



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number: S.0917 Amended by the House of Representatives on May 9, 2018
Author: Kimpson
Subject: Accommodation and Hospitality Tax Expenditures
Requestor: Senate
RFA Analyst(s): R. Martin
Impact Date: May 16, 2018

Estimate of Fiscal Impact

	FY 2018-19	FY 2019-20
State Expenditure		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Full-Time Equivalent Position(s)	0.00	0.00
State Revenue		
General Fund	\$0	\$0
Other and Federal	\$0	\$0
Local Expenditure	\$0	\$0
Local Revenue	\$0	\$0

Fiscal Impact Summary

This bill, as amended, would not affect state General Fund revenue in FY2018-19 or any fiscal year thereafter. This bill, as amended, would not impact local tax revenue, but would reallocate existing accommodations tax and hospitality tax revenue among additional permissible tourism-related projects and purposes.

Explanation of Fiscal Impact

Amended by the House of Representatives on May 9, 2018

State Expenditure

The Department of Revenue reports that this bill would have no expenditure impact on the state General Fund, Federal Funds, and Other Funds.

State Revenue

Currently, a local governing body may impose, by ordinance, a local hospitality tax not to exceed two percent of the charges for food and beverages on the sales of prepared meals and beverages sold in establishments, or sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer, or wine. Based on the latest data available from the *Local Government Finance Report* published by the Economic Research Section of the Revenue and Fiscal Affairs Office, reported local hospitality tax revenue totaled \$211,595,152 in FY2015-16. Also, a local governing body may impose, by ordinance, a local accommodations tax not to exceed three percent on the gross proceeds derived from the rental or charges for accommodations furnished to transients. Based on the latest data available from the *Local Government Finance Report* published by the Economic Research Section of the Revenue

and Fiscal Affairs Office, reported local accommodations tax revenue totaled \$75,987,196 in FY2015-16. There is also imposed a two percent state accommodations tax charged in addition to the state five percent sales tax which must be credited to the political subdivisions of the state in accordance with Chapter 4 of Title 6 of the Code of Laws. Based on the latest data available from the South Carolina Department of Revenue, the reported two percent state accommodations tax revenue totaled \$69,559,227 in FY2016-17. Collectively, the total revenue available to local government bodies to be used for specific tourism-related purposes totaled \$357,141,575.

The House amended the bill by adding language in each of the sections below to allow for the expenditure of revenue on specifically enumerated items only in counties which have collected at least \$14,000,000 in state accommodations taxes as imposed pursuant to Section 12-36-920(A). Based on the most recent fiscal year for which full revenue collection figures are available, only Charleston and Horry counties would meet this requirement. Additionally, a county may not expend more than thirty percent of the revenues collected in each of the sections below on the control and repair of flooding and drainage, including beach outfalls, within or on tourism-related lands or areas.

Section 1. This bill, as amended, would amend Section 6-1-530(A) to add “control and repair of flooding and drainage, including beach outfalls, at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction, to be used for the sub-items of this section” to the enumerated list of exclusive purposes the local accommodations tax revenue may be used. The amendment adds language to allow for the expenditure of revenue on specifically enumerated items only in counties which have collected at least \$14,000,000 in state accommodations taxes as imposed pursuant to Section 12-36-920(A). Based on the most recent fiscal year for which full revenue collection figures are available, only Charleston and Horry counties would meet this requirement. Additionally, a county may not expend more than thirty percent of the revenues collected in local accommodations taxes on the control and repair of flooding and drainage, including beach outfalls, within or on tourism-related lands or areas. The addition of this item would not change or alter any existing taxes, tax rates, or fees, but the additional item would cause a competition among all of the exclusive purposes for use of the revenue and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2018-19 or any fiscal year thereafter.

Section 2. This bill, as amended, would amend Section 6-1-730(A) to add “control and repair of flooding and drainage, including beach outfalls, at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction, to be used for the sub-items of this section” to the enumerated list of exclusive purposes the local hospitality tax revenue may be used. The amendment adds language to allow for the expenditure of revenue on specifically enumerated items only in counties which have collected at least \$14,000,000 in state accommodations taxes as imposed pursuant to Section 12-36-920(A). Based on the most recent fiscal year for which full revenue collection figures are available, only Charleston and Horry counties would meet this requirement. Additionally, a county may not expend more than thirty percent of the revenues collected in local hospitality taxes on the control and repair of flooding and drainage, including beach outfalls, within or on tourism-related lands or areas. The addition of this item would not change or alter any existing taxes, tax rates, or fees, but the additional item would cause a competition among all of the exclusive purposes for use of the revenue and

reallocate the existing revenue. This section would not affect state General Fund revenue in FY2018-19 or any fiscal year thereafter.

Section 3. This bill, as amended, would amend Section 6-4-10(4)(b) to add “control and repair of flooding and drainage, including at beach outfalls, at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction, to be used for the sub-items of this section” to the enumerated list of exclusive purposes the additional two percent state accommodations tax revenue may be used. The amendment adds language to allow for the expenditure of revenue on specifically enumerated items only in counties which have collected at least \$14,000,000 in state accommodations taxes as imposed pursuant to Section 12-36-920(A). Based on the most recent fiscal year for which full revenue collection figures are available, only Charleston and Horry counties would meet this requirement. Additionally, a county or municipality may not expend more than thirty percent of the revenues collected in local accommodations taxes on the control and repair of flooding and drainage, including beach outfalls, within or on tourism-related lands or areas. The addition of this item would not change or alter any existing taxes, tax rates, or fees, but the additional item would cause a competition among all of the exclusive purposes for use of the revenue and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2018-19 or any fiscal year thereafter.

The section specifically requires that if the additional two percent state accommodations tax revenue is used to control and repair flooding and drainage within or on tourism-related lands or areas, the revenues must be expended exclusively on public works projects designed to eliminate or mitigate adverse effects of recurrent nuisance tidal flooding. Adverse effects would include road closures, storm-water drainage issues, and compromised public infrastructure. No portion of the revenues may be used to pay claims or otherwise settle litigation that may arise due to the harmful impacts of any flooding.

Section 4. This act takes effect upon approval by the Governor.

Local Expenditure

N/A

Local Revenue

Because this bill does not change any existing taxes, tax rates, or fees, there would not be any change to local or municipal accommodations tax or hospitality tax revenue. There would, however, be a reallocation of revenue among competing tourism-related purposes since the addition of the control and repair of flooding and drainage, including beach outfalls, at tourism-related lands or areas and site preparation, including, but not limited to, demolition, repair, or construction would become an acceptable use of the tax revenue.

Amended by the Senate on February 20, 2018

State Expenditure

The Department of Revenue reports that this bill would have no expenditure impact on the state General Fund, Federal Funds, and Other Funds.

State Revenue

Currently, a local governing body may impose, by ordinance, a local hospitality tax not to exceed two percent of the charges for food and beverages on the sales of prepared meals and beverages sold in establishments, or sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer, or wine. Based on the latest data available from the *Local Government Finance Report* published by the Economic Research Section of the Revenue and Fiscal Affairs Office, reported local hospitality tax revenue totaled \$211,595,152 in FY2015-16. Also, a local governing body may impose, by ordinance, a local accommodations tax not to exceed three percent on the gross proceeds derived from the rental or charges for accommodations furnished to transients. Based on the latest data available from the *Local Government Finance Report* published by the Economic Research Section of the Revenue and Fiscal Affairs Office, reported local accommodations tax revenue totaled \$75,987,196 in FY2015-16. There is also imposed a two percent state accommodations tax charged in addition to the state five percent sales tax which must be credited to the political subdivisions of the state in accordance with Chapter 4 of Title 6 of the Code of Laws. Based on the latest data available from the South Carolina Department of Revenue, the reported two percent state accommodations tax revenue totaled \$69,559,227 in FY2016-17. Collectively, the total revenue available to local government bodies to be used for specific tourism-related purposes totaled \$357,141,575.

The Senate amended the bill by adding an appropriately numbered sub item in each of the sections below to allow for the expenditure of revenue on “site preparation, including, but not limited to, demolition, repair, or construction, to be used for the sub items of this section.”

Section 1. This bill, as amended, would amend Section 6-1-530(A) to add “control and repair of flooding and drainage at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction, to be used for the sub-items of this section” to the enumerated list of exclusive purposes the local accommodations tax revenue may be used. The addition of this item would not change or alter any existing taxes, tax rates, or fees, but the additional item would cause a competition among all of the exclusive purposes for use of the revenue and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2018-19 or any fiscal year thereafter.

Section 2. This bill, as amended, would amend Section 6-1-730(A) to add “control and repair of flooding and drainage at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction, to be used for the sub-items of this section” to the enumerated list of exclusive purposes the local hospitality tax revenue may be used. The addition of this item would not change or alter any existing taxes, tax rates, or fees, but the additional item would cause a competition among all of the exclusive purposes for use of the revenue and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2018-19 or any fiscal year thereafter.

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The amendment specifically adds language to require that if the additional two percent state accommodations tax revenue is used to control and repair flooding and drainage within or on tourism-related lands or areas, the revenues must be expended exclusively on public works projects designed to eliminate or mitigate adverse effects of recurrent nuisance tidal flooding. Adverse effects would include road closures, storm-water drainage issues, and compromised public infrastructure. No portion of the revenues must be used to pay claims or otherwise settle litigation that may arise due to the harmful impacts of any flooding.

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Local Expenditure

N/A

Local Revenue

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Introduced on January 23, 2018

State Expenditure

The Department of Revenue reports that this bill would have no expenditure impact on the state General Fund, Federal Funds, and Other Funds.

State Revenue

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