

## LOCAL OPTION TAX 101

### City General Local Option Tax (LOT) | History

The general Local Option Tax, better known by its acronym, LOT, has been a foundation of the economy in Blaine County for nearly 50 years. Sometimes referred to as the “tourism tax,” it was originally approved by voters in Ketchum and Sun Valley in 1978. Hailey followed suit with an update version of Idaho’s LOT option in starting in 2007 and Bellevue recently voted in its own in 2022.

While local option taxes have long been allowed in most states, it wasn’t until a group of Idahoans led by Ketchum’s Mayor, Jerry Seiffert, went to Boise to lobby for a local option tax. It took a couple years and a couple of failed attempts, but the Idaho legislature eventually passed a bill in 1978 allowing *resort cities* to tax lodging and alcohol at 2% so long as there is a 60% approval rate by voters. The votes passed easily in both Ketchum and Sun Valley and the tax was initiated.

*A “resort city” was denoted as a city of 10,000 or less “that derives the major portion of its economic well-being from businesses catering to recreational needs and meeting needs of people traveling to that destination.”*

In 1984, Mayor Seifert was joined by Sun Valley Mayor, Ruth Leider, and others from throughout the Gem State that went back to the State Capitol to ask that the taxable items be expanded. The “bed tax” on hotels and alcohol wasn’t enough to support the needs of resort communities. More funds were needed by these small communities to be able to handle and attract the visitors they needed to keep their local economies thriving. The State Legislature passed an update bill allowing resort communities to expand their sales tax items. Car rentals, food and beverages, and other retail items including construction materials, but excluding groceries and motor vehicles, were added to LOT collections locally.

### 1% for Air Local Option Tax (LOT) | History

In 2012, an additional “1% for Air” Local Option Tax was passed in Sun Valley and then Ketchum and Hailey in 2013 for a period of 5 years. The “1% for Air” captures LOT funds to assure air service contracts are fulfilled, including marketing. This is a separate local option tax from the *general* local option taxes collected by the various cities in the Wood River Valley.

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## **City General Local Option Tax (LOT) | Today: Uses & Collections**

Currently, a total 20 cities in Idaho now have LOTs, including other mountain resort communities like McCall, Sandpoint, Salmon, and Teton. While every jurisdiction spends and manages their LOT in different ways, these funds help offset the costs of public services that many communities would otherwise use property taxes to fund.

***The city general revenues in Hailey, Ketchum and Sun Valley are used to support everything from City administration to municipal transportation to police and fire protection, economic development, land acquisition and parks, roads, and buildings. A detailed list of uses include:***

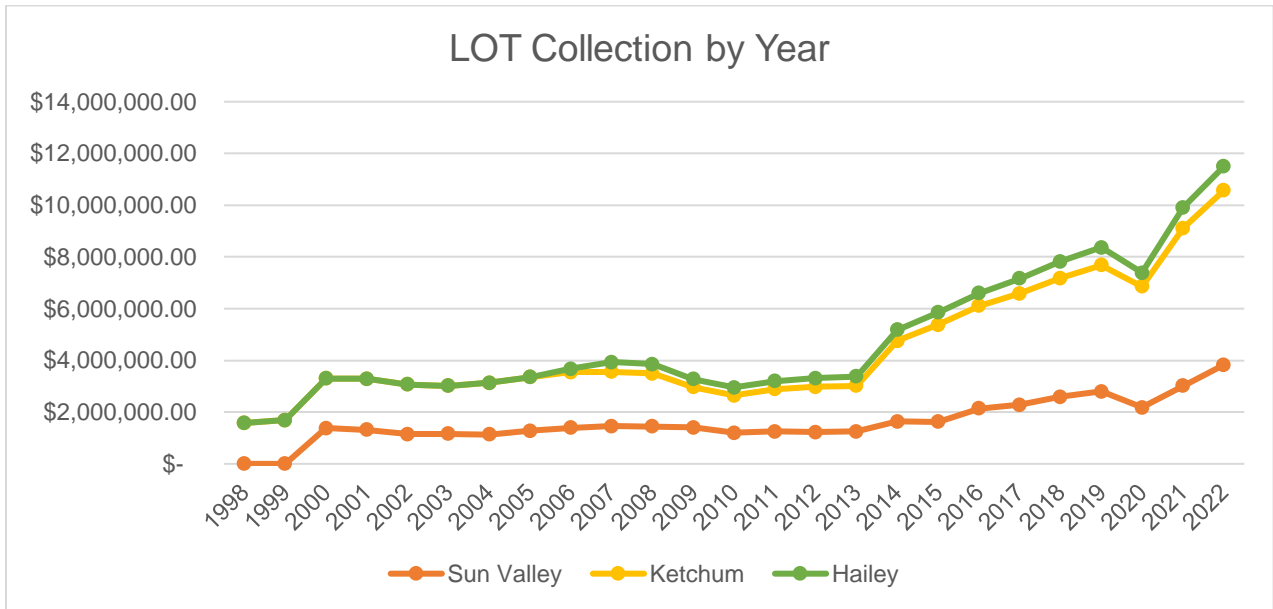
- ***hosting visitors in the community***
- ***municipal transportation***
- ***land acquisition***
- ***parks and recreation***
- ***capital improvements***
- ***emergency services***
- ***property tax relief***
- ***city promotion***
- ***visitor information***
- ***special events***
- ***snow removal***
- ***street maintenance***
- ***health and safety services.***

Over a 10 years span, from 2013-2022, city general LOT receipts in all three Blaine County towns rose steadily, at a collective rate of 104%. During that span collections by city were:

- Ketchum: \$24.8 million
- Sun Valley: \$17.4 million
- Hailey \$5 million

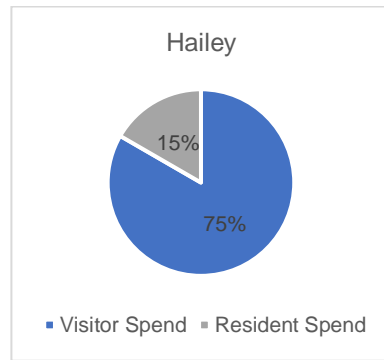
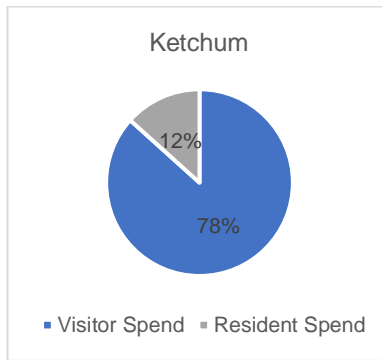
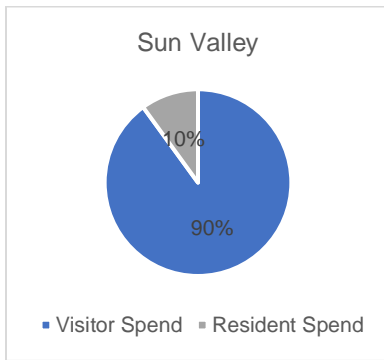
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The lion's share of LOT collections in the Wood River Valley are paid by visitors. The approximate breakdown by city is as follows:

- Sun Valley: 90% paid by the visitor
- Ketchum: 78% paid by the visitor
- Hailey: 75% paid by the visitor



In 2020, Hailey voters chose to extend its LOT until 2050.

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## City & State Tax Collections

Current breakdown of taxes collected by the state of Idaho, local municipalities, and their total taxable amount.

### Sun Valley Taxes

	State Sales Tax	State Lodging Tax	City General LOT	Current 1% for Air	Current Total Taxes	Proposed 0.5% Housing	Proposed 0.5% Air	Proposed Tax Totals
Lodging	6%	2%	3%	1%	12%	0.5%	0.5%	12%
Food & Beverage	6%		3%	1%	10%	0.5%	0.5%	10%
Alcohol by Drink	6%		3%	1%	10%	0.5%	0.5%	10%
Lift Tickets	6%		1%	1%	8%	0.5%	0.5%	8%
Building & Materials	6%		1%	1%	8%	0.5%	0.5%	8%
Rec Memberships	6%		3%	1%	10%	0.5%	0.5%	10%
Rentals	6%		3%	1%	10%	0.5%	0.5%	10%
Events	6%		3%	1%	10%	0.5%	0.5%	10%

### Ketchum Taxes

	State Sales Tax	State Lodging Tax	City General LOT	Current 1% for Air	Current Total Taxes	Proposed 0.5% Housing	Proposed 0.5% Air	Proposed Tax Totals
Lodging	6%	2%	2%	1%	11%	0.5%	0.5%	11%
Alcohol by Drink	6%		2%	1%	9%	0.5%	0.5%	9%
Retail Sales	6%		1%	1%	8%	0.5%	0.5%	8%
Building Materials	6%		1%	1%	8%	0.5%	0.5%	8%

### Hailey Taxes

	State Sales Tax	State Lodging Tax	City General LOT	Current 1% for Air	Current Total Taxes	Proposed 0.5% Housing	Proposed 0.5% Air	Proposed Tax Totals
Lodging	6%	2%	2%	1%	11%	0.5%	0.5%	11%
Rental Cars	6%		2%	1%	9%	0.5%	0.5%	9%
Alcohol by Drink	6%		2%	0%	8%	0%	0%	0%
Restaurants	6%		1%	0%	8%	0%	0%	0%

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## State Taxes

- Sales tax: 6%
- Lodging (a.k.a. travel & convention tax): 2%

## City General LOT

- [Sun Valley](#)

In Sun Valley, their city general LOT is added to the State sales tax at varying rates for categories like lodging, food and drink, building materials, and event and lift tickets. The revenue is used to support everything from City administration to municipal transportation to police and fire protection, economic development, land acquisition and parks, roads, and buildings. Approximately 90% of LOT collected in Sun Valley comes from visitors.

  - Lodging (less than 30 days): 3%
  - Food & Beverage: 3%
  - Alcohol by the Drink: 3%
  - Ski Lift Tickets: 1%
  - Building & Construction Materials: 1%
  - Recreation Memberships: 3%
  - Rental of Tangible Personal Property: 3%
  - Event Admission: 3%
- [Ketchum](#)

In Ketchum, their city general LOT is 3% for lodging and liquor-by-the-glass, and 2% for all taxable retail sales. The City uses these funds to support a wide variety of needs, from City services and municipal transportation, to open space acquisition and recreation, to capital improvements, emergency services, city promotion and special events. Approximately 78% of LOT collected in Ketchum comes from visitors.

  - Lodging (less than 30 days): 2%
  - Alcohol by the Drink: 2%
  - Retail sales including building materials (groceries and motor vehicles are exempt): 1%
- [Hailey](#)

In Hailey, their city general LOT is 3% on lodging and car rentals, and 2% on alcohol by the glass and 1% on restaurant food. The City uses these funds to support law enforcement, snow removal, street maintenance, transportation, as well as marketing and events. The city uses Approximately 75% of the Lot collected in Hailey comes from visitors.

  - Lodging: 2%
  - Rental Cars: 2%
  - Alcohol by the Drink: 2%
  - Restaurants: 1%

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## Air 1% LOT

- [Sun Valley](#)
  - Lodging (less than 30 days): 1%
  - Food & Beverage: 1%
  - Alcohol by the Drink: 1%
  - Ski Lift Tickets: 1%
  - Building & Construction Materials: 1%
  - Recreation Memberships: 1%
  - Rental of Tangible Personal Property: 1%
  - Event Admission: 1%
- [Ketchum](#)
  - Lodging (less than 30 days): 1%
  - Alcohol by the Drink: 1%
  - Retail sales including building materials (groceries and motor vehicles are exempt): 1%
- [Hailey](#)
  - Lodging: 1%
  - Rental Cars: 1%
  - Alcohol by the Drink: 0% - not collected on these receipts
  - Restaurants: 0% - not collected on these receipts

## **The Future Evolution of 1% for Air: 0.5% for Housing & 0.5% for Air**

This spring a ballot initiative will be brought to voters in Ketchum, Sun Valley, and Hailey to renew the 1% for Air LOT at its current rate (next five years for Ketchum & Sun Valley, until 2050 for Hailey), but to split its uses between fulfilling the contracts with air service providers at Freidman Memorial Airport at 0.5% and assistance with workforce housing at 0.5% for a total of 1%. A vote in 2022 to increase the LOT in Ketchum fell short. Other resort communities like Driggs, Idaho, and Steamboat Springs, Colorado, use LOTs to support workforce housing.

LOTs have proven to be vital for the health of communities that derive the majority of their economic well-being from meeting the needs of people traveling there.