wisconsin: In Wisconsin, a four year bicycle registration fee costs \$10.00. A Madison, Wisconsin City Ordinance requires all bicycles used by Madison residents be registered. Bicycles must be registered with the City of Madison, unless they have a current registration in another municipality. (<https://www.cityofmadison.com/bikeMadison/programs/registration.cfm>). There is a user fee at Wisconsin’s Mountain Bay Trail which requires cyclists ages 16 or older must purchase a trail pass. A daily pass costs \$3 and an annual pass costs \$20. The money is used for trail maintenance and operation.

http://www.co.brown.wi.us/i_brown/d/facility_and_park_management/2012_mountain-bay_brochure.pdf)

Hawaii: The state of Hawaii requires the registration and licensing of all bicycles with a wheel diameter of 20 inches or more. The one time registration fee costs \$15. It is mandatory that the transfer of ownership of a bicycle is reported and a \$5 fee must be paid. All of the fees are put into a bikeway fund that is administered by the County of Hawaii. All money in the fund goes toward bicycle related projects and programs. (<http://hawaii.gov/dot/highways/Bike/Bike%20Plan/pdf/chapter3.pdf>)

Georgia: The state of Georgia's requires a user fee of \$2 for mountain bikers who would like to ride their bikes at several state parks. (<http://www.sorba.org/node/421>)

Several states at one time or another have had mandatory licenses and registration for bicycles that have since been abandoned or are not enforced. Pressure from cycling advocates in Minnesota caused the state to repeal its registration program years ago. The town of Davis, California has mandatory bicycle registration that rarely enforced and promoted. University of California at Davis has its own on campus bicycle registration program which requires registration (\$8 registration fee). The money funds the university's bike program. (<http://www.seattlepi.com/local/transportation/article/Should-bicyclists-be-licensed-to-ride-1259833.php#page-2>)