



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE
STATEMENT OF ESTIMATED FISCAL IMPACT
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Bill Number:	S.0217	Introduced on January 8, 2019
Author:	Kimpson	
Subject:	Accommodation and Hospitality Tax Expenditures	
Requestor:	Senate Finance	
RFA Analyst(s):	R. Martin	
Impact Date:	January 10, 2019	

Fiscal Impact Summary

This bill would not affect state General Fund revenue in FY2019-20 or any fiscal year thereafter. This bill 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

Introduced on January 8, 2019

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 \$225,188,884 in FY2016-17. 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 \$80,127,627 in FY2016-17. 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 \$72,032,863 in FY2017-18. Collectively, the total revenue available to local government bodies to be used for specific tourism-related purposes totaled \$377,349,374.

Section 1. This bill 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 items in this section” to the enumerated list of exclusive purposes the local accommodations tax revenue may be used. The addition of these items would not change or alter any existing taxes, tax rates, or fees, but the additional items

would cause a competition among all of the exclusive purposes for use of the revenues and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2019-20 or any fiscal year thereafter.

Section 2. This bill would add an appropriately lettered subsection to Section 6-1-530 to ensure that if the revenues are used to “control and repair of flooding and drainage at tourism-related lands or areas” the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.

Section 3. This bill 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 items in this section” to the enumerated list of exclusive purposes the local hospitality tax revenue may be used. The addition of these items would not change or alter any existing taxes, tax rates, or fees, but the additional items would cause a competition among all of the exclusive purposes for use of the revenues and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2019-20 or any fiscal year thereafter.

Section 4. This bill would add an appropriately lettered subsection to Section 6-1-730 to ensure that if the revenues are used to “control and repair of flooding and drainage at tourism-related lands or areas” the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.

Section 5. This bill would amend Section 6-4-10(4)(b) 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 items in this section” to the enumerated list of exclusive purposes the additional two percent state accommodations tax revenue may be used. The addition of these items would not change or alter any existing taxes, tax rates, or fees, but the additional items would cause a competition among all of the exclusive purposes for use of the revenues and reallocate the existing revenue. This section would not affect state General Fund revenue in FY2019-20 or any fiscal year thereafter.

Section 6. 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 at tourism-related lands or areas would become an acceptable use of the tax revenue.

A handwritten signature in blue ink, reading "Frank A. Rainwater". The signature is fluid and cursive, with a prominent flourish at the end.

Frank A. Rainwater, Executive Director