

**MEMORANDUM**  
**PROPOSED LOCAL OPTION SALES TAX**

**Date:** September 4, 2024

**To:** City Council

**From:** Mayor Grimm

**RE:** Proposed Local Option Tax to Fund Street, Sidewalk and Pathway Construction along with Alley Maintenance.

Honorable Councilmembers,

Thank you all so much for the thoughtful comments and consideration to bring to the voters of Sandpoint this November a request to impose a 1% local option tax in accordance with Idaho Code § 50-1046.

As we have discussed, our street backlog and deferred maintenance obligations far exceed our financial capacity to address these deficiencies. Barring new revenue, the city is unable to make sufficient progress or investment in our streets, sidewalks, pathways and alleys to reduce this backlog and raise the pavement conditions to or above national standards.

Grocery sales are the largest contributor to retail sales tax collections in Sandpoint. Taxing grocery food is a regressive action, disproportionately affecting lower-income households. According to the U.S. Census Bureau, in 2022 the median household income in Sandpoint was \$60,208. A typical household spends 12.8% of household income on food. As would follow, a typical Sandpoint household spends approximately \$7,706 on food per year and a 1% tax would amount to an additional cost of \$77 per year or \$1.48 per week.

Based on our most recent 1% LOT which was last imposed during the 2021 calendar year (figure below), collections totaled \$1.45 Million with an estimated minimum 34% of this collection derived from tourists and visitors (above “Mud Season” collection levels).

Sandpoint Local Option Sales Tax by Month													
	January	February	March	April	May	June	July	August	September	October	November	December	Total
% of Annual LOT Collections	6.30%	6.20%	7.50%	5.50%	7.30%	9.40%	10.20%	9.90%	10.10%	8.20%	7.50%	11.90%	100%
Amount Collected	\$ 92,166.68	\$89,884.64	\$108,935.64	\$80,761.38	\$107,126.70	\$136,945.10	\$149,197.46	\$143,705.61	\$146,778.70	\$120,018.30	\$108,733.40	\$174,113.38	\$1,458,366.99
%collections above "Mud Season" level	0.80%	0.70%	2.00%	0.00%	1.80%	3.90%	4.70%	4.40%	4.60%	2.70%	2.00%	6.40%	34.00%
\$ above "Mud Season" level	\$ 11,405.30	\$ 9,123.26	\$ 28,174.26	\$ -	\$ 26,365.32	\$ 56,183.72	\$ 68,436.08	\$ 62,944.23	\$ 66,017.32	\$ 39,256.92	\$ 27,972.02	\$ 93,352.00	\$ 489,230.43

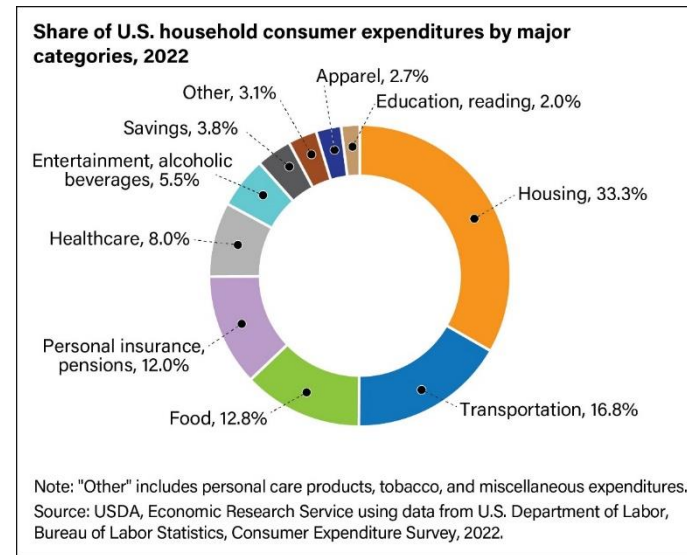
Additionally, we assume that not all retail sales in April (*Mud Season*) are derived from Sandpoint residents and acknowledge that in addition to the tourists, some portion of retail sales occurring in Sandpoint are comprised of Bonner County residents living outside the municipal boundaries. In summary, it is clear that a significant portion of the anticipated local option 1% sales tax will be paid by non-Sandpoint residents. To determine the exact percentage of anticipated collections paid by “outsiders” would be difficult to calculate without further analysis and assumptions.

In closing, I believe that offering the voters the opportunity to pass a 1% Local Option Tax on retail sales for 25 years is the best way for the city to pay for repairs to our streets primarily because visitors and non-residents will be contributing significantly to the road maintenance cost.

Again, thank you for your support and authorization to bring this important decision to the voters of Sandpoint.

Sincerely,

Jeremy Grimm  
Mayor of Sandpoint  
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(208) 205-7085



### Potential 1% LOT Collections over 25 Years Assuming 2.5% Annual Increase

Example of Street Revenue/Progress on Backlog														5 year increments>>>>				
Year of Tax	Base Year					1	2	3	4	5	6	7	8	9	10	15	20	25
Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2039	2044	2049	
Potential Collections 1% LOT/Retail Sales*	\$ 1,458,367	\$ 1,494,826	\$ 1,532,197	\$ 1,570,502	\$ 1,609,764	\$ 1,650,008	\$ 1,691,259	\$ 1,733,540	\$ 1,776,879	\$ 1,821,301	\$ 1,866,833	\$ 1,913,504	\$ 1,961,341	\$ 2,010,375	\$ 2,274,555	\$ 2,573,450	\$ 2,911,622	
Cumulative Total					\$ 1,609,764	\$ 3,259,773	\$ 4,951,031	\$ 6,684,571	\$ 8,461,450	\$ 10,282,750	\$ 12,149,583	\$ 14,063,087	\$ 16,024,429	\$ 18,034,804	\$ 28,866,175	\$ 41,120,877	\$ 54,985,948	
* 2.5% annual increase of collections factored in.																		

\*2.5% annual increase of collections factored in.

↑  
Last Full Year of 1% LOT collections in Sandpoint

↑  
If Approved: First Full Year of 1% LOT collections in Sandpoint

