

City of Myrtle Beach
Presented by Wayne Gray, Myrtle Beach City Council Member
and Past Chairman, Myrtle Beach Area Chamber of Commerce

The current Accommodations Tax law, ATAX, works well for Myrtle Beach. The law is designed to give us a revenue stream to meet our tourism needs so that property taxes would not be burdened by tourism-related costs. However, the proposal to change the ATAX distribution formula reverses this idea. The new plan does more harm than good, not only to tourism, but also to cultural and arts activities.

Myrtle Beach generates \$7.2 million a year in the two percent Accommodations Tax, the largest amount of any local government in the State. Under current law, the state keeps \$900,000 for administrative costs and to support other communities, returning \$6.3 million back to the city. By law, 30 percent of the \$6.3 million – \$2.1 million – goes directly to our designated marketing organization, the Myrtle Beach Area Chamber of Commerce. We use the remaining \$4.2 million for five services, all of which specifically promote, protect and enhance tourism....

1. Expanded Police Services
2. Expanded Fire Services
3. Beach Renourishment
4. Ocean Water Quality Testing
5. Convention Center Marketing

Myrtle Beach has 30,000 full-time residents and we welcome literally millions of visitors each year. Our economy is based on tourism, yet we are a small town. Thanks to so many tourists, we are obligated to have much larger police and fire departments than a typical town of 30,000 would have. We also have 12 miles of beach to maintain and protect, and our tourism success is tied directly to the health of that beach. In addition, we have a state-of-the art convention center that hosts regional and national meetings and conventions.

The proposed redistribution of the Accommodations Tax will result in an estimated loss of revenue to the City of Myrtle Beach of \$1.6 million per year. That's money that the city uses to provide these services to and for our visitors. The state's off-the-top share climbs from three percent to 11 percent, for administrative expenses, regional marketing and the Welcome Centers. The local government's share of what's left reduces from 65 percent to 50 percent. So, instead of \$4.2 million, the city would receive only \$2.6 million under this plan.

That loss of \$1.6 million is equivalent to nearly five mills of property tax in the City of Myrtle Beach. This would require two choices on the part of local elected officials; either reduce necessary services or raise revenues. Due to Act 388 and its limitation on local government's ability to raise revenue through property tax millage caps, this loss of revenue would be "made-up" primarily by increased fees and taxes on businesses, mainly those in the hospitality sector. In essence, the very businesses some claim will receive benefit from the additional advertising will be paying for the lost revenue in new taxes and fees.

This proposal doesn't make sense. It simply moves money around from one pocket to another, at the expense of the tourists and businesses you're trying to help and at the expense of local government and the services it provides. More money for advertising is pointless if you can't provide services for the tourists when they visit.

The change in the ATAX distribution also would hurt cultural and arts events. The current law includes arts and cultural activities by name, because they attract tourists and improve the quality of the experience for visitors. The proposed redistribution eliminates cultural and arts events as a recommended use of ATAX money, so those groups can expect significantly less funding if this passes.

The proposal calls for eliminating state oversight on how local governments spend their portion of the ATAX money, but another part of the proposal has the state, through TERC, pick up spending oversight for monies generated from local accommodations taxes and hospitality fees. Essentially, all this does is swap oversight of one pot of money for another, with no apparent rationale or benefit. Why have an un-elected state board in Columbia weigh in on how local money is spent? We believe that local elected officials are best capable of making local spending decisions about local money. They answer to the citizens and are held accountable for their decisions by the voters.

In addition, the proposal calls for the state Department of Revenue to collect these local monies and to keep an administrative fee for doing something that we're already doing at no cost to the state. For Myrtle Beach, that means a loss of another \$100,000, so our shortfall would be up to \$1.7 million. Plus, the state will need to set up an entirely new bureaucracy to handle the collection of all of these local fees. This appears to be completely unnecessary. There are dozens, if not hundreds of different rates among the cities and counties, making uniform state collection impossible.

The redistribution plan also calls for shifting money from local jurisdictions to the state to pay for the state's Welcome Centers. In this Internet age, other states are closing their Welcome Centers. They've apparently decided that Welcome Centers are no longer fulfilling the needs of the visitors. Perhaps it's time to ask how effective our Welcome Centers really are. By shifting money to keep them open, are we really funding the Model T of tourism promotion?

The bottom line is that these proposals simply move money from one pocket to another and from local government to state government, at the expense of the visitors and businesses that they are trying to serve. This redistribution of ATAX money does exactly the opposite of what is intended. Instead of making South Carolina a better destination for visitors, it cripples local governments' ability to provide services for tourists and potentially harms the business community. Instead of simplifying government, it imposes an unnecessary level of state review on spending decisions for local money.

You've been provided with a copy of the City of Myrtle Beach's resolution opposing this plan. Here's the final paragraph....

IT IS FURTHER RESOLVED that the net effect of this proposed change to the state Accommodations Tax distribution would be less local funding for tourism-related services, such as police and fire service and beach protection and maintenance, less funding for cultural and arts events, increased taxes on the business community to make up the shortfall, increased bureaucracy at the state level, less independence at the local level and a reduction in the overall quality of life.

As South Carolina's number one tourism destination, the City of Myrtle Beach asks that you not accept these proposed changes.

CITY OF MYRTLE BEACH
COUNTY OF HORRY
STATE OF SOUTH CAROLINA

A RESOLUTION OPPOSING PROPOSED
CHANGES TO THE ACCOMMODATIONS
TAX DISTRIBUTION FORMULA AND THE
PROPOSED STATE COLLECTION OF
LOCAL ACCOMMODATIONS TAXES AND
HOSPITALITY FEES

WHEREAS, the existing state Accommodations Tax law works well and balances the needs of local jurisdictions with the citizens and visitors they serve, providing much-needed funds for tourism promotion, tourism-related services, tourism-related capital improvement projects and various arts and cultural activities that enhance the quality of life for residents and visitors alike; and

WHEREAS, the current proposal before the subcommittee of the Tax Realignment Commission to alter the distribution of state Accommodations Tax funds collected in local jurisdictions would result in an estimated shortfall to the City of Myrtle Beach alone of \$1.7 million in the first year; and

WHEREAS, if the state Accommodations Tax distribution formula is changed as proposed, Myrtle Beach and other jurisdictions would be forced to either cut services and projects mentioned above that specifically benefit visitors or raise taxes, especially on businesses, to make up the funding shortfall for those services; and

WHEREAS, the ability of local governments to raise taxes to cover this shortfall is legislatively limited; and

WHEREAS, authors of the existing state Accommodations Tax law clearly intended for a portion of Accommodations Tax funds to go to arts and cultural events as a way to support those activities which benefit visitors and residents and increase and enhance the quality of life in our communities, thus making our communities attractive and inviting places to live and visit; and

WHEREAS, if the state Accommodations Tax distribution formula is changed as proposed, those arts and cultural activities and events would likely suffer a significant decrease in funding, since they would no longer be mentioned in the law as deserving of consideration for Accommodations Tax funding and local governments would have less Accommodations Tax revenue to spend; and

WHEREAS, The proposed change to the state Accommodations Tax distribution formula violates the principle of Home Rule by removing much of the local elected officials' decision-making ability and providing an unnecessary layer of state oversight for what have been and should continue to be local spending decisions; and

WHEREAS, if enacted, the proposed change to the state Accommodations Tax distribution formula would create a needless and expensive level of state bureaucracy, apparently for the express purpose of redistributing money from local jurisdictions to state and regional coffers; and

1 WHEREAS, there is no justification whatsoever for the South Carolina Department of
2 Revenue to collect locally-levied fees and taxes that properly belong to local
3 governments, or for the state to claim a fee from those revenues for providing such an
4 unneeded and unwanted service, or for the state to provide spending oversight on local
5 governments' funding decisions from those revenue sources; and
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7 WHEREAS, thanks to implementation of the one percent Tourism Development Fee, Myrtle
8 Beach has significantly increased the amount of money available for tourism advertising to
9 a point far exceeding what the proposed change to the Accommodations Tax distribution
10 formula would provide, thus negating the alleged benefits of that proposed change; and
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12 WHEREAS, every local jurisdiction should be afforded the same opportunity to enact a one
13 percent Tourism Development Fee;
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15 IT IS HEREBY RESOLVED that the City of Myrtle Beach strongly opposes the proposed
16 changes to the state Accommodations Tax distribution formula under consideration by the
17 Tax Realignment Commission and also strongly opposes the idea that the South Carolina
18 Department of Revenue should collect local Accommodations Taxes and Hospitality Fees
19 and withhold a percentage of those funds as a service charge; and
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21 IT IS FURTHER RESOLVED that the existing state Accommodations Tax distribution formula
22 works well for the City of Myrtle Beach and that local governments know best the needs of
23 the communities they serve and how best to meet those needs, as intended under Home
24 Rule; and
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26 IT IS FURTHER RESOLVED that the proposed change to the state Accommodations Tax
27 distribution is an ill advised attempt to redirect existing dollars at the expense of local
28 needs and services, and the state should instead look for ways of raising new dollars to
29 fund its projects; and
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31 IT IS FURTHER RESOLVED that the net effect of this proposed change to the state
32 Accommodations Tax distribution would be less local funding for tourism-related services,
33 such as police and fire service and beach protection and maintenance, less funding for
34 cultural and arts events, increased taxes on the business community to make up the
35 shortfall, increased bureaucracy at the state level, less independence at the local level
36 and a reduction in the overall quality of life.
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38 SIGNED AND SEALED this 28th day of September 2010.
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JOHN RHODES, MAYOR

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44 ATTEST:

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47 JOAN GROVE, CITY CLERK
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