

The A-Tax Update



First Quarter, 2004

The Official Newsletter of the Tourism Expenditure Review Committee

Committee Members

Frans N. Mustert, Chairman
Appointed by the Governor at
Recommendation of the
Hospitality Association of SC

Lanneau H. Siegling, Vice Chairman
President Pro Tempore Appointee

Susan Cruse
Appointed by the Governor at the
Recommendation of the
SC Association of Tourism Regions

John Curry
Appointed by the Governor at the
Recommendation of the
SC Association of Convention and
Visitors Bureaus

David Warren
Appointed by the Governor at the
Recommendation of the
SC Travel and Tourism Coalition

Rod Swaim
Speaker of the House Appointee

Mark Williams
Appointed by the Governor at the
Recommendation of the
Municipal Association of SC

Suzette Surkamer
Appointed at the Recommendation of
the S.C. Arts Commission

Vacant
SC Association of Counties

Toni Nance
Ex-Officio SCPRT

WWW.ATAX.SC.GOV is Here!

As promised, the Tourism Expenditure Review Committee has created a website as a source of downloading forms and documents, education and overall contact information. It is up and running as www.atax.sc.gov.

Content includes reporting forms, instructions and sample documents, links to the state accommodations tax law and guidelines such as the revenue ruling, links to state agencies, a list of committee members and staff, our policy on disclosing information to the public, frequently asked questions, minutes and all of our newsletters.

Our hope is that the website serves as a great educational tool, and as a resource for you to ask any questions you might have about state accommodations taxes and what is acceptable to be funded from accommodations taxes.

How Do Local Governments Disburse Funds and the Importance of Local Guidelines- Part Two!

The Tourism Expenditure Review Committee has received several questions about disbursement of funds. As we have reported before, there are several different ways an entity can handle this. Section 6-4-25 (B) of the S.C. Code of Laws says "a municipality or county and its advisory committee shall adopt guidelines to fit the needs and time schedules of the area. The guidelines must include the requirements for applications for funds from the special fund used for tourism-related expenditures. A recipient's application must be reviewed by an advisory committee before it receives funds from a county or municipality. "Different local governments do different things. Some disperse funds on a reimbursement process after the project or event is completed. Some disperse funds as a "matching grant" and some disperse on a 50/50 basis, where after the project or event is completed, the applicant will receive the other half.

Section 6-4-10 (4c) states "Allocations to the special fund must be spent by the municipality or county within two years of receipt. If the allocations are not spent within two years, the municipality or county is subject to the provisions of Section 6-4-30(6). However, the time limit may be extended upon the recommendation of the county or municipality and approval of the South Carolina Accommodations Tax Oversight Committee in Section 6-4-30. An extension must include provisions that funds be committed for a specific project or program."

The following example demonstrates an appropriate funding/disbursement and spending process:

Funds received by XYZ county by the State Treasurer's Office in April 2002 (for the first quarter of the year), must be disbursed and spent by April 2004. Spending is interpreted as the designated agency, the agency the funds were allocated to, actually having paid for services to the purveyor or supplier.

Therefore, in our example, should the municipality disburse funds prior to actual expenditures, based merely on budgetary requirements of the receiving organization, it is important that the advisory committee verifies that the funds are actually "spent" prior to April 2004. Should the municipality base their disbursement on a re-imbursalment basis, at that time the re-imbursalment should take place prior to April 2004.

The A-Tax Update is published quarterly by the Tourism Expenditure Review Committee, located in the SC Department of Revenue Building.

PO Box 125, Columbia, SC
29214-0120
803.898.5400 (Phone)
803.898.5446 (Fax)
Jeterd@sctax.org
Damita Jeter, Staff Liaison

... The A-Tax Update, continued



TERC Presentation at Governor's Conference

A panel from The Tourism Expenditure Review Committee appeared at the Governor's Conference on Travel and Tourism in Hilton Head Island in February. Thank you to SCPRT for sponsoring the conference and putting on a great educational event! The Committee also wishes to thank the S.C. Hospitality Association for joining them during the presentation of "Accommodations Taxes: How to Get a Bigger Bang for Your Buck."

During its presentation, many questions were raised (see Q and A at the bottom and in future issues) about what qualifies as appropriate expenditures under state accommodations tax laws. As a general guideline, state accommodations tax funds must promote, attract and provide for tourists. The law defines "Travel" and "tourism" as "the action and activities of people taking trips outside their home communities for any purpose, except daily commuting to and from work." National guidelines further define "outside of the home community" as a radius of 50 miles or more. The Tourism Expenditure Review Committee has taken a position that they will look at projects on a case by case basis to see if they meet the criteria of "outside of the home community." However, the general principle is that accommodations taxes must benefit tourists instead of locals.

Accommodations taxes must also go to non profit organizations. The 30% funds must "be allocated to a special fund and used for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity. To manage and direct the expenditure of these tourism promotion funds, the municipality or county shall select one or more organizations, such as a chamber of commerce, visitor and convention bureau, or regional tourism commission, which has an existing, ongoing tourist promotion program." An attorney general's opinion and interpretation from SCDOR attorneys state that the 65% funds must also go to a non profit recipient because public funds cannot be used for private purposes.

More Questions and Answers

Question: How do I know how much money I need to allocate to the 65% for the advisory committee to allocate to the various applicants for funds. The fiscal year runs from July 1 until June 30 and the allocation is based on a projected amount available.

Answer: *The Committee suggests the following:*

- a. You may use the actual total amount received from the State Treasurer's Office during the four quarters preceding the allocation process. Should the budget year be less than the previous year the committee recommends that the shortfall be either funded from the 5% which was allocated to the general fund or you may carry the negative balance (over allocated) amount to the next fiscal year.
- b. Rather than using the funds projected to be received, you may use the funds actually received over the last four quarters prior to the allocation process. This would mean that the funds may remain in the special fund for six or seven month before allocations and disbursements are made. However, the danger of this method is that the municipality will only have a limited time remaining to disburse the funds and the agencies who receive the funds may only have a limited time to spend the funds.