

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 375

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO LOCAL OPTION SALES AND USE TAXES; AMENDING TITLE 63, IDAHO CODE, BY THE ADDITION OF A NEW CHAPTER 46, TITLE 63, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING A LOCAL OPTION SALES AND USE TAX, TO ESTABLISH PROVISIONS REGARDING PROCEDURES, TO PROVIDE FOR AN ELECTION TO AUTHORIZE A LOCAL OPTION SALES AND USE TAX, TO PROVIDE FOR COLLECTION AND ADMINISTRATION OF THE TAX BY THE STATE TAX COMMISSION, TO PROVIDE FOR THE DISTRIBUTION OF MONEYS FROM THE FUND, AND TO PROVIDE FOR AN ELECTION TO REPEAL, REAUTHORIZE, OR CHANGE THE TAX; REPEALING SECTION 50-1044, IDAHO CODE, RELATING TO AUTHORITY FOR RESORT CITY RESIDENTS TO APPROVE AND RESORT CITY GOVERNMENTS TO ADOPT, IMPLEMENT AND COLLECT CERTAIN CITY NONPROPERTY TAXES; AMENDING CHAPTER 10, TITLE 50, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 50-1044, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING THE AUTHORITY FOR RESORT CITY RESIDENTS TO APPROVE AND RESORT CITY GOVERNMENTS TO ADOPT, IMPLEMENT AND COLLECT CERTAIN CITY NONPROPERTY TAXES; REPEALING SECTION 67-4917B, IDAHO CODE, RELATING TO A CERTAIN HOTEL AND MOTEL ROOM SALES TAX; AMENDING CHAPTER 49, TITLE 67, IDAHO CODE, BY THE ADDITION OF A NEW SECTION 67-4917B, IDAHO CODE, TO ESTABLISH PROVISIONS REGARDING A HOTEL AND MOTEL ROOM SALES TAX; AND PROVIDING A CONDITIONAL EFFECTIVE DATE.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Title 63, Idaho Code, be, and the same is hereby amended by the addition thereto of a NEW CHAPTER, to be known and designated as Chapter 46, Title 63, Idaho Code, and to read as follows:

CHAPTER 46

LOCAL OPTION SALES AND USE TAX ACT

63-4601. LOCAL OPTION SALES AND USE TAX. (1) A city or county may levy a local option sales and use tax within its authorized jurisdiction as provided in this chapter.

(2) The qualified electors of a city or county shall have the legal authority to authorize the city council or board of county commissioners to adopt, implement, and collect a tax on the sale and use of any category of products or services that the city or county chooses that are offered for sale within the boundaries of the city or county, as long as such tax is applied uniformly within each category subject to the tax. The city council or board shall have the power and authority to adopt and collect a tax if approved by a majority of all votes cast by the qualified electors of the city or county voting in an election conducted for that purpose held in an even-numbered year on the November election date specified in section 34-106, Idaho Code. No city or county sales and use tax proposal may be pre-

1     sented to city or county voters for approval or modification for a period of  
2     fifty-one (51) weeks after an election to approve or disapprove such tax.

3     (3) The rate of the tax shall be the amount approved by the electors but  
4     no more than two percent (2%) of the sales price of a product or service sub-  
5     ject to the tax.

6     (4) The revenues generated by a tax as provided in this chapter, after  
7     the necessary costs of collection and administration and distribution of any  
8     refund or credits authorized pursuant to section 63-4604(2), Idaho Code, may  
9     only be used to pay for the services that the city or county identifies in  
10    the ballot question presented to the voters of the city or county pursuant to  
11    section 63-4603, Idaho Code.

12    (5) The actual amount of sales and use tax revenues authorized under  
13    this section shall be deducted from the property tax budget limitation set  
14    forth in section 63-802, Idaho Code, for the county and each taxing district  
15    within the county receiving such sales and use tax revenues.

16    63-4602. PROCEDURES. (1) Prior to the imposition of a local option  
17    sales and use tax under this chapter, the city or county shall conduct at  
18    least one (1) public hearing.

19    (2) Notice of the hearing shall be posted at least thirty (30) days  
20    prior to the hearing at a conspicuous place within the jurisdiction of the  
21    city or county proposing the tax. A copy of the notice shall also be pub-  
22    lished weekly during the thirty (30) days prior to the hearing, pursuant to  
23    the provisions of sections 60-106 and 60-106A, Idaho Code. The place, hour,  
24    and date of the hearing shall be specified in the notice, as well as the place  
25    where the details regarding the proposal may be examined prior to the hear-  
26    ing. A summary of the proposal shall be published with and as a part of the  
27    notice of publication of the notice of hearing.

28    (3) Following the public hearing, the city council or board of county  
29    commissioners shall adopt an ordinance to impose the tax following autho-  
30    rization by a majority of all votes cast by the qualified electors of the city  
31    or county voting to impose the tax. The ordinance shall clearly identify all  
32    information provided in section 63-4603(1), Idaho Code. The county clerk  
33    shall then order an election to be held on a November date authorized pur-  
34    suant to section 34-106, Idaho Code, in the next even-numbered year.

35    63-4603. ELECTION TO AUTHORIZE LOCAL OPTION SALES AND USE TAX. (1) In  
36    an election, the question presented to the qualified electors of the city or  
37    county shall:

38    (a) Provide a description and general explanation of the tax to be ap-  
39    proved, including the proposed duration, which shall be no longer than  
40    four (4) years;

41    (b) Provide a detailed summary of the ordinance adopted by the council  
42    or board following the public hearing;

43    (c) Provide a detailed summary that clearly identifies all products and  
44    services that shall be subject to the proposed tax;

45    (d) State the rate of the tax to be assessed, which shall be at least  
46    one-tenth of one percent (0.10%) but not more than two percent (2%) of  
47    the sales price of an item subject to taxation;

(e) State the exact purpose or purposes for which the revenues derived from the tax shall be used; and

(f) State that the local option sales and use tax may be repealed, extended, or changed if proposed by the city or county and approved by a simple majority of the electors pursuant to section 63-4605, Idaho Code.

(2) Upon voter approval of the tax, the city or county shall provide by ordinance the rate of the tax approved and the methods for reporting and collecting the taxes due and shall transmit a copy of the ordinance to the state tax commission.

(3) Tax collection shall commence on a date set forth in the ordinance, but no earlier than the next quarter that commences at least sixty (60) days after the date of the election.

63-4604. COLLECTION, ADMINISTRATION, AND DISTRIBUTION OF CITY AND COUNTY SALES AND USE TAXES. (1) A city or county that has levied a tax pursuant to this chapter shall contract with the state tax commission for the collection and administration of the tax in like manner and under definitions and rules of the state tax commission for the collection and administration of the state sales and use tax under chapter 36, title 63, Idaho Code, unless any such definition or rule conflicts with the city or county ordinance providing for the local option tax, in which case the provisions of the ordinance shall control. The state tax commission is authorized to adopt additional rules, subject to legislative approval, as may be necessary for efficient and effective tax collection and administration under this chapter, including, without limitation, rules for establishing whether the seller is located within the county, as are compatible with chapter 36, title 63, Idaho Code, and use tax credit rules as are compatible with section 63-3701, Idaho Code.

(2) All revenues collected by the state tax commission pursuant to this chapter shall be distributed as follows:

(a) An amount shall be distributed to the state refund account sufficient to pay current refund claims. All refunds authorized by the state tax commission to be paid shall be paid through the state refund account and those moneys are continuously appropriated.

(b) An amount shall be distributed to the state tax commission equal to the fee as may be agreed upon between the state tax commission and the city or county for the actual cost of the collection and administration of the tax. Any unencumbered balance in excess of the actual cost at the end of the fiscal year shall be distributed as provided in paragraphs (c) and (d) of this subsection.

(c) Fifty percent (50%) of all moneys remaining after the distributions required by paragraphs (a) and (b) of this subsection shall be placed by the state controller in a fund designated by the state controller and remitted monthly to the city or county that adopted the tax.

(d) Fifty percent (50%) of all moneys remaining after the distributions required by paragraphs (a) and (b) of this subsection shall be placed by the state controller in a fund designated by the state controller and remitted monthly as follows:

- 1 (i) If the entity adopting the tax is a city, then to the county in  
 2 which the city is located; and  
 3 (ii) If the entity adopting the tax is a county, then to each city  
 4 within the county's boundaries on a pro rata basis in proportion  
 5 to the population of each city within the boundaries of the county  
 6 adopting the tax.

7 63-4605. TAX REPEAL, REAUTHORIZATION, OR RATE CHANGE. The tax or the  
 8 rate of tax in effect may be changed, repealed, or extended only if approved  
 9 by a majority of all votes cast by the qualified electors voting in a repeal,  
 10 reauthorization, or rate change election conducted for such purpose. This  
 11 election may be held in any year prior to the expiration of the term of the  
 12 tax then in effect on the November election date specified in section 34-106,  
 13 Idaho Code, in an even-numbered year. A summary of the plan adopted by the  
 14 council or board with respect to the extension of the term of the tax in ques-  
 15 tion shall be included. If the repeal, extension, or rate change of the lo-  
 16 cal option sales and use tax is authorized by the voters, the city council or  
 17 board of county commissioners shall notify the state tax commission.

18 SECTION 2. That Section [50-1044](#), Idaho Code, be, and the same is hereby  
 19 repealed.

20 SECTION 3. That Chapter 10, Title 50, Idaho Code, be, and the same is  
 21 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
 22 ignated as Section 50-1044, Idaho Code, and to read as follows:

23 50-1044. AUTHORITY FOR RESORT CITY RESIDENTS TO APPROVE AND RESORT  
 24 CITY GOVERNMENTS TO ADOPT, IMPLEMENT, AND COLLECT CERTAIN CITY NONPROPERTY  
 25 TAXES. (1) Subject to the limitations provided in subsection (2) of this  
 26 section, the voters of any resort city with a population not in excess of  
 27 ten thousand (10,000) according to the most recent census within the state  
 28 of Idaho, organized under the general laws of the state, special charter,  
 29 or a general incorporation act, are hereby given the freedom to authorize  
 30 their city government to adopt, implement, and collect one (1) or more local  
 31 option nonproperty taxes as provided in this section. A resort city is a city  
 32 that derives the major portion of its economic well-being from businesses  
 33 catering to recreational needs and meeting needs of people traveling to that  
 34 destination city for an extended period of time. The corporate authorities  
 35 of any such resort city are hereby given the freedom and authority to adopt,  
 36 implement, and collect one (1) or more local option nonproperty taxes as  
 37 provided in this section, if approved by the required majority of city voters  
 38 voting in an election as provided in this section. No local option nonprop-  
 39 erty tax proposal may be presented to resort city voters for approval or  
 40 modification for a period of eleven (11) months after an election to approve  
 41 or disapprove such tax. The election may be a special election conducted  
 42 for the exclusive purpose of approving or disapproving such tax or may be  
 43 conducted as a part of any other special or general city election.

44 (2) No resort city shall have the authority to adopt any tax provided in  
 45 this section after January 1, 2027. Any tax levied by an auditorium district  
 46 pursuant to this section that was adopted before January 1, 2027, shall ex-  
 47 pire no later than January 1, 2031.

1       SECTION 4. That Section 67-4917B, Idaho Code, be, and the same is hereby  
2 repealed.

3       SECTION 5. That Chapter 49, Title 67, Idaho Code, be, and the same is  
4 hereby amended by the addition thereto of a NEW SECTION, to be known and des-  
5 ignated as Section 67-4917B, Idaho Code, and to read as follows:

6       67-4917B. HOTEL AND MOTEL ROOM SALES TAX. (1) Subject to the limita-  
7 tions provided in subsection (2) of this section, the board shall have power  
8 and authority to levy a sales tax of no more than five percent (5%) of the  
9 receipts derived by hotels and motels within the district from the furnish-  
10 ing of hotel and motel rooms, except no tax shall be imposed where residence  
11 therein is maintained continuously under the terms of a lease or similar  
12 agreement for a period in excess of thirty (30) days, and except that no tax  
13 shall be charged on the sale of rooms by the Idaho Ronald McDonald House; pro-  
14 vided that for any auditorium district established after July 1, 2001, such  
15 sales tax shall not exceed the maximum tax rate authorized in the petition.  
16 The levy and collection of sales tax pursuant to this section shall not be  
17 subject to the limitations or other provisions of sections 67-4913, 67-4914,  
18 67-4915, and 67-4916, Idaho Code. The revenues received by the district  
19 from such sales tax shall be deposited in the depository of the district.  
20 Promptly following the adoption by the board of the resolution to levy such  
21 tax, the secretary of the board shall certify to the state tax commission  
22 that such levy has been adopted and shall state the effective date thereof  
23 and shall transmit to the commission a certified copy of such resolution.  
24 The effective date of any such levy shall not be earlier than the first day of  
25 the month and not less than sixty (60) days following certification of such  
26 levy to the commission.

27       (2) No board shall have the authority to adopt any tax provided in this  
28 section after January 1, 2027. Any tax levied by an auditorium district pur-  
29 suant to this section that was adopted before January 1, 2027, shall expire  
30 no later than January 1, 2031.

31       SECTION 6. This act shall be in full force and effect upon certifica-  
32 tion of the approval by the people of the state of Idaho, at the 2026 general  
33 election, of a constitutional amendment that provides that the Legislature  
34 may authorize any county, city, town, or other municipal corporation to levy  
35 a sales and use tax within its jurisdiction, as long as such tax is approved  
36 by a majority vote of the qualified electors within the jurisdiction and the  
37 ballot measure for approval includes a detailed description of the products  
38 and services that shall be subject to the tax; a detailed description of the  
39 intended purposes for the revenue; a set termination date not exceeding four  
40 years; and a maximum tax rate of two percent of the sales price of a product  
41 or service subject to the tax; and that further provides that no other sales  
42 or use taxes may be established by any county, city, town, municipal corpo-  
43 ration, taxing district, taxing unit, or other local government entity other  
44 than the sales or use tax authorized by such entity.