

REPORT OF THE LICENSES, FEES, INSURANCE TAX & OTHER CHARGES SUBCOMMITTEE

(Neal, Limehouse, Edge, & Bingham - Staff Contact: Ryan Burnaugh)

HOUSE BILL 3561

H. 3561 -- Rep. White: A BILL TO AMEND SECTION 12-36-920, AS AMENDED, CODE OF LAWS OF SOUTH CAROLINA, 1976, RELATING TO TAX ON ACCOMMODATIONS, SO AS TO DELETE CERTAIN ITEMS SUBJECT TO THE FIVE PERCENT TAX ON ADDITIONAL SURCHARGES.

Summary of Bill:

This legislation deletes room service, amenities, entertainment, special items in promotional tourist packages, in room movies, and other guest services from inclusion in the 5% accommodations tax imposed on additional guest charges, providing that only telephone charges and rentals of meeting rooms shall be considered as additional charges under this section.

Introduced: 02/19/2013

Received by Ways and Means: 02/19/2013

Estimated Fiscal Impact:

Sales and use tax revenue would decrease by an estimated \$1,809,345. Of this GF sales and use tax would be reduced by \$1,206,229, and both the Education Improvement Fund and Homestead Exemption Fund would be reduced by \$301,558.

Subcommittee Recommendation:

Favorable

Full Committee Recommendation:

Pending

Other Notes/Comments:

Statement of Estimated State Revenue Impact

Date: April 4, 2013

Bill Number: H.B. 3561

Author: White

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

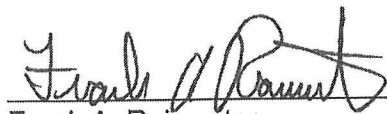
A bill to amend Section 12-36-920, as amended, of the Code of Laws of South Carolina, 1976, relating to tax on accommodations, so as to delete certain items subject to the five percent tax on additional surcharges.

REVENUE IMPACT ^{1/}

This bill is expected to decrease sales and use tax revenue by an estimated \$1,809,345 in FY2013-14. Of this amount, General Fund sales and use tax would be reduced by \$1,206,229, the Education Improvement Fund would be reduced by \$301,558, and the Homestead Exemption Fund would be reduced by \$301,558 in FY2013-14.

Explanation

This bill would amend Section 12-36-920(B) to not allow sales tax to be imposed on additional guest charges that are readily available to the general public. Additional guest charges include, but are not limited to, room service, amenities, entertainment, special items in promotional tourist packages, in-room movies, and other guest services, such as, spa and salon services, sporting lessons, children's activities, outside transportation, private tour guides, and the purchase of tour tickets. Based on conversations with the Department of Revenue (DOR), state (2% tax rate) accommodation taxes totaled \$50,912,258 in FY2011-12. This amounts to an estimated \$2,545,612,900 in hotel industry sales revenue in South Carolina. According to information from the American Hospitality and Lodging Association, an estimated 7.4% of total available hotel properties are styled as "resort" properties and include many of the services listed above. These full-service "resort" hotels charge an average of 70% higher room rates than limited-service hotels, based on information from Smith Travel Research. Multiplying \$2,545,612,900 in annual hotel industry sales by a "resort" factor of 7.4% and adjusting for higher room rates charged at full-service hotels yields an estimated \$320,238,103 in full-service "resort" hotel sales. Also according to an analysis of hotel industry financial statements by Smith Travel Research, an estimated 11.3% of full-service hotel room sales are for non-room charges. Therefore, multiplying \$320,238,103 in full-service "resort" hotel sales by a factor of 11.3% to adjust for non-room charges and applying a 5.0% sales tax rate yields an estimated \$1,809,345 of non-room sales tax revenue in FY2013-14. This act takes effect July 1, 2013.



Frank A. Rainwater
Chief Economist

Analyst: Martin

^{1/} This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

South Carolina General Assembly
120th Session, 2013-2014

H. 3561

STATUS INFORMATION

General Bill

Sponsors: Reps. White, Stavrinakis and Merrill

Document Path: I:\council\bills\nl\13150dg13.docx

Introduced in the House on February 19, 2013

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

Summary: Accommodation tax

HISTORY OF LEGISLATIVE ACTIONS

Date	Body	Action Description with journal page number
2/19/2013	House	Introduced and read first time (House Journal-page 43)
2/19/2013	House	Referred to Committee on Ways and Means (House Journal-page 43)
4/9/2013	House	Member(s) request name added as sponsor: Stavrinakis, Merrill

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VERSIONS OF THIS BILL

2/19/2013

1
2
3
4
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6
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8
9 **A BILL**

10
11 TO AMEND SECTION 12-36-920, AS AMENDED, CODE OF
12 LAWS OF SOUTH CAROLINA, 1976, RELATING TO TAX ON
13 ACCOMMODATIONS, SO AS TO DELETE CERTAIN ITEMS
14 SUBJECT TO THE FIVE PERCENT TAX ON ADDITIONAL
15 SURCHARGES.

16
17 Be it enacted by the General Assembly of the State of South
18 Carolina:

19
20 SECTION 1. Section 12-36-920(B) of the 1976 Code is amended
21 to read:

22
23 “(B) A sales tax of five percent is imposed on additional guest
24 charges at any place where rooms, lodgings, or accommodations
25 are furnished to transients for a consideration, unless otherwise
26 taxed under this chapter. The term additional guest charges
27 includes, but is not limited to:

- 28 (1) ~~room service~~;
29 (2) ~~amenities~~;
30 (3) ~~entertainment~~;
31 (4) ~~special items in promotional tourist packages~~;
32 (5) ~~laundry and dry cleaning services~~;
33 (6) ~~in-room movies~~;
34 (7)(2) telephone charges;
35 (8)(3) rentals of meeting rooms; ~~and~~
36 (9) ~~other guest services.~~”

37
38 SECTION 2. This act takes effect July 1, 2013.

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