



How Not to Argue for Special Taxing Districts

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My colleague Patrick Tuohey and I recently had the pleasure of presenting our [research](#) on special taxing districts (like CIDs and TDDs) to the St. Charles County Council. That body is [considering](#) an ordinance that would require merchants within a CID to post a placard notifying shoppers that they'll be subject to an additional special sales tax.

We weren't the only ones present to speak though. A development official from the City of St. Charles also came prepared to present his viewpoint, and he was generally in favor of CIDs. But the arguments he marshaled were so unpersuasive I didn't know if he took the whole hearing thing seriously or not.

Here, in outline, is what he said in support of allowing CIDs to collect sales taxes without notification to taxpayers.

"CIDs have been used to subsidize projects that many felt were important."

The basic idea is that CIDs can make certain developments feasible, so they're good, and we shouldn't require merchants to post placards notifying shoppers that they'll be subject to an extra sales tax.

But, of course, whether or not CIDs are powerful development tools has no clear logical connection to whether taxpayers should be given information on their existence. Grand theft

auto is a powerful method for obtaining vehicles, and has been used to obtain vehicles that many couldn't afford to purchase on their own. But this doesn't mean grand theft auto is permissible or prudent, and it doesn't bear on whether or not would-be victims of grand theft auto should know about the chances of losing their cars. The bottom line is that the efficacy of a development tool isn't germane to the question of whether or not taxpayers should know about it.

"If merchants are required to notify shoppers of additional CID taxes, it will make it too hard for developers to find tenants."

If I apply for a CID in order to build a shopping center, the ordinance being considered would require that I tell would-be tenants of my property that they must post a sign that says something to the effect of "You're paying extra taxes here." The concern is that this would dissuade shoppers from patronizing a business, and so would cripple developers' ability to land tenants for their properties. And if there are no tenants to sign leases, then there just won't be any new development.

Here is what such an argument boils down to: Letting taxpayers know what tax rate they're subject to is (allegedly) bad for business, and since we want business to do well, we shouldn't let taxpayers know what tax rate they're subject to.

But it just isn't the job of taxpayers to make life easy for businesses. And it certainly *is* government's job to make sure taxpayers are being treated fairly and not being taken advantage of. The importance of honesty isn't diminished by the profit one can make through deceit. Moreover, developers using another type of special taxing district known as a transportation development district are already required to post additional sales tax notices (though they [often fail](#) to do so), and they don't seem to have any trouble getting tenants. What's different about CIDs that would make such notices overly burdensome?

It takes some chutzpah to argue that it's better for everyone if you are allowed to tax people without their knowledge. Instead of being upfront and simply charging tenants an amount that makes the investment in a property worthwhile, developers are going through the rigmarole of forming a district and collecting a tax. It's easy to see why a developer would want to have the government collect a tax from consumers and pass it along to the developer as profit. What's harder to understand is why the government would want to play along.

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