LOCAL OPTION TAX: TALKING IN CIRCLES

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On the list of perennial topics that never seem to make it through the process in the Idaho Legislature, the subject of local option taxes must break the top 10.

The idea would allow cities to place an option on the ballot for residents to add on to local taxes, usually sales tax, which could help pay for such things as school improvements, fire protection, or — in the case of this series — public transportation. Taxing authority in Idaho is highly limited; it mostly falls into the property tax arena, which isn’t exactly popular with voters. It is up to the Legislature to make that change if they deem it necessary.

Senate Pro Tempore Brent Hill, R-Rexburg, said when he was a freshman legislator 13 years ago, he was surprised by the notion that the Legislature could place so many restrictions on cities and counties when it comes to raising revenue. The closest the idea came to reality was in 2009, but then-Speaker of the House Lawerence Denney blocked the effort by requiring a constitutional amendment, which was a deal-breaker for supporters. The amendment would have established a two-thirds majority requirement from voters to levy the tax.

“There was some opposition, including from some municipalities, about having that in the Constitution because that would preclude them from having some other majority required,” Hill said. “There hasn’t been a successful effort at trying to allow a local option sales tax because it just hasn’t had any success at getting out of that taxation committee.”

That’s been true recently, as well. Sen. Chuck Winder introduced a bill during the 2014 session that never made it past the House Revenue and Taxation Committee. Winder said he has been involved in transportation issues across the state and particularly in Ada County for the past 20 years, and some of the biggest problems urban areas have is that they don’t have the ability to use operational funds for public transit.

“They don’t have the available money because it’s only the money the federal government might have for buses or light rail or some type of transit,” Winder said. “The purpose of the bill was to say can we have local option, and if we do have local option, it would require that entity to come back to

Route 42 Valley Ride

Frank Yabon, of Garden City, checks his cellphone as he rides the Route 42 ValleyRide bus Wednesday morning to downtown Boise. Yabon uses the bus to commute home after working an overnight shift at a Meridian business.
the people and say exactly what they would do with the money.”

A study conducted by COMPASS, the Community Planning Association of Southwest Idaho, showed a 1 percent sales tax increase in Ada and Canyon counties would generate about $54.8 million per year, which could help overcome the transportation funding shortfall the organization faces. COMPASS Communications Coordinator Amy Luft said that figure is assuming certain population numbers and no restrictions on taxing amounts or other factors, but it is a generic figure.

Winder’s local option bill was modeled after an approach used in Oklahoma City, partly as an answer to fears of debt service or indebtedness. The language of the legislation was more project-based, more “pay as you go.”

That bill went nowhere during the session, not even for a hearing in the Tax and Revenue Committee, chaired by Nampa Rep. Gary Collins. Collins said he voted for the idea in 2009, but he isn’t convinced the Legislature is ready for it at this point.

“We had a lot of things going on, and I just didn’t feel it was the right time, and there wasn’t enough support really to do anything,” Collins said. “... I know the cities and counties are pushing hard for a local option tax, but I haven’t seen the momentum in the Legislature that needs to be there.”

THE STICKING POINT

Seth Grigg has been executive director of the Association of Idaho Cities for just a couple of months, but he worked for the Idaho Association of Counties for about five years before this. Grigg said the issue between cities and counties and the Legislature largely comes down to how a local option tax would work — would a simple majority of voters need to approve the tax, or 60 percent, or a supermajority of 66 percent? Proponents argue a constitutional amendment giving a concrete threshold is too restrictive, but some legislators have insisted on one.

Collins said that is where the issue has stalled.

“That’s one of the sticking points we seem to have between the Legislature and the Association of (Idaho) Cities particularly, is they want to have a simple majority to pass it, and the Legislature is pretty stuck on supermajority,” Collins said.

Grigg said the requirement could vary based on the goals of the tax, similar to the way school elections take place.

“From my membership’s perspective, the preference would be to have broad local option authority to where they can put the issue on the ballot before the voters and have pretty broad discretion in how the funds would be used,” Grigg said. “A lot of folks are interested in using it for transportation projects, but there are lots of other issues folks would like to see, too.”

Another problem arises when it comes to taxes that would vary by county and possibly suck business
away from those areas. If Ada County were to pass a local option tax but one did not exist in Canyon County, consumers might elect to do business outside of Ada County to avoid the extra cost. Winder said if there were a local option tax passed for transit in the Treasure Valley, he envisioned both counties trying to pass the tax to avoid that problem.

LOCAL REACTION

The idea still bothers some local officials, including Canyon County Commissioner Steve Rule, who has been opposed to the idea in the past because of the county’s close border with Oregon — a state with no sales tax.

Others are supportive but not hopeful that any progress will be made anytime soon. That includes Nampa Mayor Bob Henry and Caldwell Mayor Garret Nancolas.

Henry said he has spoken with legislators about the idea for the upcoming session, but it doesn’t sound promising.

“They’re thinking it’s dead on arrival for this year,” Henry said. “And I guess personally, I’ve never had a problem with the local option tax because you have to get approval from the voters. I’ve never quite understood why the state says, ‘Oh, we need to control that.’ I think that’s something better controlled by the local entities.”

Nancolas said he has spoken with legislators about the issue every year since he took office in 1998, and the status quo remains. Nancolas said he believes the authority already exists under Idaho’s Constitution, and an amendment is not necessary.

“I’ve always been supportive of the local option tax, and the reason I am is because it’s publicly approved,” he said. “I can’t think of a better way to let the public determine their own plan.”

Nancolas said Canyon County would benefit from more transportation options, but he said that, like anything else, it comes down to a funding issue. The current system is as good as Caldwell can afford, he said, but it’s also a question of cost and benefit.

“It’s a Catch 22 situation where if there was a more robust system, people would use it, but you can’t afford a more robust system,” he said. “Salt Lake City is an example of that. If it’s there, people will use it.”

Salt Lake City is a prime example of using local option taxes to fund a transportation system. The Utah Transit Authority runs a 50-station, 45-mile light rail system, a commuter rail, a bus system and street car system in the metropolitan area. Idaho’s sales tax is 6 percent, while Salt Lake City’s sales tax is 6.85 percent to finance all of those services. Voters in Salt Lake City have approved those tax increases throughout the years and created one of the most extensive transportation systems in the country.
Sen. Jim Rice, R-Caldwell, disagrees with Nancolas. Rice also sits on the Tax and Revenue Committee in the Legislature.

“It’s a really, really bad idea,” Rice said, “because what you get is patchwork problems being solved with a local option sales tax, which could be very damaging to the western parts of Canyon County especially.”

He also said it would also create confusion and problems that would stretch beyond the Treasure Valley.

“It would make our economic policies less consistent across the state if you do that, and predictability is something that you really want in taxation,” he said.

RESORT TAXES

Local option taxes do exist for a small portion of Idaho cities: resort towns with a population of fewer than 10,000 residents. Thirteen cities, such as Hailey, Ketchum and Sun Valley, have a local sales tax. In McCall, voters approved a 3 percent local option tax on lodging in 2005 and renewed it in 2011. BessieJo Wagner, city clerk for McCall, said this year that tax generated $340,000.

“It helps with events, it helps maintain our parks and different facilities,” Wagner said. “It goes to help with free transit here in town, and some of that goes to help support that transit and it goes to various recreational activities and facilities.”

Voters were asked to approve another 1 percent increase in the general election this month, but the bond fell just shy of the majority needed for implementation. The extra revenue would have provided for city street, water and sewer line improvements.

But Wagner said the existing tax has helped increase tourism in some respects. The McCall Winter Carnival, a popular annual attraction, used to have only one fireworks show, and the extra revenue now funds two shows — one at the beginning of the carnival and one at the end.

“They’ve shown there’s more people who stay through the second weekend since they started doing the second fireworks show,” Wagner said.

FUTURE EFFORTS

Neither Collins nor Winder seemed confident the local option tax will have legs this year, and Hill had his doubts, as well. Hill said he has heard rumors that the Idaho Chamber Alliance might make it a priority, and if that happens, it could stir some momentum.

Debbie Kling, president and CEO of the Nampa Chamber of Commerce, said the Chamber Alliance does view it as a top priority, and the Nampa Chamber supports it, as well. Kling has also met with legislators on the issue and plans to bring it up at the chamber luncheon next month with local legislators present.
“It’s important to remember that the community would get to vote to approve a local sales tax,” Kling said. “This could not be implemented without community support and approval.”

Still, Hill said he doesn’t see the issue taking flight.

“I don’t see it going anywhere in the near future. If we were to raise taxes, I think the general feeling is the needs are greatest in the transportation taxes (for road improvements),” Hill said. “So if there were to be a need for raising taxes, that would be the place to do it.”

Winder said he won’t stick his neck out again unless he receives more support from organizations that are pushing the issue, like the Association of Idaho Cities and Idaho Association of Counties.

“They’re always saying they’re in favor of it, but like last time, I had asked for a letter of support and I never did get one from either entity,” Winder said. “What I told them is if they’re not going to support it, I’m not going to bring it back again. It’s for them, and if they want it, they’re going to have to stand up and work in the process.”