

## **REPORT OF THE SALES AND INCOME TAX SUBCOMMITTEE**

(Crawford, Simrill, Stavrinakis, Erickson & Daning - Staff Contact: Emma Hall)

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### **HOUSE BILL 3709**

H. 3709 -- Reps. J.L. Johnson, M.M. Smith, Brawley, Govan, Pendarvis and Tedder: A BILL TO AMEND SECTION 12-36-2630, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE SEVEN PERCENT SALES TAX ON ACCOMMODATIONS, SO AS TO CHANGE THE AGE THAT A CERTAIN ONE PERCENT SALES TAX DOES NOT APPLY FROM INDIVIDUALS OVER THE AGE OF EIGHTY-FIVE TO INDIVIDUALS OVER THE AGE OF SEVENTY.

***Received by Ways and Means:***

January 26, 2021

***Summary of Bill:***

This bill deals with the seven percent accommodations tax. It lowers the age to qualify for the one percent sales tax exclusion from eighty-five years to seventy years. The person must be purchasing tangible personal property for their own use and must request the one percent exclusion.

***Estimated Revenue Impact:***

This bill will increase the number of individuals exempt from 1 percent of the total tax on accommodations. This 1 percent tax is credited to the Education Improvement Fund Act (EIA) fund. As a result, the bill will reduce EIA Fund revenue by an estimated \$3,142,000 beginning in FY 2021-22.

***Other Notes/Comments:***

Subcommittee adopted an amendment that raises the qualifying age to 78.

HOUSE  
AMENDMENT

THIS AMENDMENT  
ADOPTED

ALLEN  
MARCH 28, 2022

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CLERK OF THE HOUSE

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THE SALES AND INCOME TAX SUBCOMMITTEE PROPOSES THE  
FOLLOWING AMENDMENT No. TO H. 3709  
(COUNCIL\SA\3709C001.DF.SA22):

REFERENCE IS TO THE BILL AS INTRODUCED.

**AMEND THE BILL, AS AND IF AMENDED, SECTION  
1, BY STRIKING SECTION 12-36-2630(2) AND  
INSERTING:**

**/ “(2) A ONE PERCENT TAX, WHICH MUST BE  
CREDITED AS PROVIDED IN SECTION  
59-21-1010(B). THE ONE PERCENT TAX SPECIFIED  
IN THIS ITEM (2) DOES NOT APPLY TO SALES TO AN  
INDIVIDUAL ~~EIGHTY-FIVE~~ SEVENTY-EIGHT YEARS  
OF AGE OR OLDER PURCHASING TANGIBLE  
PERSONAL PROPERTY FOR HIS OWN PERSONAL**

**USE, IF AT THE TIME OF SALE, THE INDIVIDUAL REQUESTS THE ONE PERCENT EXCLUSION FROM TAX AND PROVIDES THE RETAILER WITH PROOF OF AGE; AND” /**

**RENUMBER SECTIONS TO CONFORM.  
AMEND TITLE TO CONFORM.**



# **SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**

## **STATEMENT OF ESTIMATED FISCAL IMPACT**

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*This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.*

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<b>Bill Number:</b>	H. 3709	Introduced on January 26, 2021
<b>Author:</b>	J.L. Johnson	
<b>Subject:</b>	Accommodation Tax	
<b>Requestor:</b>	House Ways and Means	
<b>RFA Analyst(s):</b>	Gallagher	
<b>Impact Date:</b>	March 15, 2021	

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### **Fiscal Impact Summary**

This bill lowers the age of individuals exempt from paying 1 percent of the total 7 percent tax on accommodations from age 85 or older to age 70 or older. Revenue and Fiscal Affairs (RFA) anticipates that the Department of Revenue (DOR) will be able to administer the amended exemption with existing staff and resources, as the department administers several sales tax exemptions as part of the department's regular duties. Therefore, this bill is not expected to impact expenditures for the agency.

This bill will increase the number of individuals exempt from 1 percent of the total tax on accommodations. This 1 percent tax is credited to the Education Improvement Act (EIA) Fund. As a result, this bill will reduce EIA Fund revenue by an estimated \$3,142,000 beginning in FY 2021-22.

### **Explanation of Fiscal Impact**

#### **Introduced on January 26, 2021**

##### **State Expenditure**

This bill lowers the age of individuals exempt from paying 1 percent of the total 7 percent tax on accommodations from age 85 or older to age 70 or older. RFA anticipates that DOR will be able to administer the amended exemption with existing staff and resources, as the department administers several sales tax exemptions as part of the department's regular duties. Therefore, this bill is not expected to impact expenditures for the agency.

##### **State Revenue**

The following taxes compose the 7 percent sales tax on accommodations:

- a 4 percent tax credited to the state General Fund,
- a 1 percent tax credited to the EIA Fund, and
- a 2 percent local accommodations tax credited to the political subdivisions of the State.

Currently, individuals aged 85 years or older are exempt from paying the 1 percent tax credited to the EIA Fund. This bill would amend Section 12-36-2630(2) to exempt individuals aged 70 or older from paying this tax. The table below provides the total accommodations tax revenue received in recent years and our current forecast for FY 2020-21.

<b>Fiscal Year</b>	<b>Accommodations Tax Revenue (2%)</b>
FY 2018-19	\$75,229,292
FY 2019-20	\$65,856,498
FY 2020-21 (estimate)	\$56,300,000

Based on estimates provided by the U.S. Census Bureau, approximately 2.4 percent of travel-aged individuals, defined as those age 18 and older, are currently exempt from the 1 percent EIA tax on accommodations<sup>1</sup>. This legislation would increase this number to 14.1 percent, meaning 11.7 percent of individuals would be newly exempt from paying 1 percent of the total 7 percent tax on accommodations.

Because business closures resulting from the COVID-19 pandemic significantly impacted collections in FY 2019-20 and FY 2020-21, for this analysis we use FY 2018-19 collections to estimate FY 2021-22, assuming a return to historical levels. If consumers do not return to historical travel patterns following the pandemic as quickly, this estimate would be affected. Further, according to the S.C. Department of Parks, Recreation, and Tourism's *Economic Contribution of Tourism in South Carolina: 2019 Tourism Satellite Account* report, 71.4 percent of gross tourism spending is by residents, out-of-state visitors, and international visitors, with the remaining 28.6 percent of spending by businesses and governmental entities<sup>2</sup>. This analysis assumes that these values are proportional to spending on accommodations. Therefore, we have adjusted the impact downward by 28.6 percent, as travel related to government and business is unlikely to benefit from this 1 percent exemption.

Multiplying the FY 2018-19 local accommodations tax revenue by 11.7 percent, adjusting down to discount this figure for business and government, and dividing by 2 to account for the 1 percent tax rate for the EIA yields an estimated reduction in EIA Fund revenue of \$3,142,000 beginning in FY 2021-22.

#### **Local Expenditure**

N/A

#### **Local Revenue**

N/A

<sup>1</sup> U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement, 2019.

<sup>2</sup> South Carolina Department of Parks, Recreation and Tourism, The Economic Contribution of Tourism in South Carolina: 2019 Tourism Satellite Account, 2021.



Frank A. Rainwater, Executive Director

**South Carolina General Assembly**  
124th Session, 2021-2022

**H. 3709**

**STATUS INFORMATION**

General Bill

Sponsors: Reps. J.L. Johnson, M.M. Smith, Brawley, Govan, Pendarvis, Tedder, Matthews, Henegan, McDaniel and Henderson-Myers

Document Path: l:\council\bill\sm\20182sa21.docx

Introduced in the House on January 26, 2021

Currently residing in the House Committee on **Ways and Means**

Summary: Sales Tax on Accommodations

**HISTORY OF LEGISLATIVE ACTIONS**

Date	Body	Action Description with journal page number
1/26/2021	House	Introduced and read first time ( <a href="#">House Journal-page 9</a> )
1/26/2021	House	Referred to Committee on <b>Ways and Means</b> ( <a href="#">House Journal-page 9</a> )
2/23/2021	House	Member(s) request name added as sponsor: Matthews
4/14/2021	House	Member(s) request name added as sponsor: Henegan, McDaniel, Henderson-Myers

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**VERSIONS OF THIS BILL**

1/26/2021

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**A BILL**

TO AMEND SECTION 12-36-2630, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO THE SEVEN PERCENT SALES TAX ON ACCOMMODATIONS, SO AS TO CHANGE THE AGE THAT A CERTAIN ONE PERCENT SALES TAX DOES NOT APPLY FROM INDIVIDUALS OVER THE AGE OF EIGHTY-FIVE TO INDIVIDUALS OVER THE AGE OF SEVENTY.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 12-36-2630(2) of the 1976 Code is amended to read:

“(2) a one percent tax, which must be credited as provided in Section 59-21-1010(B). The one percent tax specified in this item (2) does not apply to sales to an individual ~~eighty-five~~ seventy years of age or older purchasing tangible personal property for his own personal use, if at the time of sale, the individual requests the one percent exclusion from tax and provides the retailer with proof of age; and”

SECTION 2. This act takes effect upon approval by the Governor.  
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