



Essential Hailey

Funding Options – Local Option Tax

Funding Opportunities:

City elected officials and staff will work with Hailey citizens to identify essential infrastructure needs and diverse funding methods to support these needs, in an effort to keep Hailey great.

Our goal is to identify proper funding sources to meet the community's needs. Diverse funding sources will enhance our success. This report focuses on local option taxes as an important funding source for underfunded maintenance and services.

Local Option Tax Funding Analyses:

Local option taxes are allowed by Idaho statute in resort cities with population under 10,000. It is important to keep in mind that Hailey's population, currently over 8000, will eventually exceed the population limit.

History and Timeline: Hailey began the process of instituting a local option tax over 10 years ago.

2006 A four-year "trial" term was requested of voters when the city brought forth its first LOT ordinance. Voters approved the measure with a 67% margin. The products that could be taxed were limited to:

1% tax on restaurant food	2% tax on alcohol by-the-drink
3% tax on lodging	3% tax on car rentals

The purpose of the tax was clearly defined. The tax has been used in all of the allowed categories:

- Emergency services (rapid response, life-safety, traffic enforcement, training, staffing, equipment, vehicles, etc.)
- Maintenance, improvement and acquisition of parks;
- Road repair, transportation enhancements, snow removal;
- Public transit and related improvements;
- City promotion, visitor information, special events and economic development;
- Town improvements (library modernization, sidewalks, town square, etc.)
- Direct cost to administer and enforce the tax

2009 In late 2009, the City of Hailey brought a 20 year term to voters, who approved it at 84%. The term, through June 30, 2030, was the only element that changed; the same taxable products and uses of the tax remained.

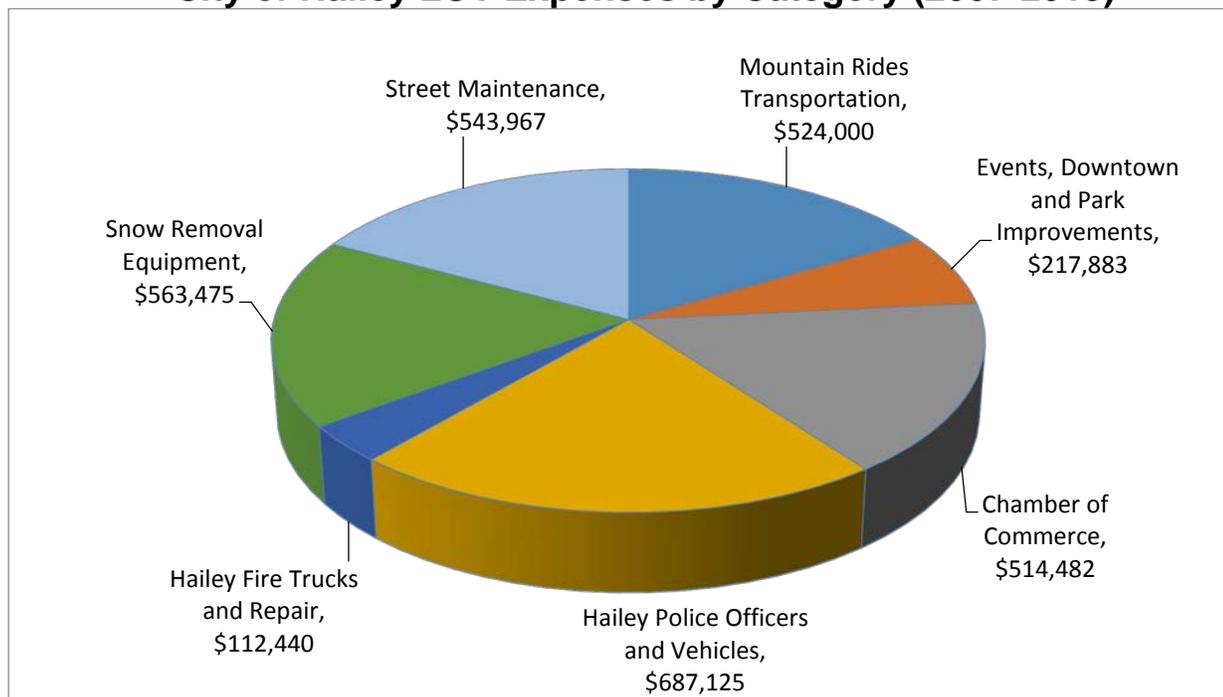
2012 An effort to increase the local option tax by 1% on lodging and car rentals for the purpose of funding the promotion and development of more commercial air service to Friedman Memorial Airport failed with 58.7% of Hailey voters in favor. A 60% approval margin was needed.

2013 The measure was brought back again in 2013, and was approved at 66%. The additional 1% tax is in place for five years, through December 31, 2018.

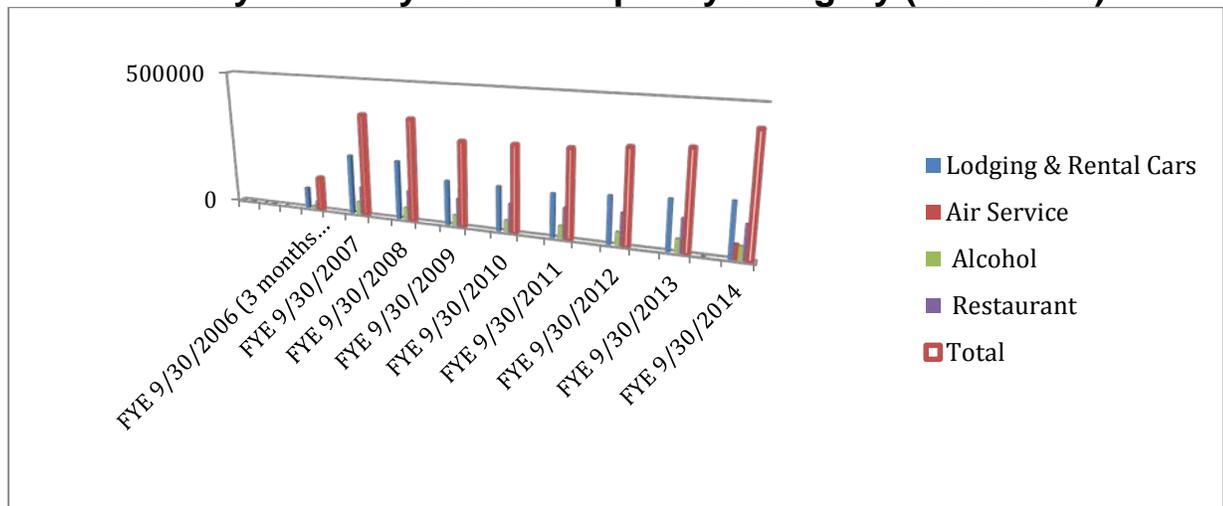
2018 There is currently no limit in Idaho law on the term length of local option tax. If local option tax is to be a permanent funding source, Hailey should consider instituting a lengthy term, such as a 20 or 50 year term, before the next census at which Hailey’s population is expected to exceed 10,000. That matter could be taken to voters in 2018, to address the term and extending the 1% air service tax.

Hailey’s Use of the LOT: The City of Hailey and partners such as Mountain Rides and the Hailey Chamber of Commerce have become quite dependent upon local option tax revenue, from which we have budgeted \$3.16 million in expenses over 9 fiscal years. The chart below shows how that money was spent.

City of Hailey LOT Expenses by Category (2007-2015)



City of Hailey LOT Receipts by Category (2006-2014)



Tax Amendments: A full discussion of whether more items should be taxed will be presented during this process to Hailey official and constituents. We have obtained information from the Idaho State Tax Commission about the types of taxable sales generated from the 83333 zip code. These reports should be qualified in that:

- They include some sales outside of the city limits, such as agricultural and landscape company sales from the areas around Hailey and still within zip code 83333;
- They do not include corporate stores who pay their tax from another zip code (examples could be businesses such as ColorTyme, Radio Shack, Avis);
- They may include business sales from outside 83333 whose business headquarters are within Hailey.

Despite these data qualifiers, we present below an analysis of the information we have.

2014 Sales from Hailey Area: The total volume of sales reported in calendar year 2014 from zip code 83333 is more than \$246 million. Of this, \$149 million, or 60%, is subject to state sales tax.

Local option tax is allowed on any item that is subject to state sales tax.

- An additional 1% LOT tax on all taxable sales from this area would generate \$1.5 million.
- An additional 1% LOT tax on all taxable sales excluding the items already taxed within Hailey would generate \$1.3 million.
- Below is a summary of various types of activities, showing the amounts an additional 1% would bring in each category.

Sales Report for Calendar Year 2014

Total Sales	Non Taxed Sales	Net Taxable Sales	Amount to be Generated by 1% LOT Tax	Business Type
11,447,064	9,144,292	2,302,772	23,028	Construction/General Contractor
2,951,172	2,354,597	596,575	5,966	Manufacturing
11,904,164	9,324,359	2,579,805	25,798	Warehousing
4,314,398	2,580,104	1,734,294	17,343	Wholesale
35,551,099	28,321,034	7,230,065	72,301	Building Materials, Construction; Home
105,615,470	20,223,238	85,392,232	853,922	Retail
2,443,248	1,288,896	1,154,352	11,544	Services
5,307,650	1,580,151	3,727,499	37,275	Automotive, electrical, bike repair
7,468,354	418,654	7,049,699	70,497	Recreational Facilities, Movies, Amusement
21,465,758	3,664,253	17,801,505	178,015	State and Local Government

Summary: The council and community should discuss whether adding a local option tax to any of these sales categories would be a viable funding option for Hailey. Some categories, such as State and Local Government, which largely includes schools, may not be deemed appropriate by the community for a local option tax.