

Cheap parking makes life more expensive

By Emily Badger, Washington Post

Geof Glass, a doctorate student at Simon Fraser University, makes an interesting point in a blog post that's been circulating for the last two days among people online fascinated by the economics of parking: The purchases you make at a store surrounded by free customer parking are effectively taxed to make that parking possible.

Glass puts this "invisible sales tax" at about 1 percent, given estimates that parking makes up about 10 percent of the cost of developing a store, while rents make up around 10 percent of a retailer's costs of operating it.

That 1 percent, Glass argues, is then passed on to consumers in the cost of goods you buy at said store (which was built with, well, parking). These numbers would obviously shift depending on whether we're talking about a surface parking lot or a more expensive parking garage, whether we're talking about free parking, subsidized parking or pay parking. They would also change depending on the local cost of land beneath that parking. Here's Glass:

This subsidy is like a tax, as governments require developers to build parking. For consumers the effect is the same as if the government collected the tax and built the parking itself. This is effectively a privately administered sales tax.

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