

Transportation funding strategies: Revenue options for consideration in the Financial Plan for Transportation



RTTP

2026
**Regional
Transportation
Plan**



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Introduction

This memorandum outlines potential revenue alternatives that could be implemented at the local, regional, state, or federal level to support transportation investments in the CMAP region. The contents aim to facilitate discussion about which revenue sources may be included as reasonably assumed long-range sources of funding for CMAP's long-range financial forecast for the region, informed by existing practices in both the CMAP region and elsewhere.

Each section of this memorandum covers a revenue mechanism or closely related mechanisms and follows a similar structure, including the following:

- An overview of the mechanism(s) under consideration
- The current status of the revenue alternative in the CMAP region and in previous planning efforts
- Examples from other regions or countries
- A series of additional considerations (implementation steps, use of funds, policy considerations, and limitations and challenges)
- Assessment against a consistent set of criteria.



The alternative revenue mechanisms surveyed and assessed include the following:




- Parking pricing, including both parking taxes and pricing of existing free parking
- Freight fees, including federal, state, and regional freight excise fees, ad valorem fees, and local freight management fees
- Regional revenue sources, including local option transportation and non-transportation funding mechanisms
- Financialized future carbon policies, including cap and trade and carbon tax systems.

Of the revenue mechanisms discussed in this memorandum, several were included in the 2025 transit reform bill (HB 3438) though it ultimately was not enacted.¹ The revenue mechanisms proposed in the bill included a retail delivery fee, a regional real estate transfer tax, a tax on transportation network companies, a tax on electricity consumption for vehicle charging, and redirecting interest from the Road Fund to public transit. A fee assessed on tolls charged by the Illinois State Toll Highway Authority within the Regional Transportation Authority region was also initially included but removed from the text of the bill.

¹ Illinois, 104th General Assembly, House Bill 3438 Amendment 3, <https://www.ilga.gov/documents/legislation/104/HB/PDF/10400HB3438sam003.pdf>.

Evaluation approach

In each of the sections below, the revenue mechanism categories are evaluated based on a qualitative framework that incorporates both policy- and process-related criteria. Results are presented using the “Harvey Ball” symbols noted in the header row of the table below. Some categories are rated “High/Medium” or “Medium/Low,” reflecting the fact that some categories include multiple revenue strategies and/or could be implemented in multiple ways. Those intermediate ratings are represented by the symbols  (High/Med) and  (Med/Low).

Criteria	High 	Medium 	Low 
<i>Policy considerations</i>			
Revenue durability	Once implemented, revenue is expected to generate stable or growing funds over time, with resilience to external changes and consideration for routine adjustments such as inflation.	Issues may prevent the revenue from reliably generating funds for the foreseeable future.	Revenue is not expected to reliably generate funds for the foreseeable future.
Mobility	The revenue tool can be designed to enhance connections between people and places by increasing reliability and reducing congestion.	Revenue tool has limited or no impact on mobility.	Revenue tool would likely worsen mobility outcomes.
Environmental resilience	Revenue tool can be structured to reduce pollution from the transportation sector.	Revenue tool has limited or no impact on emissions from the transportation sector.	Revenue tool would likely increase emissions from the transportation sector.
Economic prosperity	The revenue tool can be designed to address historical burdens in areas or among residents facing persistent poverty.	Revenue tool has limited or no impact on economic burdens faced by residents experiencing persistent poverty.	Revenue tool would likely increase economic burdens faced by residents experiencing persistent poverty.
<i>Process considerations</i>			
Implementation timeline	Revenue could reasonably be implemented and begin generating funds in less than two years.	Revenue could reasonably be implemented and begin generating funds within the first 10 years of the plan horizon (2027-2036).	Revenue may take longer to implement and would not reasonably generate funds until later in the plan horizon (2037+).
Political feasibility	Revenue is relatively well-socialized, well understood, and has general buy-in from political leaders, stakeholders, and/or the public.	Revenue is somewhat known and understood, and political and/or stakeholder support exists. However, continued education and consensus building is needed.	Revenue is not well-known and not well-understood, and the potential for political and/or stakeholder opposition is high.
Administrative feasibility	Revenue could leverage an existing administrative mechanism with little or no change.	Revenue could leverage an existing administrative mechanism, with modifications.	No existing administrative mechanism exists to administer the revenue.

Parking pricing

Context

Parking pricing, whether through fees or taxes, is commonly deployed throughout the CMAP region and elsewhere. This strategy can be used both as a revenue generation mechanism and to manage demand for what can be a scarce asset, especially in dense or high-traffic areas.

Mechanisms

The CMAP region could leverage parking fees and taxes to generate revenues for transportation investments using any of several mechanisms listed below.

- **Taxes on existing off-street parking.** Municipality, county, and/or state government(s) could implement or increase taxes on existing commercial off-street parking facilities.
- **Paid parking in downtowns, main streets, and central business districts.** Municipalities could implement paid parking on existing on-street parking and municipally-owned lots in their downtown and main street areas.
- **Paid street parking in non-downtown locations.** Municipalities and other relevant agencies (e.g., counties) could implement paid parking on existing on-street parking throughout their jurisdictions.
- **Parking benefit districts.** Municipalities and other relevant agencies (e.g., counties) could implement a specific type of paid parking for which revenues are directed back toward the community from which they are sourced. This can be applied to both downtown and non-downtown locations.

Examples

CMAP regional context

The CMAP region and the State of Illinois already collect significant revenues from priced parking. Examples include:

- **Commercial parking taxes** are imposed by the City of Chicago (23.25 percent), Cook County (6 to 9 percent), and the State of Illinois (6 to 9 percent). For reference, Chicago's parking tax applies to parking lots, garages, and valet

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In 2016, Illinois voters amended the state's constitution to restrict the allowed uses of transportation-related revenues (e.g., related to roadways, mass transit, and airports) toward transportation-related expenses. This amendment, commonly referred to as the "transportation lockbox," has important implications for many of the revenue sources discussed in this memorandum, as most are or could be subject to the lockbox restrictions.

Notably, in *Illinois Road and Transportation Builders Association v. Cook County*, the Illinois Supreme Court held that the lockbox also applies to transportation-related revenues raised under home rule authority, such as locally implemented motor fuel taxes.

operators. Chicago generated \$147 million in parking tax revenue in 2023,² while the State of Illinois generated \$41 million in 2023.³

- **Metered street parking in Chicago.** In 2023, Chicago’s metered parking system generated \$151 million; however, revenues are collected and retained by a private consortium under the terms of a 75-year concession arrangement.⁴ The City of Chicago annually recognizes \$15.3 million in revenue in the form of a deferred inflow, based on an amortization of the upfront \$1.15 billion payment by the private concessionaire.⁵
- **Vehicle permits in Chicago** (referred to as the City Sticker or the Chicago Wheel Tax). All residents that drive, park, lease, and/or own a vehicle in Chicago must purchase a Chicago City Sticker. The City of Chicago also requires residents in some “permit parking” zones to pay a small fee for on-street parking in addition to the base Chicago Wheel Tax fee. Revenue generated from this program supports repair and maintenance of Chicago streets. Vehicle sticker revenue in 2025 is budgeted at \$126.2 million.⁶
- **Suburban metered parking.** Metered parking exists in a small number of suburban municipalities, typically street parking or parking garages in their downtown areas (e.g., Oak Park, Joliet, Evanston). These are usually in addition to additional municipal parking lots, some of which may also be priced. As one example, the parking revenue for the Village of Oak Park in 2023 was \$6.3 million.⁷
- **Suburban commuter parking.** Many suburban municipalities have paid parking adjacent to Metra stations. This includes facilities owned and operated by Metra as well as municipally-owned lots.

There are no known examples of parking benefit districts in Illinois as of May 2025.

² City of Chicago, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023* (Chicago: City of Chicago, 2024),

https://www.chicago.gov/content/dam/city/depts/fin/supp_info/CAFR/2023CAFR/ACFR_2023.pdf.

³ Illinois Office of the Comptroller, "Revenue Source: Parking Excise Tax," accessed May 12, 2025, <https://illinoiscomptroller.gov/financial-reports-data/revenues-state-income/revenue-source?RevSel=2691&RevGrpSel=0&RevClsSel=0&RevTypeSel=0&FY=23&GroupBy=None&GetQueryData=Search>.

⁴ Chicago Parking Meters, LLC, *Financial Statements: December 31, 2023 and 2022* (April 29, 2024), https://www.chicago.gov/content/dam/city/depts/fin/supp_info/AssetLeaseAgreements/Audited%20Financial%20Statements/CPM_2023_Audited_Statements.pdf.

⁵ City of Chicago, *Annual Comprehensive Financial Report for the Year Ended December 31, 2023*.

⁶ City of Chicago, *2025 Budget Overview*, Mayor Brandon Johnson (Chicago: Office of Budget and Management, 2025), https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2025Budget/2025-Overview-DIGITAL.pdf.

⁷ Village of Oak Park, "Annual Comprehensive Financial Report for Fiscal Year Ended December 31, 2023." Accessed May 23, 2025, https://www.oak-park.us/files/assets/oakpark/v/1/finance/annual-comprehensive-financial-reports-acfr/23-8100_final_audit_-_vo_oak_park.pdf.

Other examples

Parking pricing is a common approach to revenue generation both nationally and globally. Illustrative examples include:

- The San Francisco Municipal Transportation Agency (SFMTA) has adopted parking pricing that responds to demand for both on-street parking and municipal garages in areas across the city. This approach helps to maximize the effectiveness of these public assets and has a dual benefit of both increasing public revenue and increasing the reliability of parking availability in high-demand areas. Parking revenue generated by SFMTA for Fiscal Year 2022-2023 was \$246 million, including parking fees and fines, city parking permits, parking garages, and parking meters.⁸
- In Pittsburgh, Pennsylvania, the city has established a “parking enhancement district” in the South Side Flats neighborhood. The program extends the hours of paid parking and features demand-based pricing. Revenues collected during the extended time window support improvements in the area such as lighting, signage, and cleaning. The enhancement district generated \$0.19 million in 2023.⁹
- In Paris, France, municipal authorities have dramatically reduced the availability of free on-street parking. Even in residential zones, there are fees for parking, with increased fees applied to larger vehicles such as SUVs. The higher fees on larger vehicles—approved by voters in 2024—apply only to non-resident vehicles and are estimated to generate an additional €35 million in revenue annually.¹⁰

Implementation steps

Parking pricing mechanisms vary in their implementation approach.

A tax on commercial parking can potentially be enacted (or increased, if one already exists) by a home rule authority on the paid parking facilities within their jurisdiction. The Illinois Municipal Code and the Illinois County Code specifically note that home rule counties (i.e., Cook County) and home rule municipalities with a population of more than 2,000,000 (i.e., Chicago) are not

⁸ San Francisco Municipal Transportation Agency, "Financial Update," presented at the SFMTA Board Meeting, December 7, 2023, https://www.sfmta.com/sites/default/files/reports-and-documents/2023/11/12-7-23_cac_item_8_financial_update_slide_presentation.pdf.

⁹ Office of Management and Budget, *Annual Parking Enhancement District Report for Fiscal Year 2023* (Pittsburgh: City of Pittsburgh, April 1, 2024), https://www.pittsburghpa.gov/files/assets/city/v/1/omb/documents/24737_parking_enhancement_district_report_-_2023.pdf.

¹⁰ City of Paris, “Results of the Citizens’ Vote of February 4, 2024: 54.55% of Voters Support Creating a Special Rate for Non-Resident SUV Parking,” press release, February 4, 2024, <https://presse.paris.fr/pages/21030>; The Guardian, “Parisians vote in favour of tripling parking costs for SUVs,” February 4, 2024, <https://www.theguardian.com/world/2024/feb/04/parisians-vote-in-favour-of-tripling-parking-costs-for-suvs>.

preempted from imposing a tax on the use of a parking facility.¹¹ As noted above, both Chicago and Cook County have enacted such taxes. The ability of other home rule authorities to enact such taxes would require further clarification. Non-home rule authorities would likely not be able to adopt such taxes under current statute.

Commercial parking taxes are assessed on the operators of paid parking facilities, with exemptions as deemed appropriate (e.g., on parking operated by tax-exempt entities such as municipalities). Because the state already assesses a commercial parking tax statewide, these operators already have an administrative system in place that can accommodate changed or additional parking taxes, which could simplify implementation.

Pricing existing free parking poses other implementation challenges. It appears that both home rule and non-home rule jurisdictions can adopt paid parking on municipally-owned assets (e.g., the non-home rule Village of Lombard has paid commuter parking adjacent to the Lombard Metra station).¹² However, prior to implementation, jurisdictions would need to identify the scale and location of parking that would potentially be converted to paid parking, the administrative mechanism (e.g., meters, app-based systems, permits), the pricing structure (e.g., flat, scheduled, dynamic), the enforcement approach, and more. After making those decisions, jurisdictions would need to adopt the necessary statutory and regulatory frameworks to implement paid parking, educate the public on the pending transition, and begin revenue collection and enforcement activities.

Other considerations

Revenue generation potential

ON TO 2050 included revenue from local parking pricing as a reasonably expected revenue, with a total value of \$2 billion over the life of the plan. ON TO 2050 further highlighted increased parking pricing as an effective strategy to incentivize mode shift to transit, thereby addressing the dual objectives of revenue generation and mode shift.¹³

The scale of parking pricing revenues could vary depending on the implementation approach. A limited increase in priced parking in a single municipality would have limited revenue impacts in the context of the regional transportation plan. However, if these policies were adopted on a regional scale, the revenue potential is significant.

¹¹ Illinois Compiled Statutes (ILCS), 735 ILCS 5/5-1009. Accessed May 22, 2025, <https://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=005500050K5-1009>; ILCS, 65 ILCS 5/8-11-6a. Accessed May 22, 2025, <https://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=006500050K8-11-6a>.

¹² Village of Lombard, "Overnight Parking." Accessed May 22, 2025, <https://www.villageoflombard.org/245/Parking>.

¹³ Chicago Metropolitan Agency for Planning (CMAP), "ON TO 2050: Make Transit More Competitive." Last modified October 2018, <https://cmap.illinois.gov/regional-plan/goals/recommendation/make-transit-more-competitive/>.

Use of funds

Parking revenues are used for both transportation-related expenses and general expenses. However, in Illinois, parking-related revenues are likely subject to the provisions of the transportation lockbox, including both state and home-rule parking fees and taxes. Likewise, examples from elsewhere generally reveal a pattern of parking-related revenues supporting transportation, after accounting for the cost of managing parking facilities.

The SFMTA relies on parking revenue as a core component of its overall funding strategy. A significant portion of these funds support public transit and multimodal transportation initiatives. In Evanston, Illinois, revenues generated from parking fees are strategically allocated to support the city's transportation infrastructure. These funds are primarily directed toward the operation and maintenance of municipal parking services and garages, including staffing, enforcement, and customer service.¹⁴ In Washington DC, revenues collected from parking meters are dedicated to a portion of the district's annual operating subsidies to the Washington Metropolitan Area Transit Authority (WMATA).¹⁵

In some cases, parking pricing mechanisms limit the uses of funds to specific geographies. Parking benefit districts are explicitly designed to focus revenues from parking on a specified area, e.g., the South Side Flats neighborhood of Pittsburgh in the example noted above. This can help to build support for the pricing of existing free parking but does limit the potential uses and applicability to broader public investment needs.

Policy considerations

When developing any new parking pricing policy, or making modifications to existing programs, there is an opportunity to align such pricing with other transportation objectives. For example, the rate charged for parking facilities may be set to incentivize mode shift among travelers when viable transit alternatives exist. Similarly, the geographic scope of priced parking matters: parking in transit-rich parts of the CMAP region could be priced higher than others. Meanwhile, areas that see less transit coverage or frequency may be less appropriate for increased rates, given the relative lack of alternative travel options.

Limitations and challenges

Any new priced parking would need to account for several limitations and challenges, including:

¹⁴ Jonah Meadows, "Does Paid Parking Promote Turnover or Drive Shoppers and Diners Away?" *Evanston RoundTable*, August 15, 2023, <https://evanstonroundtable.com/2023/08/15/does-paid-parking-promote-turnover-or-drive-shoppers-and-diners-away/>.

¹⁵ Office of the Chief Financial Officer, *FY 2025 Approved Budget and Financial Plan – Congressional Submission: Washington Metropolitan Area Transit Authority (KE0)*, Government of the District of Columbia, July 2024, https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/ke0_wmata_chapter_2025j.pdf; Council of the District of Columbia, *Appendix K: Special Purpose Revenue*, May 2017, https://dccouncil.gov/wp-content/uploads/2017/05/Appendix_K_SpecialPurposeRevenue.pdf.

- Most of the region's existing priced parking is concentrated in Chicago—in particular in the city's central business district. Much of this parking is already priced, with a combination of public and private revenues generated through parking rates and taxes.
- The City of Chicago's existing parking meter concession constrains the ability of the city to monetize the existing paid on-street parking spaces. The concession agreement also restricts the City's ability to operate additional off-street garages in proximity to those paid parking spaces. The City could potentially expand paid parking to additional spaces beyond the amount covered under the terms of the concession, e.g., residential parking zones.
- The cumulative parking tax currently in place in the City of Chicago (up to 40 percent between Chicago, Cook County, and Illinois taxes) is already among the highest nationwide, which could limit opportunities for Chicago specifically to raise parking taxes further.
- Converting free parking to paid parking, and/or increasing the cost of existing priced parking, can pose significant political challenges.

Evaluation

Criteria	Ranking	Detail
Revenue durability	●	Revenues from parking-related sources are likely to remain stable or grow over time, especially if the revenue source is applied to a broad range of geographies. Note that there are some potential long-term issues to address, e.g., from fleets of autonomous vehicles whose parking (garaging) and charging behaviors differ from private cars, although the revenue implications may be limited.
Mobility	◐	Additional parking-related revenues and fees are capable of aligning with CMAP’s mobility goals should pricing be used explicitly to incentivize shifts to transit, non-car modes, and off-peak time periods.
Environmental resilience	◐	Additional parking-related revenues and fees are capable of aligning with CMAP’s environmental goals should pricing be used explicitly to incentivize shifts to transit and non-motorized travel modes that reduce pollution from the transportation sector.
Economic prosperity	◑	Parking-related fees and revenues are likely to have a relatively lower impact on residents experiencing persistent poverty, given their lower levels of vehicle ownership, while revenue from parking-related fees can be used to at least partially mitigate such impacts.
Implementation timeline	◐	Some mechanisms could be quickly leveraged (e.g., tax on existing parking). Other mechanisms, such as new paid parking in jurisdictions without a history of charging for parking, would take longer to implement.
Political feasibility	◑	Changes to existing mechanisms could be advanced with moderate opposition. However, charging for existing free parking faces challenges.
Administrative feasibility	◑	Some mechanisms are already available and could be easily modified. However, existing free facilities would require significant new administrative and/or operational infrastructure to establish paid parking.

Freight fees

Context

The Chicago metropolitan area is recognized as the nation's premier freight hub, supported by an extensive rail network, a well-connected interstate highway system, access to both the Great Lakes and Mississippi River maritime routes, and one of the country's leading air cargo facilities at O'Hare International Airport.¹⁶ However, the region's high level of freight activity also generates growing needs. Trucking contributes to roadway and bridge deterioration, increased congestion, and safety issues. Dense concentration of freight and industrial facilities often lead to land use conflicts, particularly with residential neighborhoods.¹⁷ As these challenges grow, identifying revenue to upgrade infrastructure and mitigate the impacts of freight likewise becomes crucial.

There are several freight-related mechanisms through which the CMAP region could generate revenues for transportation investments. These can broadly be placed in two categories: federal, state, and regional freight fees; and local freight management fees (note that there is some overlap). Both mechanisms are discussed and evaluated in the sections below.

Federal, state, and regional freight excise and ad valorem fees

Taxes or charges can be applied to freight system users at a large geographic scale and extend to cover freight that is passing through a given region. These include:

- **Intermodal container fees.** State or local governments could implement fees on storage or movement of intermodal shipping containers. Storage fees are commonly used in cities located near major ports and shipping facilities. Some fees are based on container type, transport route, and/or cargo weight.
- **Truck/trailer charges (including oversize/overweight permits and weight-distance taxes) and tolls.** Transportation agencies could consider higher toll rates for heavy/commercial vehicles on tolled highway facilities. Differential tolling based on vehicle class is commonly used to account for the greater wear and impact caused by heavier commercial vehicles. Other than toll facilities, trucks must purchase permits to carry oversize/overweight loads on specified routes in most jurisdictions, while five states impose weight-based per-mile fees for heavy trucks based on cumulative road usage across the entire jurisdiction (commonly known as weight-distance fees).
- **Freight Value Added Tax (VAT).** A tax could be levied on transportation services provided by shippers and freight haulers. This tax could be based on either the cost of

¹⁶ CMAP, "Freight Snapshot." 2017, <https://cmap.illinois.gov/wp-content/uploads/FY17-0095-Freight-Snapshot.pdf>.

¹⁷ CMAP, "Regional Strategic Freight Direction." February 6, 2018, https://cmap.illinois.gov/wp-content/uploads/FINAL-Regional-Strategic-Freight-Direction-with-cover_2-6-18.pdf.

transportation services (i.e., conceptually similar to a sales tax on transportation services) or the value of goods being transported.

Examples

CMAP regional context

The Illinois Department of Transportation (IDOT), county transportation departments, municipalities, and other roadway agencies administer oversized/overweight permit systems for trucks traversing public roads in the state. Meanwhile, all the tolled facilities in the CMAP region charge trucks and other commercial vehicles a higher amount than passenger cars. These include:

- The Illinois State Toll Highway Authority (the Illinois Tollway), which has four toll rate tiers based on the number of axles. Rates vary by toll plaza, but across the entire system, the Illinois Tollway charges five-axle vehicles an average of ten times the base toll rate for passenger cars during the day.¹⁸ Commercial vehicle toll rates are also indexed to an inflation-based metric, whereas passenger car toll rates are fixed and do not increase on a regularly scheduled basis.
- The Chicago Skyway, which has six toll rate tiers based on the number of axles, with the largest (seven-plus-axle) vehicles paying roughly eight times the base toll rate during the day.¹⁹

There are no known examples of intermodal container fees or freight VAT in the region or state as of May 2025. However, these concepts have been considered in the region and state. For example, in 2025, State Sen. Rachel Ventura introduced the Cargo Transportation Fee Act (SB 1608), which would have allowed local governments to impose specified fees on intermodal cargo, although the bill has not yet advanced beyond the Senate Revenue Committee as of the conclusion of the May 2025 session of the Illinois General Assembly.²⁰

ON TO 2050 also recommending the adoption of a federal cost-of-freight service fee of 0.3 percent on the cost of shipping freight.²¹ CMAP estimated that such a fee could provide \$7 billion for investments in the CMAP region over the life of the ON TO 2050 planning horizon.²²

¹⁸ Illinois Tollway, "Toll Rates." Accessed May 14, 2025, <https://agency.illinoistollway.com/toll-rates#2023Rates>.

¹⁹ Chicago Skyway Concession Company, LLC, "Toll Information." Accessed May 14, 2025, <https://www.chicagoskyway.org/toll-information/>.

²⁰ Illinois Senate Bill 1608 (2025), "Cargo Transportation Fee Act," 104th General Assembly, 2025, <https://www.ilga.gov/legislation/BillStatus.asp?DocNum=1608&GAID=18&DocTypeID=SB&LegId=160400&SessionID=114>.

²¹ CMAP, "Fully Fund the Region's Transportation System." Accessed May 22, 2025, <https://cmap.illinois.gov/regional-plan/goals/recommendation/fully-fund-the-regions-transportation-system/#implement-a-federal-cost-of-freight-service-fee>.

²² CMAP, "ON TO 2050 Comprehensive Regional Plan." Accessed May 22, 2025, https://cmap.illinois.gov/wp-content/uploads/dlm_uploads/ON-TO-2050-Comprehensive-Regional-Plan-FINAL.pdf.

This would resemble the existing federal excise tax of 6.25 percent imposed on transportation of freight by air within the United States.²³

Other examples

Freight excise fees are a common approach to revenue generation both nationally and globally. Illustrative examples include the following:

- In the Los Angeles region, some freight containers are subject to a Container Charge from the Alameda Corridor Transportation Authority (ACTA). While some of ACTA's revenues come from use fees related to its 20-mile rail link (the Alameda Corridor), ACTA also levies a fee on loaded containers that use the LA/Long Beach port and travel by rail into or out of Southern California, even if those containers bypass the ACTA's rail facilities. The combined revenues from these use fees and other container charges are expected to be \$91 million for 2025.²⁴
- Most tolled facilities charge trucks and commercial vehicles a higher amount than passenger cars. As an illustrative example, the Maryland Transportation Authority charges tolls on its facilities based on vehicle type and axle count. As a result of these differences, revenue from commercial vehicles significantly outpaces their share of system traffic, with commercial vehicles accounting for 49% of revenue but only 18% of trips.²⁵
- In a limited number of cases, tolls *only* apply to trucks. Notably, Rhode Island implemented truck-only tolls on certain interstate highways and bridges to generate revenue for infrastructure maintenance starting 2018. This faced challenges from the trucking industry related to the U.S. Constitution's Commerce Clause, with a court opinion leading to a pause in truck tolling in 2022. Later, the First Circuit Court of Appeals overturned this decision, with the stipulation that Rhode Island remove discounts for local companies. Rhode Island lawmakers are in discussions to possibly resume toll collections sometime in the twelve months after July 1, 2025, with the expectation of generating \$40 million per year.²⁶
- As mentioned above, five states currently operate a weight-distance tax on heavy commercial vehicles. Once common across the country, weight-distance taxes faced opposition from and litigation by the trucking industry, which led many states to

²³ Airlines for America, "U.S. Government-Imposed Taxes on Air Transportation." Accessed May 15, 2025, <https://www.airlines.org/dataset/government-imposed-taxes-on-air-transportation/>.

²⁴ Alameda Corridor Transportation Authority, "First Amended FY2025 Budget." February 20, 2025, <https://www.acta.org/wp-content/uploads/2025/03/FY25-Budget-Amended-Feb2025.pdf>.

²⁵ Maryland Transportation Authority, "Annual Comprehensive Financial Report." 2024, https://mdta.maryland.gov/About/Finances/Financial_Statements_and_Annual_Reports.html.

²⁶ Rhode Island Office of Management and Budget, "Executive Summary: Fiscal Year 2026." January 2025, https://omb.ri.gov/sites/g/files/xkgbur751/files/2025-01/FY%202026_Executive%20Summary_FINAL_FULL%20BOOK_ONLINE%20VERSION%20%281%29.pdf.

dismantle their programs in favor of diesel taxes. Weight-distance taxes remain a major source of statewide funding in the states that continue to operate them, which include Oregon, New York, New Mexico, and Kentucky. Connecticut recently became the first state in several decades to enact a weight-distance tax, with the program launching in 2023. Oregon’s weight-mile tax, the nation’s most mature program, generated \$450 million in FY 2024.²⁷ Connecticut’s program, which uses a similar weight-based rate schedule as Oregon but charges substantially lower per-mile rates, saw revenue grow to \$60 million in FY2024, its first full year of operation.²⁸

There are no current examples of a freight VAT in the U.S. However, in addition to the “cost of freight service fee” recommendation included in ON TO 2050, some transportation policy analysts have noted its potential as a replacement for other declining transportation revenue sources. One estimate found that an 8 percent surcharge on commercial activity on U.S. streets and highways could generate \$76 billion annually nationwide. Similar to a freight VAT, the proposed commercial activity surcharge could be embedded in the cost of goods and services and ultimately passed on to consumers.²⁹ This approach could mirror existing VATs on freight services elsewhere in the world, such as those charged on freight services within the European Union.³⁰

Implementation steps

The implementation steps vary significantly depending on the type of freight system fee. For example, an intermodal container fee would require enabling legislation at the state and/or local level, depending on its applicability and home rule authority. After establishing an appropriate fee schedule and identifying any exemptions (e.g., for empty containers), the relevant government agency would need to establish an appropriate structure for fee collection, compliance, and oversight.

Other strategies, such as commercial vehicle toll rate differentials, are already well established in the CMAP region and could be adopted on newly tolled facilities as part of their toll structure (see the companion memorandum on pricing strategies). Existing tolled facilities could also adjust their toll rate differentials through their established processes, although it should be

²⁷ Oregon Department of Transportation, “ODOT State Transportation Revenue Forecast.” April 2025, <https://www.oregon.gov/odot/Data/Revenue%20Forecasts%20%20Economic%20Reports/Apr%202025%20Forecast%20document%20Final.pdf>.

²⁸ Connecticut Department of Revenue Services, “Annual Report FY2023-2024.” February 2025, <https://portal.ct.gov/-/media/drs/drs-reports/drs-fy24-annual-report.pdf?rev=dba769346c57461997c106090f19d8ee&hash=E57055413653BBDA6B03E484DE2A9ACB>.

²⁹ Pete K. Rahn, “The Gas Tax is Obsolete. Here’s a Better Idea,” *Politico*, June 23, 2021, <https://www.politico.com/news/agenda/2021/06/23/gas-tax-better-idea-495572>.

³⁰ Irish Tax and Customs, “Transport and haulage of goods.” Accessed July 21, 2025, <https://www.revenue.ie/en/vat/goods-and-services-to-and-from-abroad/transport-haulage-of-goods/index.aspx>.

noted that recent federal tolling pilot programs have established an upper limit on toll rate multipliers of five times the lowest toll rate as a condition of participation.³¹

A weight-distance tax would require state legislation and substantial time for developing the necessary administrative and compliance processes. Connecticut's program launched 18 months after enactment, an aggressive timeline.

A freight VAT, commercial activity surcharge, or cost-of-freight service fee would likely require action at the federal level. While it could be considered at the state level, there would be significant challenges in accounting for freight activities that cross state lines, especially in the multi-state region of the Chicago metropolitan area. Any enabling legislation would need to establish both the structure of the fee and an approach for allocating funds between various jurisdictions. As with intermodal container fees, successful implementation would also require establishing a comprehensive approach to revenue collection and oversight.

Other considerations

Use of funds

Freight-related fees would likely be subject to the terms of the transportation lockbox. However, in some cases, freight-related revenues are further focused on freight-specific needs. For example, ACTA's usage fees and container fees support investments in ACTA's rail assets. In other cases, freight excise fees support general transportation system investments, although potentially offsetting increased expenses from wear-and-tear caused by commercial vehicles. States with weight-distance taxes typically dedicate program revenues to transportation purposes. Rhode Island's truck toll program was originally enacted to finance a program of improvements for deteriorating bridges statewide; however, in the wake of the court decision, state lawmakers must resolve whether and how to relaunch toll collections and how to allocate the funds generated.

Limitations and challenges

Any new freight excise fees would need to account for several limitations and challenges, including:

- Freight activity often spans jurisdictional boundaries (local, state, and national). Fees and taxes must be structured consistently with the Commerce Clause to avoid constitutional challenges while addressing administrative challenges (e.g., related to the complexity of assessing a fee on activity within the relevant jurisdiction). This includes consideration of the differential cost of administration for in-state and out-of-state businesses. If implemented at a state or local level, freight excise fees could also incentivize marginal freight activity to shift toward jurisdictions without such fees.

³¹ 23 U.S. Code § 129, "Toll roads, bridges, tunnels, and ferries." Accessed May 14, 2025, [https://uscode.house.gov/view.xhtml?req=\(title:23%20section:129%20edition:prelim\)](https://uscode.house.gov/view.xhtml?req=(title:23%20section:129%20edition:prelim)).

- Freight excise fees could increase the price of goods paid by consumers in the region.
- Some potential implementers of freight excise fees, such as the Illinois Tollway, have significant constraints on the uses of their revenues (e.g., related to bond covenants).
- Freight industry stakeholders may oppose any additional freight excise fees, especially if revenue were to be directed toward non-freight and/or non-transportation investments.

Evaluation

Criteria	Ranking	Detail
Revenue durability	●	Freight activity is expected to continue to grow, both in the CMAP region and nationally, although freight demand could be influenced by elasticity.
Mobility	◐	Some freight excise fees could improve mobility outcomes depending on their design. For example, the Illinois Tollway’s existing application of its highest commercial vehicle toll rates during daytime hours helps to shift truck traffic to off-peak periods, improving mobility options for other system users.
Environmental resilience	◑	While freight excise fees could be designed to achieve environmental resilience goals, the more important benefits relate to revenue generation. Freight excise fees are unlikely to worsen environmental resilience impacts.
Economic prosperity	◑	Freight excise fees are likely to have a minimal impact on residents experiencing persistent poverty.
Implementation timeline	◑	While existing freight toll differentials could be adjusted on a relatively short- to medium-term timescale, any new intermodal container fee or freight VAT would have an extended lead time (especially related to federal action).
Political feasibility	◑	While there are examples of toll differentials in the region, these are already higher than many peer levels; further increases could face significant opposition, as could novel revenue sources like an intermodal container fee.
Administrative feasibility	◑	Except for toll differentials, these revenue sources would require the creation of new administrative and enforcement mechanisms. Taxing freight is relatively less administratively complex than private cars due to the smaller number of taxpayers.

Local freight management fees

Local freight management fees are imposed on carriers, with a focus on addressing road usage associated with final (or last-mile) delivery (i.e., delivery of retail goods) of products to customers including individuals and businesses. This category also includes fees aimed at managing urban curb space.

- **Retail delivery fees.** These fees could be applied to deliveries made within a jurisdiction for goods delivered directly to businesses or consumers.
- **Curb management fees.** These fees could be imposed on the use of curb space by delivery vehicles, generally for implementation in locations where curb usage is in relatively high demand.

Examples

CMAP regional context

The only example of curb management fees in the region or the state as of May 2025 is in the City of Chicago, which manages commercial loading zones in its central business district through a paid system aimed at improving traffic flow and supporting efficient deliveries. These designated zones help reduce double parking and encourage turnover by providing regulated curbside access for delivery vehicles. The revenue from Commercial Loading Zones by the City of Chicago generated \$620,000 in 2021.³²

There are not currently any examples of retail delivery fees in the region or the state as of August 2025, though a statewide version was proposed in the most recent legislative session as part of transit funding reforms. This would have imposed a fee of \$1.50 per order delivered by motor vehicle in Illinois, with the rate indexed to inflation and adjusted annually. Retailers with less than \$500,000 in annual sales would have been exempted from collecting this fee, as would deliveries for groceries and pharmaceuticals.³³

Other examples

Retail delivery fees and curb management fees are emerging forms of revenue generation tools. Illustrative examples include:

- Minnesota implemented a retail delivery fee of \$0.50 that is applicable on each retail transaction involving one or more deliveries to a business or residence. The fees are applied to each retail sale of \$100 or more that involve delivery to an address in Minnesota. The Minnesota Department of Revenue projects that retail delivery fees

³² City of Chicago, Department of Finance, "27 – DOF TTCs." October 12, 2022, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2023Budget/2023TTCResponses/27%20-%20DOF%20TTCs.pdf.

³³ Illinois, 104th General Assembly, House Bill 3438 Amendment 3.

will generate \$59 million in 2025.³⁴ Revenue generated from the fee is dedicated to statewide transportation infrastructure projects.

- Colorado imposes retail delivery fees on deliveries by motor vehicle to a location in Colorado with at least one item subject to state sales or use tax. Colorado charges \$0.28 per delivery irrespective of the value of the items purchased. In its first year (2023), the fee generated \$76 million, in line with the bill's fiscal note prediction of \$78 million.³⁵ Revenues are allocated to a variety of purposes including state and local transportation agency accounts. The fee generated \$96M in 2024 and is on pace to generate more than that in 2025 (with \$54M through June 2025).³⁶
- SFMTA has divided curb functions into six categories. Adjacent property owners may apply for designation in one of the categories. Initial application and annual renewal fees apply for four of the curb types, with fee amounts varying by category and length of curb.³⁷

Implementation steps

Implementation of retail delivery fees varies depending on the level of government. These fees may be adopted at the city, county, or state level, depending on the jurisdiction's legal framework and policy goals. As this would be a novel revenue mechanism in Illinois, additional research would be required to understand the potential interaction with existing home rule and non-home rule authority.

Where enacted, the authorizing legislation must define the nature and scope of fees for retailers and consumers. The fee structure that defines a flat fee or variable fee based on transactions, delivery distance, and frequency of deliveries needs to be established. To date in Minnesota and Colorado, for simplicity, fees have been effectively established as excise taxes *per transaction*, regardless of value or number of deliveries. Administrative mechanisms need to be in place for fee collection and compliance.

Curb management fees are typically implemented by local jurisdictions. To implement curb management fees, it is important to identify locations and the type and demand of curb spaces where fees could be imposed. The fee structure needs to be established based on time of day, use, duration, access, etc. Local authorities must also establish administrative and enforcement

³⁴ Minnesota Department of Revenue, "Analysis of Chapter 68 (H.F. 2887), Article 3, Sections 8–12: Retail Delivery Fee." October 19, 2023, <https://www.revenue.state.mn.us/sites/default/files/2023-10/chapter-68-hf2887-art-3-sec-8-12-retail-delivery-fee-1.pdf>.

³⁵ Washington State Joint Transportation Committee, "Retail Delivery Fee Analysis." Accessed July 21, 2025, https://leg.wa.gov/media/kqojsh4i/retaildeliveryfeeanalysis_finalreport.pdf.

³⁶ Colorado Department of Revenue, "Transportation Fees Revenue Report." Accessed July 21, 2025, <https://cdor.colorado.gov/data-and-reports/state-revenue-data/transportation-fees-revenue-report>.

³⁷ San Francisco Municipal Transportation Agency (SFMTA), "Color Curbs," accessed May 22, 2025, <https://www.sfmta.com/getting-around/drive-park/color-curbs>.

systems, which may include signage, permitting tools, and monitoring technologies to support compliance and effective curb space management.

Other considerations

Revenue generation potential

Both categories of local freight management fees discussed in this section have the potential to generate meaningful revenue. Given the recent sharp increases in home delivery services, retail delivery fees in urban areas, in particular, enjoy a strong and growing tax base. Nonetheless, local freight management fees face a natural ceiling based on the relatively lower volumes of freight traffic, with freight-related road usage constituting typically between 5 and 20 percent of miles traveled. Because these mechanisms are more concentrated on a subset of freight activity, their revenues have less potential than broader freight fees (e.g., freight VAT or weight-distance taxes).

Curb management fees are also often designed to maximize the efficient use of scarce curb space. While a fee structure designed around curb space optimization may produce similar revenue to a purely revenue-maximizing approach, the price elasticity of curb space usage serves as an upper bound on revenue potential.

Use of funds

In many cases, revenues generated through local freight management fees are directed toward transportation uses. In both Minnesota and Colorado, the revenues from retail delivery fees support a range of local and/or state transportation priorities. Minnesota largely divides its retail delivery fee revenues among municipal, township, and county governments, with restrictions on the use of funds by counties toward projects like active transportation studies, system rehabilitation, and complete streets. Minnesota also dedicates one percent of the funds to food assistance programs, a use that might be precluded in Illinois by the terms of the transportation lockbox. Colorado allocates its revenues toward uses such as general highway projects, multimodal projects, bridge and tunnel projects, transit investments, electrification, and air pollution mitigation.³⁸

Other local freight management fees, such as those related to curb use, also appear to often support broader transportation system investments.

Limitations and challenges

Local freight management revenue mechanisms would need to account for several limitations and challenges, including:

³⁸ Washington State Joint Transportation Committee, “Retail Delivery Fee Analysis: Final Report.” June 2024, https://leg.wa.gov/media/kqoish4i/retaildeliveryfeeanalysis_finalreport.pdf.

- Freight-focused fees may face significant pushback from the retail sector if the rates are perceived as excessive. While the impact on small businesses is a key concern, other retailers, regardless of size, may also express opposition if the fees are seen as burdensome. In addition, there could be pushback from consumers and online retailers. Recent changes to Illinois’ sales tax rules—effective January 1, 2025—require out-of-state sellers to collect the full combined state and local sales tax rate.³⁹ This could have the effect of increasing the total cost of e-commerce transactions and could thus impact the viability of additional fees.
- Retailers may choose to pass these costs to consumers, contributing to inflation and potentially declining sales. Online retailers whose businesses rely on fast, low-cost delivery may be particularly impacted. The potential for combined resistance from businesses and consumers poses a hurdle for political acceptance.
- Dynamic curb pricing is adjusted based on various uses and demand; however, managing and enforcing variable pricing is complex. This flexible operation requires advanced data collection, data monitoring, and real time pricing which adds administrative complexity. Practical limitations of administration and enforcement can limit the ability to achieve ideal policy outcomes and, therefore, reduce revenue.
- While commercial loading zones (CLZs) play a critical role in supporting goods movement and reducing congestion, they come with notable revenue trade-offs. On average, regular metered parking generates ten times more revenue than CLZs.⁴⁰ This reflects a structural limitation in the program—although revenue generation is an important consideration of curb management, the primary focus is on reducing congestion, improving curb efficiency, and improving flexibility between uses.

³⁹ Illinois Department of Revenue, “FY 2025-12, Sales Tax Rate Change Summary, Effective January 1, 2025.” Informational Bulletin, November 2024, <https://tax.illinois.gov/research/publications/bulletins/fy-2025-12.html>.

⁴⁰ City of Chicago, “Department of Finance 2022 Budget Hearing Responses.” September 30, 2021, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2022Budget/BudgetHearingResponses/DOF%202022%20Bduget%20Hearing%20Responses.pdf, page 56.

Evaluation

Criteria	Ranking	Detail
Revenue durability	●	Delivery volumes are expected to grow due to rapid expansion of e-commerce.
Mobility	◐	Curb management fees could potentially promote efficient usage and reduce congestion.
Environmental resilience	◐	Retail delivery fees can support environmental goals by encouraging fewer trips, reducing emissions.
Economic prosperity	◐	These mechanisms would have limited impact on residents experiencing persistent poverty.
Implementation timeline	◐	Implementation may vary by mechanism. Curb management fees could be expanded with existing policy but will vary from jurisdiction to jurisdiction. Retail delivery fees require new legislation to authorize but once authorized can be implemented relatively quickly, especially at the state level, utilizing existing sales tax infrastructure.
Political feasibility	◐	Both types of fees are likely to encounter stakeholder resistance, especially from the business community who will incur extra costs (whether they pass those costs on to customers or not) and administrative requirements.
Administrative feasibility	◐	Retail delivery fees are straightforward to administer given existing sales tax infrastructure. Curb management fees would require additional administrative and enforcement mechanisms.

Regional revenue sources

Context

A persistent gap between funding needs and state and federal funding levels has sustained interest in exploring new “regional revenue sources” to support transportation investment in northeastern Illinois. Regional revenue sources are those raised from constituents in the region, with proceeds used to support investments in the region. In addition to providing flexible revenues for local and regional priorities, these revenue sources can reduce reliance on state and/or federal sources. Furthermore, when state and federal sources of funding are available, cost-sharing (also known as local match) is typically required. Regional revenue sources can be used to fulfill this local match requirement, which significantly increases their impact by unlocking much larger funding streams available at the state and federal level.

The potential revenue sources discussed in this section include both transportation and non-transportation funding mechanisms that could be implemented at the regional level to support transportation investments. They range from conventional, existing policies—motor fuel taxes at the state, county, and local level, for instance—to those not currently in use anywhere within the CMAP region or Illinois for transportation purposes (such as payroll taxes).

Regional transportation funding mechanisms

Existing transportation revenue mechanisms can be applied to multiple geographic areas and jurisdictional layers at once. Transportation funding mechanisms with the most significant revenue generating potential include the following:

- **Motor Vehicle Registration fees (MVR).** Fees for motor vehicle registration within the CMAP region may be increased. Additional variation in rates could include scaling the amount charged by vehicle weight and/or fuel economy, with potential surcharges by fuel type.
- **Motor Vehicle Sales Tax.** A sales or use tax may be imposed on the purchase of vehicles that are titled or registered within a given jurisdiction.
- **Motor Fuel Tax (MFT).** Existing local MFT rates, as well as limitations on what can be charged, vary considerably by jurisdiction. Nonetheless, MFT rates could be increased within the CMAP region.

Examples

CMAP regional context

The CMAP region and the State of Illinois already collect significant revenues from MFT and MVR, both as statewide mechanisms and through local option add-ons. These funds support transportation projects within the state and region. A few examples that highlight the rough order of magnitude for revenue generated include the following:

- Illinois collected \$2.9 billion in MFT revenue in 2024.⁴¹ A majority is dedicated to the Transportation Renewal Fund, which, in addition to state and local disbursements, also provides a dedicated annual capital funding stream for transit agencies. After deductions for administrative costs, refunds, and allocations to special accounts, 54.4 percent of the remaining state MFT revenues are allocated to local governments, with the rest split at the state level between the State Road Fund and the State Construction Account. Local governments throughout Illinois, including the City of Chicago, Cook County, and several other counties in the CMAP region already collect local option MFT on top of the state MFT. In 2024, local MFT revenues collected by the state on behalf of local governments accounted for \$89 million of the \$2.9 billion total. Note that these figures exclude additional home rule MFT revenues, such as those collected by the City of Chicago (\$60M in 2024)⁴² and Cook County (estimated at \$87M for FY2024).⁴³
- Illinois collected \$1.5 billion in state MVR in 2024.⁴⁴ MVR fees include driver license fees, vehicle registration fees (including electric vehicle surcharges), and specialty license plate fees. These figures do not include the revenues from local option vehicle registration fees (often referred to as “wheel taxes”), which are imposed by municipalities such as Chicago and Evanston. Other jurisdictions, such as Cook County, previously had local option wheel taxes but subsequently eliminated them.⁴⁵

Sales and use tax revenues on motor fuel and motor vehicles are also significant sources of funding for both state and local governments. For example, in addition to MFT collected per gallon of fuel purchased, motor fuel sales in Illinois are also subject to the state’s sales tax of 6.25 percent, plus any additional local sales taxes. In recent years, Illinois has shifted some revenues from state sales tax collected on motor fuel (currently 4 percentage points of the 6.25 percent) toward transportation uses.⁴⁶ The state’s FY2026 budget paused the final transfer in a series of incremental 1 percentage point transfers.⁴⁷ Based on the forecasted budgetary impact of \$171 million, this implies a total forecasted revenue from state motor fuel sales taxes of

⁴¹ Illinois Office of the Comptroller, "Motor Fuel Revenue Source," accessed May 12, 2025, <https://illinoiscomptroller.gov/financial-reports-data/revenues-state-income/revenue-source?RevSel=0&RevGrpSel=0&RevClsSel=0&RevTypeSel=09&FY=24&GroupBy=None&GetQueryData=Search>.

⁴² City of Chicago Office of Budget and Management, “2025 Budget Overview,” accessed July 21, 2025, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2025Budget/2025-Overview-DIGITAL.pdf.

⁴³ Cook County Bureau of Finance, “FY 2025 County Executive Budget recommendation, Volume I,” accessed July 21, 2025, https://www.cookcountyil.gov/sites/g/files/ywwepo161/files/documents/2024-10/Volume%20I%20-%20Budget%20Overview%20FY2025%20Executive%20Budget%20Recommendation_0.pdf.

⁴⁴ Illinois Office of the Comptroller, "Revenue Source 0915: Licenses/Fee or Registration," accessed May 12, 2025, <https://illinoiscomptroller.gov/financial-reports-data/revenues-state-income/revenue-source?RevSel=0323&RevGrpSel=0&RevClsSel=0&RevTypeSel=0&FY=24&GroupBy=None&GetQueryData=Search>.

⁴⁵ Cook County Board, "Cook County Board Unanimously Passes Repeal of County Wheel Tax," September 22, 2022, <https://www.cookcountyil.gov/news/cook-county-board-unanimously-passes-repeal-county-wheel-tax>.

⁴⁶ Illinois, 101st General Assembly, Public Act 101-0032, “Transportation Funding Protection Act,” <https://www.ilga.gov/documents/legislation/publicacts/101/PDF/101-0032.pdf>.

⁴⁷ Public Act 104-0006, <https://www.ilga.gov/Documents/Legislation/PublicActs/104/PDF/104-0006.pdf>.

\$1.07 billion.⁴⁸ When the phased-in shift of funds is complete (now scheduled for July 1, 2026), the state will have transitioned all of the sales tax on motor fuels that goes to the state toward transportation expenses. Like other sales tax revenues, the revenue from the remaining 1.25 percentage points of the sales tax is distributed to local governments.⁴⁹

Vehicle sales are also subject to a combination of state and local sales and use taxes. In addition to the base state sales tax rate, some jurisdictions also impose local option motor vehicle sales taxes. Cook County, for example, already levies a 1-percent use tax on vehicle sales.⁵⁰ Cook County's FY2025 budget includes \$113M in revenue from the vehicle use tax.⁵¹ The City of Chicago also imposes a 1.25-percent Chicago Home Rule Use Tax.⁵²

Other examples

Various states allow counties and municipalities to collect a local option MFT, though the extent to which these are implemented ranges considerably. For example, in Washington, any county and/or any municipality within 10 miles of an international border crossing with Canada may levy an additional excise tax on motor fuel at a rate equal to 2 cents per gallon (for border-area tax) or 10 percent of the statewide fuel tax (for the county tax).⁵³ Despite this authority, no county has exercised it; however, four small border-area municipalities have enacted a local tax of \$0.01 per gallon. In contrast, Nevada also allows for a local option MFT to be collected at a rate of up to \$0.09 per gallon;⁵⁴ each of the state's 16 counties and its 1 independent city currently do so, with all but four of the counties assessing the maximum permissible rate.⁵⁵ Other states where the exercise of local option MFT is common include Florida, where county

⁴⁸ Illinois Governor's Office of Management and Budget, "Fiscal Year 2026 Budget in Brief." February 19, 2025, <https://budget.illinois.gov/content/dam/soi/en/web/budget/documents/budget-book/fy2026-budget/Fiscal-Year-2026-Budget-in-Brief.pdf>.

⁴⁹ Illinois Department of Revenue, "Do local governments receive a share of sales taxes?" Accessed July 21, 2025, <https://tax.illinois.gov/questionsandanswers/answer.182.html>.

⁵⁰ Cook County Code of Ordinances, Chapter 74, Taxation, Article VII, Use Tax (Secs. 74-270 et seq.). Accessed July 22, 2025, https://library.municode.com/il/cook_county/codes/code_of_ordinances/178320?nodeId=PTIGEOR_CH74TA_ARTVIIUSTA_S74-282VIPE.

⁵¹ Cook County, "Transportation Taxes." Accessed May 22, 2025, https://budget.cookcountyil.gov/#!/year/2025/revenue/0/fund/Special+Purpose+Fund/0/parent_level_object_account/Transportation+Taxes/0/level_0_object_account?vis=barChart.

⁵² Illinois Department of Revenue, "Home Rule Sales Taxes." Accessed May 22, 2025, <https://tax.illinois.gov/localgovernments/localtaxallocation/taxes-distributed-to-local-governments/home-rule-sales-taxes.html#:~:text=Retailers%20in%20Cook%2C%20DuPage%2C%20Kane,when%20filing%20Form%20ST%2D556>.

⁵³ Washington State Legislature, "Revised Code of Washington (RCW) 82.80.010: Motor Vehicle and Special Fuel Tax." Accessed May 22, 2025, <https://app.leg.wa.gov/rcw/default.aspx?cite=82.80.010>.

⁵⁴ Nevada Revised Statutes, Chapter 373: County Taxes on Fuel, accessed May 22, 2025, <https://www.leg.state.nv.us/nrs/nrs-373.html>.

⁵⁵ Nevada Department of Motor Vehicles, "FY25 County Option and Index Taxes - July 1, 2024 through June 30, 2025." Accessed May 20, 2025. <https://dmv.nv.gov/fuel.htm>.

governments may levy up to \$0.12 in fuel taxes,⁵⁶ and Oregon, where rates range from \$0.01 to \$0.10 per gallon.⁵⁷ In Oregon, total revenue collected across the 30 cities and 2 counties with a local option MFT is roughly \$34 million per year.⁵⁸

Many states also allow counties or cities to collect a local option MVR. These include Texas, where counties charge an additional fee that ranges from \$5 to \$21.50.⁵⁹ Similarly, the city of Vancouver, Washington established a Transportation Benefit District in 2015 to create a sustainable revenue source for mobility, safety, and infrastructure improvements, funded in part by a local option MVR of \$40 (rising to \$50 in 2025). Total revenue generated this year by the additional registration fee is anticipated to be approximately \$5.8 million.⁶⁰ Another Midwestern state where a local option MVR or wheel tax is authorized and used widely is Indiana. Counties may charge vehicles registered between \$12.50 and \$130 in combined wheel taxes and excise surtaxes, with a statewide revenue potential across all counties estimated to range from \$52 to \$372 million annually (excluding the state MVR), depending on the rates chosen by each unit of local government.⁶¹

There are also examples of local option fees dedicated to fund transit improvements. For example, Seattle-area residents who live within the Sound Transit District are subject to an annual Motor Vehicle Excise Tax (MVET) of 1.1 percent of the vehicle's value.⁶² These revenues are used for building and operating Sound Transit's rail and bus systems in central Puget Sound Region, including Tacoma, Seattle, Bellevue and Everett. Sound Transit expects to generate \$408 million in MVET revenues in 2025.⁶³

Implementation steps

While there would be complexities in implementation, each of these mechanisms is already in place in some form at both a state and local level in Illinois. Increasing the levy collected

⁵⁶ Florida Department of Revenue, "Local Option Taxes." Accessed May 20, 2025, https://floridarevenue.com/taxes/taxesfees/Pages/local_option.aspx.

⁵⁷ Oregon Department of Transportation, "Current Fuel Tax Rates." Accessed May 20, 2025, <https://www.oregon.gov/odot/FTG/Pages/Current%20Fuel%20Tax%20Rates.aspx>.

⁵⁸ Oregon Department of Transportation, "ODOT Funding Package Resource Library: How Oregon Local Governments Fund Roads." October 28, 2024, <https://www.oregon.gov/odot/About/FundingLibrary/How%20Oregon%20Local%20Governments%20Fund%20Roads.pdf>

⁵⁹ Texas Department of Motor Vehicles, "Fee Chart 1C (Rev. 1/2025)." Accessed May 20, 2025, https://www.txdmv.gov/sites/default/files/body-files/FeeChart_1C.pdf

⁶⁰ City of Vancouver Transportation Benefit District, "Annual Report to the Vancouver Community." February 2025, <https://www.cityofvancouver.us/wp-content/uploads/2025/04/Annual-Report-2024.pdf>.

⁶¹ Purdue University Indiana Local Technical Assistance Program. "County Wheel Tax and Excise Surtax (LOHUT)." Accessed May 20, 2025, <https://www.purdue.edu/inltap/County-LOHUT-Estimates.pdf>.

⁶² Washington State Department of Licensing, "Regional Transit Authority (RTA) Tax." Accessed May 22, 2025, <https://dol.wa.gov/vehicles-and-boats/vehicles/taxes-and-fees/regional-transit-authority-rta-tax>.

⁶³ Sound Transit, "2025 Adopted Budget & Financial Plan." December 2024, <https://www.soundtransit.org/sites/default/files/documents/2025-Adopted-Budget-and-Financial-Plan-03242025.pdf>.

through any of these mechanisms at the regional level would require some combination of state and local legislative action. Home rule jurisdictions would have some flexibility to impose or increase some of these mechanisms (e.g., imposing or increasing a home rule use tax on motor vehicles),⁶⁴ but a region-wide fee would likely require state authorization.

Any new revenue could potentially be collected via existing administrative mechanisms, although in some cases (e.g., municipal home rule use taxes outside of Chicago), current law requires local governments to administer that source, at least in the case of a motor vehicle use tax.⁶⁵

In addition to legislative authorization and administrative considerations, the relevant agency would need to consider whether the funding mechanism should be structured to achieve other policy objectives (discussed below).

Other considerations

Revenue generation potential

The revenue sources discussed in this section have very broad bases, e.g., millions of vehicles and billions of gallons of gasoline. This could enable significant revenue generation potential, even at relatively low tax rates. For example, as part of the analysis conducted for the Plan of Action for Regional Transit (PART), CMAP estimated that a \$0.05 MFT surcharge in the RTA region could generate an additional \$135 million annually. As part of the same analysis, CMAP estimated that a \$10 annual vehicle registration surcharge in the region could generate \$60-70 million annually.⁶⁶

Use of funds

In Illinois, local option revenue, e.g., from either an MFT or MVR, appears to be subject to the transportation lockbox and is thus typically used for transportation purposes. In some cases, municipalities impose restrictions on the type of transportation projects that can be funded. Eugene, Oregon is one example, where revenues from the local fuel tax are dedicated to the operation and preservation of city-owned roads and streets, but capacity-enhancing street improvements are not permitted.⁶⁷

Local sales taxes on motor fuel may also be dedicated to transportation. In Virginia, certain districts in the northern part of the state levy a regional MFT. A share of this revenue is dedicated to the funding of commuter rail operating and capital costs, as well as Washington

⁶⁴ Illinois Department of Revenue, “Local Governments’ Guide to Tax Allocations: Home Rule Sales Taxes.” Accessed July 21, 2025, <https://tax.illinois.gov/localgovernments/localtaxallocation/taxes-distributed-to-local-governments/home-rule-sales-taxes.html>.

⁶⁵ Illinois Department of Revenue, “Local Governments’ Guide to Tax Allocations: Home Rule Sales Taxes.”

⁶⁶ CMAP, “C4: Regional Roadway-Generated Transportation Funding for Transit.” September 26, 2023, https://cmap.illinois.gov/wp-content/uploads/PART_recommendations-c4-roadway-system-revenues.pdf.

⁶⁷ City of Eugene, Oregon, “Local Gas Tax” Accessed May 21, 2025. <https://www.eugene-or.gov/1085/Local-Gas-Tax>.

Metropolitan Area Transit Authority’s capital fund. Some counties are authorized to use their share of tax revenue collected for any transportation purpose.⁶⁸ In California, cities and towns are authorized to impose an additional sales tax of between 0.1 and 1 percent, which is to be used for transportation projects.⁶⁹

Policy considerations

In addition to raising revenue, these transportation-related revenue sources can also be structured to achieve other policy objectives. For example:

- Vehicle fees could vary based on factors such as vehicle weight, reflecting the increased wear and tear from heavier vehicles, as well as the increased safety risks they could pose.
- Fees could also adjust to account for vehicle emissions profiles. In this case though, there are two competing policy goals: replacing forgone MFT revenue in the case of highly fuel-efficient vehicles and the desire for drivers to switch to more environmentally friendly vehicles. From a fiscal standpoint, it could be rational to charge a higher registration fee to vehicles that consume less fuel and, in turn, pay less in fuel tax per mile driven. From an environmental perspective, the use of inefficient vehicles could be disincentivized with higher rates.
- Fees might also vary based on factors related to socioeconomic status. While there are constitutional prohibitions on some forms of value-based fees (see below), there are other correlated factors, such as vehicle age, that could be considered in selecting fee levels.

Limitations and challenges

There are some limitations and challenges to surcharges in regional revenue sources including the following:

- The most recent statewide capital program, Rebuild Illinois, significantly increased MVR rates for passenger vehicles and motor fuel tax rates in 2019. Previous MVR increases were similarly packaged in periodic capital programs. This could constrain potential acceptance by the public and elected officials for additional increases.

⁶⁸ Northern Virginia Transportation Commission, "Motor Vehicle Fuels Tax." Accessed May 20, 2025, <https://novatransit.org/resources/financialinformation/motor-fuels-tax/>.

⁶⁹ California Department of Transportation, "2024 Transportation Funding in California." 2024, <https://dot.ca.gov/-/media/dot-media/programs/transportation-planning/documents/new-state-planning/transportation-economics/transportation-funding-booklet/2024-transportation-funding-in-california-a11y.pdf>.

- Illinois currently ranks among the states with the highest combined MFT,⁷⁰ which could limit the potential willingness of the public and elected officials to accept any additional increases.
- Illinois also has among the highest combined sales tax rates nationwide,⁷¹ which could limit willingness to add a transportation-specific increment on either motor vehicle or motor fuel sales or use taxes.
- The rising popularity of electric vehicles (EVs) and overall increased fuel economy in Illinois is anticipated to have a notable impact on the state's motor fuel tax revenue. As more consumers transition to EVs, their reduced consumption of gasoline and diesel could lead to a corresponding decline in fuel tax collections, affecting the long-term viability of this revenue source. This could be addressed by transitioning toward a road usage charge (RUC), which will be discussed in greater detail in a forthcoming whitepaper.
- The Illinois Constitution prohibits the imposition of personal property taxes,⁷² which could constrain some of the revenue mechanisms discussed above. For example, there may be challenges in adopting a vehicle registration fee that varies based on vehicle value. However, this would likely not constrain adjustments based on other factors (e.g., vehicle age, vehicle weight) that may correlate with vehicle value.

⁷⁰ Gabriella Cruz-Martínez, "States with the Highest Gas Tax Rates." *Kiplinger*, last modified May 1, 2025, <https://www.kiplinger.com/taxes/state-tax/603259/states-with-the-highest-gas-taxes>.

⁷¹ Jared Walczak, "State and Local Sales Tax Rates, 2025." Tax Foundation, April 23, 2025, <https://taxfoundation.org/data/all/state/sales-tax-rates/>.

⁷² Illinois Constitution, Article IX, "Revenue," <https://www.ilga.gov/commission/lrb/con9.htm>.

Evaluation

Criteria	Ranking	Detail
Revenue durability	●	This category of revenue sources is likely to be broadly durable in the near- and medium-term, especially MVR. However, any MFT-related revenues are likely to erode gradually due to increased fuel economy and EV adoption.
Mobility	◐	Additional fees on motor vehicles and fuel could encourage travelers to consider alternate modes. However, given the relatively low price elasticity of fuel, increased fuel taxes may not lead to significant mode shift, especially if the increases are relatively modest. Similarly, with existing high rates of vehicle ownership, consumers may be less sensitive to increased fees, generally regarding vehicle purchase and registration costs as sunk.
Environmental resilience	◐	If fees are successful in encouraging mode shift (by increasing the cost of driving) this may produce environmental benefits, in terms of reduced pollution and emissions. However, some fees may have offsetting incentives, e.g., to account for the erosion of MFT revenues.
Economic prosperity	◐	At likely rates of increase, individual economic impacts would be dispersed and limited, especially in the context of overall household transportation costs. That said, MFT generally has disproportionate impacts on low-income households who drive older, less fuel-efficient cars, while MVR generally is less regressive since household car ownership rates increase with income. The option to transition from a flat MVR to a variable MVR could further mitigate economic burdens.
Implementation timeline	●	These are existing funding mechanisms and could be modified relatively quickly with appropriate legislation.
Political feasibility	◐	These are existing funding mechanisms with a history of adjustment, although recent increases may limit public acceptance of additional changes.
Administrative feasibility	●	These are existing funding mechanisms at both the state and local level.

Adoption of regional Transportation Network Company (TNC) fees

Transportation Network Companies (TNCs) such as Uber and Lyft have emerged as a significant mode within the larger transportation system, both in the CMAP region and elsewhere. In response, many counties, cities, and states have adopted legislation to regulate TNCs. As part of these regulations, some governments have imposed charges on the use of TNCs within some of or all their jurisdictions.

Examples

CMAP regional context

While there are no statewide or region-wide fees on TNCs in Illinois or the CMAP region, there are several examples at the local level:

- The City of Chicago charges a range of fees on TNC trips that start or end within the city. The base fee is \$1.25 per trip, but there are adjustments based on single versus shared trips, whether the vehicle is wheelchair accessible, and whether the trip serves a “special zone” (Navy Pier, McCormick Place, or airports). Trips that start or end in the downtown area between 6am and 10pm are also subject to a surcharge of \$0.60-\$1.50 for shared and single trips, respectively.⁷³ In 2023, City of Chicago generated around \$187 million through this revenue source, referred to as the Ground Transportation Tax.⁷⁴
- The City of Evanston imposes a \$0.20 fee for a shared ride and \$0.45 for a single ride originating or ending in the municipality.⁷⁵ Revenue from this Transportation Network Provider Tax in 2023 was \$0.86 million.⁷⁶
- The Village of Skokie imposes a \$0.15 fee for a shared ride and \$0.35 for a single ride originating or ending in the municipality.⁷⁷

⁷³ City of Chicago, "Transportation Network Provider (TNP) Trip Taxes & Fees Effective Monday, January 6, 2025," BACP Public Vehicle Industry Notice No. 24-033, December 20, 2024, <https://www.chicago.gov/content/dam/city/depts/bacp/publicvehicleinfo/publicvehicleindustry notices/2024/tnptaxesandfeeseffjan62025.pdf>.<https://www.chicago.gov/content/dam/city/depts/bacp/publicvehicleinfo/publicvehicleindustry notices/2024/tnptaxesandfeeseffjan62025.pdf>

⁷⁴ City of Chicago, *2023 Annual Comprehensive Financial Report*, (Chicago: City of Chicago, 2023), https://www.chicago.gov/content/dam/city/depts/fin/supp_info/CAFR/2023CAFR/ACFR_2023.pdf.

⁷⁵ Evanston, Illinois, Code of Ordinances, Title 3, Chapter 2, Section 19, Subsection 2, https://library.municode.com/il/evanston/codes/code_of_ordinances?nodeld=TIT3BURE_CH2MUOCTA_3-2-19-2TRNECOTAIM.

⁷⁶ City of Evanston, "Annual Comprehensive Financial Report for the Year Ended December 31, 2023." <https://www.cityofevanston.org/home/showpublisheddocument/96068/638551837736570000>.

⁷⁷ Illinois Municipal League, "Title 65 ILCS 5/11-1-1: Powers of Municipalities," <https://legal.iml.org/file.cfm?key=18272>.

Additionally, while not enacted, a 10 percent tax on gross TNC trip fares was proposed in the 2025 transit reform bill. All TNC trips originating or terminating in the six-county RTA region would have been subject to this fee.⁷⁸

Other examples

TNC fees have become relatively common in jurisdictions in the U.S., especially large urban areas with high rates of TNC usage. Examples include the following:

- New York has adopted TNC fees covering most TNC trips in the state, including both in and outside of New York City. Trips that originate in New York State outside of New York City *and* end in the state are subject to a fee of 4 percent of the gross trip fare.⁷⁹ Trips in the city are subject to a combination of fees, including surcharges for trips that pass through multiple geographic regions in Manhattan.⁸⁰
- Massachusetts imposes a \$0.20 fee on all TNC rides originating in the state. Half of this revenue is allocated to the commonwealth's municipalities proportionally based on the number of rides originating there.⁸¹
- The City of San Francisco imposes a fee on TNC rides that varies based on vehicle emissions. Shared rides and any rides in a zero-emission vehicle are subject to a 1.5 percent tax, while single rides in a non-zero-emission vehicle are subject to a 3.25 percent tax.⁸²

Implementation steps

More local governments could follow the model of Chicago, Evanston, and Skokie and adopt their own TNC fees, although there may be limitations on the ability of non-home rule governments to pursue such fees absent additional state enabling legislation. However, a unified regional TNC fee would likely require specific state action and authorization. Likewise, the state could adopt a statewide TNC fee, as several states have done (e.g., New York, Massachusetts, Nevada). A TNC fee could potentially be enacted and administered by the state on behalf of the region, mirroring the approach of other regional revenue sources (e.g., the RTA sales tax).

These new fees could follow the implementation models taken by the existing municipal examples, which required the establishment of rate schedules, collection mechanisms,

⁷⁸ Illinois, 104th General Assembly, House Bill 3438 Amendment 3.

⁷⁹ New York State Department of Taxation and Finance, "Transportation Network Company Assessment," accessed May 22, 2025, <https://www.tax.ny.gov/bus/tnc/assessment.htm>.

⁸⁰ New York City Taxi & Limousine Commission, "Congestion Surcharge," accessed May 22, 2025, <https://www.nyc.gov/site/tlc/about/congestion-surcharge.page>.

⁸¹ Massachusetts Department of Public Utilities, "Municipal Assessment Reporting Form," accessed May 22, 2025, <https://www.mass.gov/forms/municipal-assessment-reporting-form>.

⁸² San Francisco County Transportation Authority, "TNC Tax," accessed May 22, 2025, <https://www.sfcta.org/funding/tnc-tax>.

compliance, and oversight. As discussed in the section on “policy considerations” below, the fee could also be designed to achieve other policy goals beyond just revenue generation.

Other considerations

Revenue generating potential

Trips taken by TNCs make up a small share of overall travel in the region. CMAP’s most recent analysis, which was based on pre-COVID data, found that TNCs accounted for just three-quarters of a percent of all trips.⁸³ Nevertheless, given the large absolute number of trips involved, continued popularity of TNCs, and growth in TNC revenue, the tax revenue potential remains sizeable. The ON TO 2050 update financial plan noted that a TNC fee could generate \$4 billion in funding over the planning horizon.

However, the majority of TNC trips in the region are likely already covered by the existing municipal TNC fees. While robust data on TNC ridership in the region are not available, CMAP’s most recent regional household travel survey found that the use of TNCs was significantly higher in Chicago than elsewhere in the region.⁸⁴ As a result, for a regional TNC fee to generate the greatest amount of incremental revenue, it would likely need to be in addition to (rather than in lieu of) the TNC fees already in place in the region.

Use of funds

Revenue generated from TNC fees is often used for transportation related expenses. For example, a portion of Chicago’s TNC fee was designated to support investments made by the Chicago Transit Authority (CTA) and the Chicago Department of Transportation related to transit. As transportation-related fees, these revenues may also be subject to the transportation lockbox, although prior CMAP research has found that revenues from some fees are directed to municipal general funds.⁸⁵

TNC fees are also commonly used for transportation investments in other jurisdictions. For example, the revenues from the Massachusetts TNC fees are distributed to local governments and must be used on projects that offset the transportation impacts of TNCs, among other transportation priorities.⁸⁶ In San Francisco, funds support both transit operations and a program of bicycle and pedestrian safety projects.⁸⁷

⁸³CMAP, “My Daily Travel: Changes in mobility were underway even before COVID-19.” 2021, <https://cmap.illinois.gov/wp-content/uploads/My-Daily-Travel-mobility-1.pdf>.

⁸⁴ CMAP, “My Daily Travel: Changes in mobility were underway even before COVID-19.”

⁸⁵ CMAP, “Improving Equity in Transportation Fees, Fines, and Fares: Findings and Recommendations for Northeastern Illinois.” April 2021, https://cmap.illinois.gov/wp-content/uploads/FFF_final_report.pdf.

⁸⁶ Massachusetts Department of Public Utilities, “Municipal Assessment Reporting Form.” Accessed May 22, 2025, <https://www.mass.gov/forms/municipal-assessment-reporting-form>.

⁸⁷ San Francisco County Transportation Authority, “Traffic Congestion Mitigation Tax (TNC Tax) Program Guidelines.” March 2023, <https://www.sfcta.org/sites/default/files/2023-04/Attachment%201%20TNC%20Tax%20Program%20Guidelines%20Draft%20Final.pdf>.

Policy considerations

In addition to generating revenue, a TNC fee could be structured to achieve multiple regional policy goals. Considerations could include but are not limited to:

- **Vehicle occupancy.** Any new fees could continue the existing practice of varying fees for single and shared rides.⁸⁸ Fees could also be levied on TNC companies for the amount of mileage without any passengers (referred to as “deadhead” miles). This could incentivize TNCs to limit the number of drivers on their platforms circulating with no passengers, which could mitigate some congestion impacts. This approach could also be leveraged in future fee structures for potential autonomous vehicles, for which significant growth in zero-occupancy deadhead miles would be an especially important concern.
- **Congestion and other mobility factors.** Fees could vary based on congestion levels, time of day, origin and/or destination locations, availability of alternative modes (e.g., proximity to a rail station or high-frequency bus route), or other factors that incentivize mode shift and discourage the use of TNCs at times or in places where they would have larger impacts on congestion and where reasonable alternatives exist.
- **Emissions and sustainability.** Fees could vary based on the emissions profile of the TNC vehicle, with lower fees for vehicles that produce no or low levels of emissions.

In addition to these pricing considerations, any new fee structure could also be accompanied (or preceded) by region-wide data reporting requirements. These would help regional policymakers to better understand the impacts of TNCs on regional mobility, monitor compliance, and calibrate future changes to any fees to better align with regional policy goals.

Limitations and challenges

A regional TNC fee would face significant limitations and challenges, including:

- Scaling up from the existing small set of municipalities could introduce fragmentation (if imposed on a locality-by-locality basis) or require overriding action at the state level.
- As noted above, most of the region’s TNC usage is already subject to one or more TNC fees, which could constrain the revenue potential of an additional TNC fee.
- While TNCs do impose specific transportation challenges, they are not the only source of vehicles on the roadway system; beyond a certain level, fees on TNCs may be seen as unfairly singling out one element of the transportation system over others (e.g., taxis, commercial vehicles, and personal vehicles).

⁸⁸ Allen Greenberg, Kyle Schroeckenthaler, and Scott Middleton, “Providing a 5-Minute Pickup Priority for Ridehail Users Agreeing to Pool: Potential Impacts on Curtailing Bus Delay and Enhancing Equity.” February 1, 2023, <https://rosap.ntl.bts.gov/view/dot/67359>.

- Existing data sources about TNC operations are limited and make detailed estimates on the revenue potential of a regional TNC fee challenging.

Evaluation

Criteria	Ranking	Detail
Revenue durability	●	Revenue from TNC fees may be stable or even grow. With increasing fares and the potential shift to automated vehicles, growth of TNC usage and the corresponding revenue appears possible. However, the long-term viability of the industry remains uncertain, with profitability historically posing a challenge to major operators.
Mobility	●	TNC fees can be structured to address mobility goals, including mitigating congestion, improving the reliability of the roadway system, and incentivizing transit use.
Environmental resilience	●	TNC fees can be structured to reduce pollution through variable pricing, as well as more generally through their related mobility impacts noted above (e.g., mode shift).
Economic prosperity	●	Given the lack of data about TNC usage, it is difficult to assess the degree of economic burden TNC fees will impose on residents experiencing persistent poverty.
Implementation timeline	●	Establishing a regional TNC fee would likely require legislative action at the state level; while some local models already exist, larger-scale deployment would take time to enact and set up for proper administration.
Political feasibility	●	TNC fees are well understood in parts of the region. However, expanding their applicability to the broader region would require additional education and consensus building.
Administrative feasibility	●	There are existing mechanisms in some municipalities that could be leveraged; however, a regional fee would require modifications and expansion, as well as harmonization with various existing approaches. The cost of compliance would fall largely on TNC platform operators.

Regional non-transportation funding mechanisms

This section covers several revenue mechanisms that could be dedicated in part to support transportation infrastructure investments in the region: payroll taxes, real estate transfer taxes, and corporate taxes.

- **Payroll tax** is a tax withheld from employees' salaries. The structure and rate of payroll taxes can vary depending on the employee's place of employment or residence. Revenue generated from payroll taxes could be allocated to transportation, although this is not currently the case in Illinois.
- **Real Estate Transfer Tax (RETT)** is a tax levied on transfer of real estate ownership. Currently, a portion of RETT proceeds in the City of Chicago are dedicated to the CTA.
- **Corporate tax** is a tax levied on the income of corporations. Although not currently the case, a portion of corporate income tax proceeds could be dedicated to fund transportation in the CMAP region.

While these revenue mechanisms are not transportation user fees, each has an indirect relationship with the transportation system. For example, payroll taxes can be justified on the basis that employees rely on the transportation network to access their workplaces; real estate transfer taxes are linked to the value and desirability of property, which is often influenced by transportation accessibility; and corporate taxes are linked to corporate income which depends on a functional transportation system for commerce.

Examples

CMAP regional context

The CMAP region and the State of Illinois already collect significant revenues from non-transportation related funding sources. Examples (other than sales taxes, which are discussed in "Modernizing Illinois' sales tax: A pathway to a sustainable future"⁸⁹) include the following:

- Like other states, Illinois has a personal income tax and an unemployment insurance tax, both of which are deducted from paychecks. Unemployment insurance functions like a payroll tax, because proceeds are directed to a specified purpose and without any follow-on filings required (similar to Medicare and Social Security taxes at the federal level). Aside from unemployment insurance, Illinois does not have any payroll taxes.
- Several levels of government impose a RETT in the CMAP region, including the State of Illinois (0.1 percent), all counties (0.05 percent), and the City of Chicago (1.05 percent). As a result, properties in Chicago face a total RETT rate of 1.2 percent (\$6 per \$500 of the transfer price). A portion of the City of Chicago RETT—0.3 percent, or \$1.50 per

⁸⁹ The Civic Federation, Chicago Metropolitan Agency for Planning, Center for Tax and Budget Accountability, and Illinois Economic Policy Institute, "Modernizing Illinois' sales tax: A pathway to a sustainable future." March 2025, https://cmap.illinois.gov/wp-content/uploads/dlm_uploads/Modernizing-Illinois-Sales-Tax-report.pdf.

\$500—is dedicated to the CTA and was expected to generate \$57 million in 2025. Other municipalities in the CMAP region have RETT rates ranging from 0.25 percent to 1 percent.⁹⁰ A new, regional RETT was also included in the 2025 transit reform bill, with a proposed rate of \$1.50 per \$500 of value imposed on sales within the six-county RTA region, excluding the City of Chicago. If the City of Chicago were to eliminate or reduce the CTA portion of its RETT noted above, the legislation would also have authorized RTA to offset any such change, up to the \$1.50 per \$500 of value rate.⁹¹

- Illinois has a 9.5 percent corporate income tax rate, which includes both a base rate of 7 percent and a personal property replacement tax rate of 2.5 percent. Revenues from this tax fund general government with no portion dedicated systematically to transportation purposes.

Other examples

There are many examples of non-transportation funding sources that other states dedicate to transportation purposes. Examples include:

- In Oregon, all workers have a 0.1 percent payroll tax deducted from their wages to help fund public transit services throughout the state.⁹² Additionally, employees who work within the TriMet District—which covers the Portland metropolitan area—must also pay an extra 0.8237 percent payroll tax. This additional tax supports TriMet, the regional agency that manages the area's bus, light rail, and commuter rail systems.⁹³ A similar structure also applies in Lane County (Eugene, OR).⁹⁴ There is no upper wage limit on the taxes.
- New York's Metropolitan Commuter Transportation Mobility Tax (MCTMT) is a zone-based payroll tax imposed on certain employers and self-employed individuals within the Metropolitan Commuter Transportation District (MCTD). The purpose of the MCTMT is to provide funding for the Metropolitan Transportation Authority, which manages public transit services such as subways, buses, and commuter rail lines across

⁹⁰ Civic Federation, "Chicago to Vote on Graduated Real Estate Transfer Tax in March 2024," January 5, 2024, <https://civicfed.org/node/4243>; Regional Transportation Authority, *2025 Regional Transit Operating Budget and Five-Year Capital Program*, 2024, https://www.rtachicago.org/uploads/files/general/Transit-Funding/2025Budget/2025_RegionalBudgetProposed.pdf.

⁹¹ Illinois, 104th General Assembly, House Bill 3438 Amendment 3.

⁹² Oregon Department of Revenue, "Statewide Transit Tax." Accessed May 22, 2025, <https://www.oregon.gov/dor/programs/businesses/Pages/Statewide-Transit-Tax.aspx>.

⁹³ Oregon Department of Revenue, "TriMet Transit Payroll Tax." Accessed May 22, 2025, <https://www.oregon.gov/dor/programs/businesses/Pages/TriMet-Transit.aspx>.

⁹⁴ Oregon Department of Revenue, "Lane County Transit District Payroll Tax." Accessed May 22, 2025, <https://www.oregon.gov/dor/programs/businesses/Pages/Lane-County-Transit-District-Payroll-tax.aspx>.

the region. The tax rates vary depending on the employer's specific location within the MCTD and the size of the employer's payroll.⁹⁵

- New Jersey imposes a 2.5 percent Corporate Transit Fee (effective as of January 2024), with revenues generated from the fee used to support New Jersey Transit. The tax serves as a tax rate surcharge on corporate income taxes for corporations with greater than \$10 million in net taxable income.⁹⁶

Implementation steps

Implementation of any of these three non-transportation funding mechanisms on a regional scale requires legislative action.

For example, a higher RETT rate for CTA, or a dedication of a portion of the state, county, or municipal RETT rates to transportation purposes would require action by the respective state legislators, county commissioners, and/or municipal alderpersons. Under current statute, individual home rule municipalities are permitted to increase RETT rates by voter referendum.⁹⁷ However, a region-wide RETT would require additional state authorization, which may or may not subsequently require approval by referendum prior to enactment. Additional implementation steps would be comparatively straightforward given the collection, administration, and enforcement mechanisms are already in place.

Likewise, an increase or dedication of a portion of corporate income taxes to transportation would require action by the state legislature, but the mechanism itself is mature with collections, administration, and enforcement in place.

A payroll tax would likely involve more implementation steps than either a change in RETT or corporate income taxes. A dedicated payroll tax for transportation purposes would require state and/or local legislative action followed by a new administrative infrastructure for a new type of payroll tax. Since the existing payroll-related taxes are assessed by the state by two distinct agencies (Department of Employment Security and Department of Revenue), a new payroll tax would have to be implemented within either of these agency's systems, with new accounting, administrative, and enforcement methodologies put in place.

⁹⁵ New York State Department of Taxation and Finance, "Employers: Metropolitan Commuter Transportation Mobility Tax (MCTMT)." Accessed May 22, 2025, <https://www.tax.ny.gov/bus/mctmt/emp.htm>.

⁹⁶ New Jersey Division of Taxation, "Corporate Transit Fee." Accessed May 22, 2025, <https://www.nj.gov/treasury/taxation/cbt/corporatetransitfee.shtml>.

⁹⁷ Illinois Compiled Statutes, 65 ILCS 5/8-3-19, "Home Rule Real Estate Transfer Taxes." Accessed May 22, 2025, <https://www.ilga.gov/legislation/ilcs/fulltext.asp?DocName=006500050K8-3-19>.

Other considerations

Revenue generation potential

General taxes such as real estate, payroll, and corporate incomes taxes have significant revenue generating potential due to the large size of the tax bases.

- ON TO 2050 previously forecast revenue from Chicago RETT as baseline revenue, with a total value of \$2.2 billion over the life of the plan.⁹⁸
- Revenue generated by TriMet district in payroll taxes is expected to be \$516 million in FY2024, representing annual growth of 6.6 percent over 2023 revenues.⁹⁹ CMAP has previously estimated that a similar tax in the CMAP region could be expected to generate \$600-700 million in annual revenue, assuming that it uses the same structure as New York's MTMCT.¹⁰⁰
- Corporate income taxes account for 10 percent of Illinois state revenue, at just over \$5 billion in 2024. This represents a significant revenue generating potential for transportation purposes. CMAP has previously estimated that for every one percent increase to the current corporate tax rate, the state could expect to generate an additional \$0.9-1.1 billion in 2026, with about \$700-800 million coming from businesses located in the RTA region.¹⁰¹

Use of funds

Although none of the revenue mechanisms discussed in this section is subject to the transportation lockbox, arguments could be made that there is an indirect relationship between each one and transportation investment. However, there is unlikely to be a persuasive argument for full allocation of any of these revenue mechanisms to transportation; indeed, no other jurisdictions are known to fully allocate payroll, corporate income, or real estate transfer taxes to transportation. The amounts dedicated to transportation would be subject to negotiation, with elected officials determining any splits either through statutory allocations or ongoing discretionary appropriations.

Policy considerations

The policy considerations for the taxes discussed in this section are largely those associated with any kind of tax. On the margin, any tax on individual or corporate income may create an incentive for employees or employers to consider relocating. Whether this is enough to result

⁹⁸ Chicago Metropolitan Agency for Planning, "ON TO 2050 Update: Financial Plan for Transportation – Appendix." Accessed May 22, 2025, <https://cmap.illinois.gov/wp-content/uploads/ON-TO-2050-Update-Financial-Plan-for-Transportation-Appendix.pdf>.

⁹⁹ TriMet, "2024 Adopted Budget." 2024, <https://trimet.org/budget/pdf/2024-adopted-budget.pdf>.

¹⁰⁰ CMAP, "C1: State Funding Approach for Transit." September 26, 2023, https://cmap.illinois.gov/wp-content/uploads/PART_recommendations-c1-state.pdf.

¹⁰¹ CMAP, "C1: State Funding Approach for Transit."

in actual changes in employment or residential patterns is an open question to examine when crafting policy and setting rates.

Similarly, a RETT can produce unintended consequences if not carefully designed. For instance, beginning in 2023 in Los Angeles, a tax imposed on property sales above \$5 million (Measure ULA) may have contributed to declines in the market for multifamily housing construction. One study found that an 18-percent decline in multifamily permitting during the two years following implementation was attributable to the tax (out of a total 40-percent drop from peak levels in 2022).¹⁰²

Limitations and challenges

Any local option, non-transportation funding mechanism would need to account for several limitations and challenges, including:

- A significant challenge in reallocating any of these tax mechanisms to transportation is overcoming the existing constituencies who depend on their revenue streams for other public functions at the state and local levels. For example, dedicating a portion of state corporate income tax receipts to transportation without also increasing the rate would reduce the available budget for other purposes, thus requiring another funding mechanism or budget cuts to fill the gap.
- A practical limitation of changing the RETT in Chicago is public sentiment in the wake of a referendum on a proposed RETT increase that failed in March 2024. The measure would have increased some RETT rates and created a progressive rate structure for the RETT, with new revenues dedicated to housing and homelessness programs. Its failure highlights the potential political challenges in gaining public support for changing taxes.
- A payroll or mobility tax could be viewed as a financial burden by businesses, particularly during economic downturns, and may lead to opposition from business groups. In addition, given the regressive nature of payroll taxes (flat rates for all income levels), such a tax may face opposition on the grounds of fairness and ability to pay.
- The Illinois constitution imposes a maximum corporate-to-individual income tax rate ratio of 8 to 5, which could constrain the size of any potential corporate tax. Based on the current individual income tax rate of 4.95 percent, the corporate tax rate could theoretically increase by 0.92 percent (note that the 2.5 percentage point personal property tax replacement rate does not count toward the ratio).¹⁰³

¹⁰² Ward, J., & Phillips, S. "Taxing Tomorrow: Measure ULA's Impact on Multifamily Housing Production and Potential Reforms." *UCLA: The Ralph and Goldy Lewis Center for Regional Policy Studies*, 2025, <https://escholarship.org/content/qt7jg7m22v/qt7jg7m22v.pdf>.

¹⁰³ Illinois Constitution, Article IX, "Revenue," <https://www.ilga.gov/commission/lrb/con9.htm>.

Evaluation

Criteria	Ranking	Detail
Revenue durability		Each of the general taxes discussed in this section covers a broad tax base that generally increases with economic activity and inflation. However, it is important to note that the RETT has been a more unstable revenue source in Chicago over time and may have lower durability than payroll or corporate taxes.
Mobility		None of the general revenue mechanisms discussed in this section directly impacts or has the ability to directly impact mobility or travel choices of individuals beyond the provision of support for the transportation system. That said, it is conceivable to build in tax incentives to payroll taxes or corporate income taxes to encourage alternative travel modes for employers and commuters.
Environmental resilience		None of the general revenue mechanisms discussed in this section directly impacts or has the ability to impact emissions.
Economic prosperity		Increased taxes or fees can impact residents experiencing persistent poverty, but this can be offset using exemptions based on income, targeting benefits to low-income transportation users, or excluding low-income neighborhoods from certain mechanisms.
Implementation timeline		Other than a payroll tax, which would require additional time to set at the Department of Revenue or Employment Security, RETT and corporate income taxes are in place today. However, additional implementation action would be needed to support an expansion of the existing RETT.
Political feasibility		There is likely to be political resistance to higher RETT rates, new payroll taxes, or changes to corporate income taxes.
Administrative feasibility		Other than a payroll tax, which would require additional effort to set up the administration and compliance features, RETT and corporate income taxes are in place today with minimal administrative steps to implement.

Financializing carbon policies

Context

Transportation is one of the largest sources of greenhouse gas emissions in the CMAP region, accounting for 32 percent of regional emissions in 2019.¹⁰⁴ As a result, there is a strong potential connection between transportation and any future policies designed to reduce emissions of carbon dioxide and other greenhouse gases (GHG).

Mechanisms

While there are many potential strategies to limit GHG emissions, there are two notable families of mechanisms that have the potential to generate significant public revenues as a result:

- **Cap and trade.** In a cap and trade system, the governing body establishes a cap on total GHG emissions. It then creates a mechanism through which allowances to emit greenhouse gases are initially distributed and subsequently traded. The cap and trade program can generate significant revenue for the governing public entity, especially if allowances are auctioned off through a competitive and market-based bidding process. A related concept, low carbon fuel standards, combines regulation of the carbon intensity of refined fuels with emissions trading among fuel refiners and other energy producers.
- **Carbon taxes.** A carbon tax puts a price on emissions, typically including both carbon dioxide and other GHG. Carbon taxes are typically considered and assessed across a range of emissions sources. Unlike cap-and-trade systems, carbon taxes do not establish specific emissions reduction targets but instead rely on emitters to respond to the established price of carbon emissions.

Examples

CMAP regional context

There do not appear to be any examples of financialized carbon policies for transportation in the region or state as of May 2025. However, there are some relevant programs that apply to other sectors. Most notably, the Clean Energy Jobs Act of 2021 set the state on a path to 100 percent clean energy by 2050. Among many other elements, it includes substantial incentives for clean energy production and sets increasingly ambitious targets for renewable energy through 2040.¹⁰⁵

¹⁰⁴ Chicago Metropolitan Agency for Planning, “Regional Greenhouse Gas Emissions Inventory: 2019 Data,” 2022, https://cmap.illinois.gov/wp-content/uploads/Greenhouse_Gas_Emission_Inventory_2022.pdf.

¹⁰⁵ Illinois, 102nd General Assembly, Public Act 102-0662, “Energy Transition Act,” <https://ilga.gov/legislation/publicacts/102/PDF/102-0662.pdf>.

Other examples

While not present in Illinois, there are several examples of financialized carbon policies in other jurisdictions. Illustrative examples include:

- The State of California operates a cap and trade program, which it launched in 2013. The state's Air Resources Board establishes a limit on major GHG emissions sources, which it then monetizes by auctioning allowances to emit a specified amount of greenhouse gas emissions.¹⁰⁶ According to the California Legislative Analyst's Office, these auctions have raised between \$3 billion and \$4.3 billion per year in recent years.¹⁰⁷
- The State of Washington has also created a cap and trade system, referred to as the Climate Commitment Act (CCA). Washington's first cap and trade auction was held in February 2023. The Washington Legislature leveraged the funds from CCA auctions to appropriate a two-year program of \$3.2 billion in spending, with most of the funding dedicated toward investments in clean transportation and clean buildings.¹⁰⁸
- The European Union has also established a cap and trade system, known as the Emissions Trading System (ETS). Like the examples in California and Washington, the ETS allocates most of its emission allowances through an auction process. In 2023, the ETS system generated a total of €43.6 billion in auctioning revenues.¹⁰⁹
- Canada has a complex system of carbon pricing, with a combination of federal and provincial policies that aim to reduce overall greenhouse gas emissions. Currently, Canadian carbon policies focus on industrial pollution. The federal government sets a minimum standard, but provincial governments have the option to implement their own preferred approach.¹¹⁰ For example, Quebec has adopted a cap and trade system and participates in a multi-jurisdictional trading scheme called the Western Climate Initiative, which also includes California and Washington.¹¹¹ Until recently, Canada also had a consumer-facing carbon policy that priced carbon related to fossil fuels (e.g.,

¹⁰⁶ California Air Resources Board, "Cap-and-Trade Program: Frequently Asked Questions." Accessed May 22, 2025, https://ww2.arb.ca.gov/sites/default/files/2022-09/nc-FAQ_CT.pdf.

¹⁰⁷ Legislative Analyst's Office, "California's Cap-and-Trade Program: Frequently Asked Questions." October 24, 2023, <https://lao.ca.gov/Publications/Report/4811>.

¹⁰⁸ Washington State Department of Ecology, "How the Climate Commitment Act Invests in Washington." March 2024, <https://climate.wa.gov/sites/default/files/2024-03/How%20the%20CCA%20invests%20in%20Washington%20March%202024.pdf>.

¹⁰⁹ European Environment Agency, "Use of Auctioning Revenues Generated under the EU Emissions Trading System." December 19, 2024, <https://www.eea.europa.eu/en/analysis/indicators/use-of-auctioning-revenues-generated>.

¹¹⁰ Government of Canada, "Carbon pollution pricing systems across Canada." Accessed May 22, 2025, <https://www.canada.ca/en/environment-climate-change/services/climate-change/pricing-pollution-how-it-will-work.html>.

¹¹¹ WCI, Inc., "Participating Jurisdictions Overview." May 16, 2024, <https://wci-inc.org/assets/participatingjurisdiction-comparativetable-en.pdf>.

gasoline). In most provinces, revenues from that policy were returned to Canadians via the Canada Carbon Rebate. However, the Government of Canada ceased the application of this federal fuel charge effective as of April 1, 2025.¹¹²

Implementation steps

While Illinois does not have any existing carbon policy like the ones described in this section, implementation could follow a similar path as in other states and countries around the globe where such policies have been enacted. This would require legislative action at the state level.

Authority for implementation would likely not rest solely with IDOT or other transportation and planning agencies. State environmental agencies or air quality regulatory bodies, such as the Illinois Environmental Protection Agency, have typically borne responsibility in places where carbon pricing and similar policies are in place.

While not transportation-specific, the establishment of the Illinois Renewable Portfolio Standard—a requirement that electric utilities provide a certain percentage power from renewable sources—would be an illustrative model of how such a program might be implemented.

Other considerations

Revenue generation potential

As noted in the examples above, carbon policies have the potential to generate substantial revenues. Over time though, revenue generation potential must be balanced with the need to reduce emissions. If a carbon tax, for example, is successful at reducing overall emissions, this inherently reduces the effective tax base of such a policy. Increasing the tax rate per ton of GHG emissions over time is one way in which policymakers may help maintain a more stable revenue stream.

Use of funds

Revenue from carbon policies can go toward a range of activities and often supports investments that will help to further reduce GHG emissions. Among other categories, this commonly includes transportation investments.

For example, revenue generated from California’s cap and trade program is used for the state’s Greenhouse Gas Reduction Fund and allocated to state agencies to support initiatives that reduce GHG emissions. Under current law, roughly 65 percent of auction revenue is automatically allocated to specific programs: 25 percent goes to the California High-Speed Rail Project, 20 percent to the Affordable Housing and Sustainable Communities Program, 10 percent to the Transit and Intercity Rail Capital Program, 5 percent to low carbon transit

¹¹² Government of Canada, “Removing the consumer carbon price, effective April 1, 2025.” Last modified March 22, 2025, <https://www.canada.ca/en/department-finance/news/2025/03/removing-the-consumer-carbon-price-effective-april-1-2025.html>.

operations, and smaller specified dollar amounts to drinking water, forest health, and manufacturing programs. The remaining funds are available for discretionary allocation by the California Legislature toward projects that reduce GHG emissions and/or mitigate the impacts of severe weather events.¹¹³

Likewise, revenue from CCA auctions in Washington supports a range of activities that will reduce GHG emissions and respond to the impacts of severe weather occurrences. In the most recent appropriation, this included \$1.5 billion toward clean transportation projects such as active transportation investments, public transit grants, free transit for youth, and supporting zero-emission commercial vehicles.¹¹⁴

The potential uses of financialized carbon policies in Illinois could mirror these approaches. It would be important to assess the potential interaction with the transportation lockbox, especially for variations of carbon policies that focus more directly on transportation emissions.

Policy considerations

While carbon policies alone can incentivize emissions reductions, their impact can be magnified through strategic use of any generated revenues. For example, dedicating funds from a cap and trade program to invest in lower-emission transportation modes like transit and active transportation could accelerate decarbonization efforts.

If desired, carbon pricing may also be applied more narrowly to transportation-related emissions, in a transportation-specific manner. For instance, a low carbon fuel standard, like the one implemented in California, could be used to create a trading scheme for allowed emissions related to transportation fuels.¹¹⁵

Limitations and challenges

New policies aimed at reducing GHG emissions through pricing can face some limitations and challenges, including:

- Setting up and managing a cap and trade system would require complex monitoring, reporting, and verification processes.
- Such policies would likely be limited to the state level, as local or regional jurisdictions often lack the authority or practical ability to implement cap-and-trade systems or carbon taxes.

¹¹³ Legislative Analyst's Office, "California's Cap-and-Trade Program: Frequently Asked Questions." October 24, 2023, <https://lao.ca.gov/Publications/Report/4811>.

¹¹⁴ Washington State Department of Ecology, "How the Climate Commitment Act Invests in Washington."

¹¹⁵ California Air Resources Board, "Low Carbon Fuel Standard." Last modified April 4, 2025, <https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/about>.

- Carbon pricing can have complex impacts on the economy, with potentially disproportionate impacts on some sectors and populations. Any program design would need to account for these consequences, e.g., through dedicated funding for mitigation efforts.

Evaluation

Criteria	Ranking	Detail
Revenue durability		Carbon policies can be designed to offset revenue erosion by increasing the cost of emissions allowances, although depending on the effectiveness of full decarbonization, revenue could eventually face some challenges (similar to MFT).
Mobility		While these policies could have some effect on the transportation system due to mode shift, the larger impacts would be a consequence of the transportation system investments that they make possible.
Environmental resilience		Both mechanisms significantly reduce greenhouse gas emissions not only in the transportation sector but also in all sectors that have higher emissions.
Economic prosperity		These revenue sources are not likely to have specific impacts on areas experiencing persistent poverty. Some examples, such as Canada’s former Carbon Rebate, demonstrate how policies can be designed in ways that offset economic impacts.
Implementation timeline		While any new carbon policy would require lead time for implementation, it could be feasible in the medium-term. For instance, Washington enacted the CCA in 2021 and held its first auction in 2023, though a timeline for Illinois may realistically be longer
Political feasibility		This is a novel revenue mechanism in Illinois and would require significant socialization prior to enactment.
Administrative feasibility		This would require a new administrative structure in Illinois, although the state could leverage the approaches employed by other states (and potentially join trading schemes like WCI).

Conclusion

The revenue alternatives presented in this memo constitute a diverse portfolio of potential policies to fund transportation. They would build on the existing transportation funding resources available to transportation agencies in the CMAP region and the state of Illinois. They could also complement other revenue sources being explored as reasonably expected revenues in CMAP's long-range financial planning process.

Some mechanisms, such as freight fees, offer strong alignment with broad transportation, mobility, and environmental policy objectives. Other revenue sources, like regional non-transportation taxes, have broader revenue bases but weaker policy alignment and nexus to transportation. Funding sources that can drive changes in behavior, such as parking pricing, have the potential for more widespread, compounding benefits related to both mobility and the environment.

Further evaluation of these mechanisms will determine which ones are best aligned with regional goals and could be integrated into the CMAP regional transportation plan as reasonably expected revenues (along with the approximate magnitude of revenue anticipated).

Appendix: Revenue summary tables

Parking pricing

Category	Details
Mechanisms	<ul style="list-style-type: none"> ● Commercial parking taxes ● Paid parking in downtown areas, main streets, and CBDs ● Paid parking in non-downtown locations ● Parking benefit districts
Implementation steps	Varies based on mechanism; generally requires identifying scale of parking to which changes will apply, selection of mechanism, stakeholder engagement, execution, operations and administration, and ongoing enforcement.
Other considerations	<ul style="list-style-type: none"> ● Paid parking is concentrated in Chicago, which is constrained by the city's long-term parking concession. ● Chicago already has a high cumulative commercial parking tax. ● Parking pricing poses significant political challenges.
Evaluation	<p>Revenue durability: High</p> <p>Mobility: Medium/High</p> <p>Environmental resilience: Medium/High</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: Medium/High</p> <p>Political feasibility: Low/Medium</p> <p>Administrative feasibility: Medium</p>

Freight fees: Federal, state, and regional freight excise fees

Category	Details
Mechanisms	<ul style="list-style-type: none"> ● Intermodal container fees ● Truck/trailer charges (including oversize/overweight permits and weight-distance taxes) and tolls ● Freight VAT
Implementation steps	<p>Varies based on mechanism; while existing toll differentials could be adjusted relatively easily, novel mechanisms would require new systems for design, development, execution, and ongoing oversight/compliance.</p>
Other considerations	<ul style="list-style-type: none"> ● Existing commercial vehicle tolls in the CMAP region are already relatively high compared to passenger car rates. ● New fees on freight activity could lead to increased prices for consumers. ● Mechanisms must be designed to be consistent with the Commerce Clause. ● Some fees (e.g., freight VAT) would be most appropriately instituted at the federal level; state or regional versions could lead to unwanted economic distortions.
Evaluation	<p>Revenue durability: High</p> <p>Mobility: Medium/ High</p> <p>Environmental resilience: Medium</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: Medium</p> <p>Political feasibility: Medium</p> <p>Administrative feasibility: Medium</p>

Freight fees: Local freight management fees

Category	Details
Mechanisms	<ul style="list-style-type: none"> ● Retail delivery fees ● Curb management fees
Implementation steps	<p>Varies based on mechanism; retail delivery fees likely require state level authorization whereas curb management fees can be implemented by local jurisdictions.</p>
Other considerations	<ul style="list-style-type: none"> ● Rising e-commerce and delivery volumes increase pressure on both consumers and businesses. ● Flexible curb use and enforcement increases administrative challenges.
Evaluation	<p>Revenue durability: High</p> <p>Mobility: Medium/High</p> <p>Environmental resilience: Medium/High</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: Medium</p> <p>Political feasibility: Medium</p> <p>Administrative feasibility: Medium/High</p>

Regional revenue source: Transportation funding mechanisms

Category	Details
Mechanisms	<ul style="list-style-type: none"> ● Motor vehicle registration fees (MVR) ● Motor vehicle sales tax ● Motor fuel tax (MFT)
Implementation steps	Varies based on mechanism due to different governing body approvals; requires coordination with existing state taxes and fees as well as local option fees in place across the region.
Other considerations	<ul style="list-style-type: none"> ● Illinois has a high MFT and MVR rate, both of which were recently increased. ● Increasing rates further may encounter significant pushback. ● Long-term viability of MFT is questionable given the rise of fuel-efficient and electric vehicles.
Evaluation	<p>Revenue durability: Medium/High</p> <p>Mobility: Medium</p> <p>Environmental resilience: Medium</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: High</p> <p>Political feasibility: Medium</p> <p>Administrative feasibility: High</p>

Regional revenue source: Transportation Network Company (TNC) fees

Category	Details
Mechanisms	Imposition of a fee on Transportation Network Company (TNC) trips in the region
Implementation steps	State and local legislative action required, including significant coordination across the region to coordinate and harmonize varying fee structures; fees could be set based on various factors such as vehicle occupancy, emissions, time, and location to address other policy objectives.
Other considerations	<ul style="list-style-type: none"> ● Relatively limited tax base, but growing in popularity and revenue potential. ● Existing TNC fees likely command much of the revenue potential. ● Potential challenges of scaling TNC outside current geographies. ● Limited data to evaluate TNC fee distributional impacts and revenue potential.
Evaluation	<p>Revenue durability: Medium</p> <p>Mobility: High</p> <p>Environmental resilience: High</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: Medium</p> <p>Political feasibility: Medium</p> <p>Administrative feasibility: Medium/High</p>

Regional revenue source: Non-transportation funding mechanism

Category	Details
Mechanisms	<ul style="list-style-type: none"> ● Payroll taxes ● Regional Real Estate Transfer Tax (RETT) ● Corporate income tax
Implementation steps	<p>Legislative action required at the state and local levels including potentially by referenda; utilize existing administrative infrastructure for RETT and corporate taxes, while considering alternatives for creating a new payroll tax mechanism.</p>
Other considerations	<ul style="list-style-type: none"> ● March 2024 ballot measure to raise the Real Estate Transfer Tax in Chicago failed, showing public resistance to higher taxes. ● Raising corporate taxes requires legislative approval and may interact with constitutional provisions on ratio between personal and corporate income tax rates, adding complexity and uncertainty. ● Despite large revenue potential, existing relatively high corporate income tax rates may limit upward movement or new forms of business taxation (e.g., payroll tax).
Evaluation	<p>Revenue durability: Medium/High</p> <p>Mobility: Medium</p> <p>Environmental resilience: Medium</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: Medium/High</p> <p>Political feasibility: Medium</p> <p>Administrative feasibility: Medium/High</p>

Financializing carbon policies

Category	Details
Mechanisms	<ul style="list-style-type: none"> ● State cap and trade system ● Carbon taxes
Implementation steps	Implementation requires state legislation, a strong regulatory framework, precise emissions monitoring, and effective enforcement to ensure compliance and market integrity.
Other considerations	<ul style="list-style-type: none"> ● Interaction with transportation lockbox requires more study given the novel nature of these mechanisms in Illinois. ● Multi-jurisdictional exchange participation is one option to simplify implementation.
Evaluation	<p>Revenue durability: Medium/High</p> <p>Mobility: Medium</p> <p>Environmental resilience: High</p> <p>Economic prosperity: Medium</p> <p>Implementation timeline: Medium</p> <p>Political feasibility: Low/Medium</p> <p>Administrative feasibility: Low/Medium</p>

