

**HORRY COUNTY GOVERNMENT'S TESTIMONY BEFORE THE TRAC  
LOCAL ACCOMMODATIONS TAX SUBCOMMITTEE  
OCTOBER 7, 2010**

Horry County is opposed to the proposed changes to the legislation relating to local accommodations tax and hospitality fees, and County Council Resolution R-106-10 addresses the reasons for this opposition. My remarks are targeted specifically to the proposal to shift the collection process to the State. I wish to share with you, in five key points, the effective results that we have experienced from the local collection effort.

**LOCAL GOVERNMENT ADVANTAGE OF ACCESS TO INFORMATION**

Because we are a local government, we have the information readily available to us in order to research businesses or persons through tax records when hospitality fees are unpaid or a business has not yet established an account. Our collection staff work well with the local municipalities and have developed productive relationships with each one. Businesses that are subject to hospitality fees and have a delinquent hospitality account will not be issued a business license. This motivates the payment of these fees.

On a local level, we are more skilled at distinguishing jurisdictional boundaries (unincorporated area, City of Myrtle Beach, City of North Myrtle Beach). Horry County receives from the State a list of new accommodations businesses on a quarterly basis in which we must correct jurisdiction codes for the State. Without the local level collections staff, these corrections will not be made. Since the inception of the 1 percent sales tax for tourism promotion inside the City of Myrtle Beach, the State has been relying on the County to distinguish which businesses are located within the city limits. The businesses that are located outside city limits must contact the County to obtain a letter stating they are located outside city limits. This service is also provided by our current collections staff.

**EFFECTIVE AUDIT PRACTICES ALREADY IN PLACE**

We collect quickly once hospitality accounts become delinquent as our field auditor goes directly to the place of business to issue violations or collect payments. This means shortened periods of delinquency as well as prompt collection of past due amounts.

We have the advantage of an in house auditor who takes quick follow-up action if questionable reporting is remitted to us. For example, an article in the local paper advertising specific events held by a business which should draw large crowds are tracked to determine that reasonable amounts of revenue are reported by that business during the applicable reporting period.

We research online advertising of rental properties and other businesses that may be subject to hospitality fees. Not only have we identified new accounts this way, but the Business License staff have also benefited from our research as some of these business have in turn been required to apply for county licensing. We work with the County Auditor's Office to inform them of accounts that we have for which they may not have established a personal property tax account.

Our efforts are so effective that the South Carolina Department of Revenue has requested our information regarding new accounts set up by our department in order to verify that they have filed for a retail sales tax license.

**LOCAL ORDINANCES MAY VARY IN WHAT IS SUBJECT TO THE FEE**

The County, as well as each municipality, have their own ordinances. Each government has their own rate, due dates, collections, as well as penalties. In addition, some offer discounts for early payment and some may or may not charge hospitality fees on the same type of businesses. Just within our County there are numerous differences among the local Ordinances. For example, Horry County does not charge hospitality fees on convenience store purchases but Surfside Beach does;

the City of Myrtle Beach does not charge on bakeries where you cannot sit down to eat, but Horry County does.

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**COST BENEFIT OF CHANGE IN COLLECTION PRACTICE**

Our current collection process costs the County less than 1% of the amounts collected, leaving more funds available to support tourism activities. The possible benefits from a change in the collection effort being handled locally, to a centralized State effort, must be cost justified. It seems like a high cost which may not be offset by additional collections. The State will have to modify or implement a system to do this and hire more employees, as well as provide office space, equipment and training for these employees. They will need to revise an already complicated remittance form. Our staff have many conversations with customers that ask for help in completing their SCDOR form to remit the State 2% accommodations tax. This proposal would actually make it more difficult for businesses as the forms would most likely be even more complex. Our forms are much simpler and less intimidating in comparison.

**CASH FLOW IMPACT TO LOCAL GOVERNMENTS**

With the collection effort handled locally, we have access to the cash payments immediately upon receipt from the businesses. Our local hospitality fees and local accommodations tax currently pay debt service on hospitality bonds and State Infrastructure Bank loans, salaries of public safety employees who provide services to tourists, and payments to local Chambers of Commerce for out of market advertising. All of these payments are time sensitive, and the bulk of the cash flow to pay these expenses is needed during the months of June, July and August. Currently, we receive the State Accommodations Tax revenue from sales occurring in these three months in one check that arrives to us from the State in October, much too late to meet these payment requirements.

Thank you for the opportunity to speak on this topic and we appreciate your consideration of our concerns.

Respectfully submitted,

Anne K. Wright, CPA, CGFO  
Horry County Assistant County Administrator and Chief Financial Officer