

Proposed Changes to Statewide A-Tax Law and Potential Impact

(Using FY0809 Statewide Accommodations Tax Collections as Model)

Change #1: All “65% funds” redistributed to two categories: 1) local general funds without restriction, and 2) tourism advertising & promotion funds. Each of these categories would receive 50% of Accommodations Tax after certain funds taken from top

Impact:

- Total of unrestricted local general funds increases from \$6.7M to \$20.0M.
- All “65% funds” eliminated possibly impacting festivals, arts groups and some local governments that currently abuse or utilize large portion of “65% funds” for general fund purposes
- Tourism Advertising & promotion funding increases from \$10.7M to \$17.2M

Change #2: Local governments allocated less than \$25K or in county areas collecting less than \$50K may put all allocations in their general fund. All other local governments shall split their allocation 50/50 between general funds and advertising and promotion

Impact:

- 67 local governments gain general fund money. 28 local governments gain over \$100K, while 4 gain over \$1M. 200+ local governments see no change in general fund money. 16 local governments lose general fund money.
- 82 local governments see increases in advertising & promotion. 16 local governments see increases of over \$100K. 200+ local governments receive no advertising & promotion funding, consistent with current law.

Change #3: SCATR (Legislative Tourism Regions) funding increases from 2% to 5% of total pot and SCPRT funding introduced at 5% of total pot to support statewide tourism marketing

Impact:

- SCATR funding increases from \$838K to \$2.1M*
- SCPRT funding equals \$2.1M

*NOTE: In order to maximize the impact of additional funding for tourism marketing, SCPRT highly recommends that at least 50% of the new funds allocated to SCATR be spent in cooperation with SCPRT on a coordinated cooperative marketing program.

Change #4: Supplements (“Robin Hood” Provision) capped at FY0910 levels

Impact:

- Does not affect this analysis of FY0809 A-Tax. Future local government allocations should increase/decrease according to local business patterns but not due to ever-growing “Robin Hood” supplements thus allowing those areas that are producing increased revenues to receive more of the benefit from future increases in their revenues.

Change #5: Simplify oversight of 2% Statewide Accommodations Tax

Impact:

- With “65% funds” eliminated, Tourism Expenditure Review Committee (TERC) would only have to monitor the Advertising & Promotion funds, where there has historically been little abuse

Change #6: DOR to collect Local Accommodations Taxes and Hospitality Fees and retain 1% administrative fee

Impact:

- Reporting would be simplified for businesses, which would be able to remit tax payments to one entity (DOR) rather than having to remit and file with the state and multiple jurisdictions.
- Collections would be more transparent since all taxes would be reported to DOR in a single format versus hundreds of local collection entities, forms, etc.
- TERC would have oversight and be able to review local tax and fee collections for potential abuses
- Existing bonded projects would potentially need to be grandfathered
- No fiscal impact analysis has been done on these funds

Change #7: Application of State & Local Accommodations Taxes and Hospitality Fees to Timeshare Maintenance Fees

Impact:

- These taxes would now apply to Owners and “Exchangers” of Timeshare properties in addition to timeshare transient rentals, which already pay these taxes based on actual rental rates
- No fiscal impact analysis has been done on this proposal

Change #8: Dedicate 10% of State Admissions Tax to fund State Park improvements

Impact:

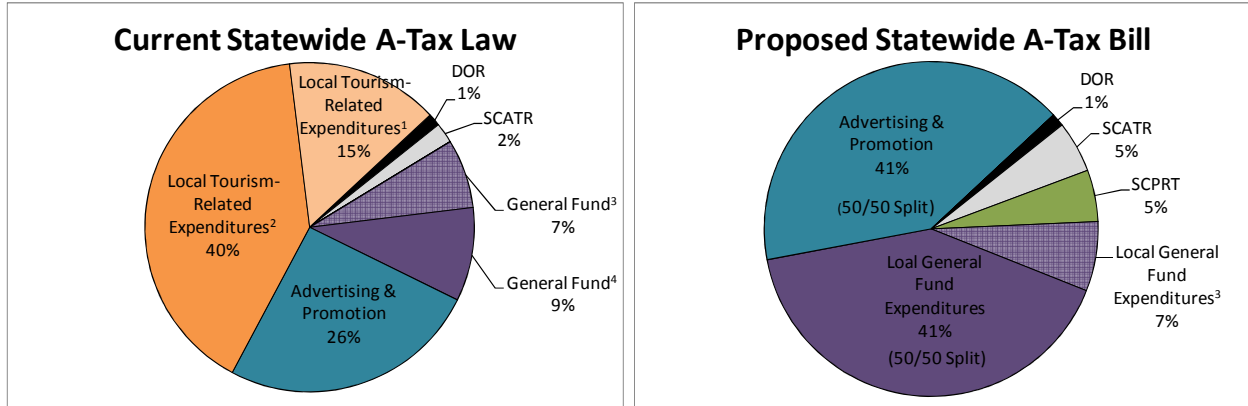
- Would provide a dedicated source of revenue (\$3.2M) to improve State Park facilities, which collect and remit all state & local transaction taxes, including Accommodations, Sales and Admissions taxes

Change #9: Dedicate 10% of State Admissions Tax to a dedicated Tourism Product Development Fund in order to grow tourism revenue and thus tourism tax collections

Impact:

- Would provide a dedicated source of funding (\$3.2M) for PRT's Product Development Grant Program, which is currently unfunded. Strategic development of tourism product was a high-priority called for in South Carolina's 2006 Tourism Action Plan

Proposed Changes to Statewide A-Tax Funding Categories



<i>Proposed Estimates Based on FY0809 Statewide A-Tax Collections</i>	Current Statewide A-Tax Law	Proposed Statewide A-Tax Bill
Total	\$41,941,268	\$41,941,268
DOR	\$520,636	\$520,636
SCATR	\$837,629	\$2,097,063
SCPRT	\$0	\$2,097,063
General Fund – Exempt Gov'ts³	\$2,846,187	\$2,825,463
General Fund⁴	\$3,858,091	\$17,201,665
Advertising & Promotion²	\$10,698,545	\$17,201,665
Tourism-Related, High Concentration Counties (65% funds)¹	\$16,889,459	\$0
Tourism-Related	\$6,290,721	\$0

¹ Local governments in areas with lower concentrations of tourism must spend this money on tourism related purposes defined as a) Destination advertising & promotion, b) Tourism-related events, c) Tourism-related facilities, d) Tourism-related public services, e) Tourist public transportation, f) Waterfront Erosion/Control/Repair, g) Operation of visitor centers.

² Local governments in areas of high tourism concentration are permitted to offset local general fund expenditures 'related to tourism' out of this fund.

³ Local governments that are allocated less than \$25,000 or in county areas that collect less than \$50,000 are 'exempt' from spending rules and may place all of their allocations into their general fund.

⁴ Local governments that are allocated more than \$25,000 and that are in county areas that collect more than \$50,000 may place \$25,000 of their allocation plus 5% of the remainder in their general fund.