

A Brief History of the Resort Cities Local Option Tax

by Wendy Jaquet, retired State Representative, Idaho Legislature and former Sun Valley-Ketchum Chamber of Commerce Executive Director

The history of Ketchum's local option tax goes back to 1975 when Jerry Seiffert had just been elected mayor. He took office in the fall because Mayor Bill Brand had decided to return to his position as fire chief. During the campaign there was lots of talk about "funding a bus" to help visitors reach shops and restaurants. Seiffert pointed out that this wasn't an appropriate use of property taxes. Other ski resort communities were using local option sales taxes to fund bus systems, increased infrastructure needs such as fire and police services, economic development and marketing.

Sun Valley Mayor Win Gray was concerned about the bus and also the expense of Moritz Community Hospital. In those days before St. Luke's Wood River Medical Center was built, Sun Valley subsidized Moritz even though it served much of Blaine County and virtually all of the tourists visiting the area.

Seiffert went to Boise in January 1976 at the opening of the legislative session and suggested to our state legislator at the time, Republican Steve Antone of Rupert, that a resort cities local option tax measure was of interest to his district. Rep. Antone was chair of the very powerful House Revenue and Taxation Committee, where all revenue bills start and stop. He had grown up in Shoshone with Clayton Stewart, city administrator of Sun Valley. Stewart helped Antone see that a bus system was especially important for the area's success.

Seiffert, Gray, owners of the former Elkhorn Resort and other local business leaders worked with David Hand, a lodge owner in Eastern Idaho, who was concerned that Idaho's marketing budget was falling behind Utah's. He had created a coalition promoting a statewide 2 percent hotel/motel "bed" tax to be used for state and regional marketing.

The local committee not only went to the House Revenue and Taxation Committee, but also started talking with Sen. Lyle Cobb of the Senate Local Government and Taxation Committee. The legislation authorizing a resort cities local-option bed and booze sales tax (Idaho code: 50-1044-49) received approval in 1978 after two unsuccessful attempts in 1976. The bill was signed by Gov. John Evans, who had been instrumental in

obtaining support in the Senate and from the Association of Idaho Cities. The legislation, amended in 1981 and 1984, authorized voters in resort cities to approve a local option tax. A resort city is defined as a city with a population of less than 10,000 that derives the major portion of its economic well-being from businesses catering to recreational needs and meeting needs of people traveling to the city for extended periods of time. The state statute required the voters of the resort city to approve the rate, the permitted uses and the duration of the tax. It also required a 60 percent approval.

In 1984, Seiffert and then Sun Valley Mayor Ruth Lieder returned to the Idaho legislature to ask that the statute be amended to permit a broader base of taxation as Ketchum did not have enough hotels and motels to raise sufficient funds from the “bed” tax. They also asked that local communities be allowed to set exemptions to the state sales tax for items such as groceries. By this time the statewide 2 percent hotel/motel bed tax had been implemented, and they were concerned that the combined state and local taxes could add up to an unacceptable rate. In addition, litigation about the constitutionality of the resort cities tax from the Sun Valley Company was complicating the City of Sun Valley’s efforts. The Idaho State Supreme Court in 1985 did find in favor of the resort cities sales tax, ruling that a 60 percent voter approval was more than sufficient to align the tax with the state constitution.

Shortly after state legislature’s approval in 1978, Ketchum and Sun Valley cities held public hearings prior to going to the voters. Seiffert remembers at least two Ketchum public hearings before the ballot language was drafted. Expenditures for economic development/marketing were discussed at the public hearings, as were a bus system and improvements to police, fire and streets required by increases in tourist populations. The voters approved the ballot language in both cities with wide margins. The most recent 1 percent increase for airline minimum revenue guarantees and marketing was passed by City of Sun Valley voters with a 61.35 percent vote in 2012 and defeated in Ketchum in 2012. The question was resubmitted to Ketchum voters in 2013 and passed with a 64 percent voter approval.