The A-Tax Update

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The Official Newsletter of the Tourism Expenditure Review Committee

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

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TERC Speaks at Recent Governor's Conference on Travel and Tourism

TERC once again had the privilege of speaking at this year's Governor's Conference on Travel and Tourism, which was held February 7-9, 2005 at The Sanctuary in Kiawah Island, SC.

Below are a sampling of some of the questions and answers discussed during the meeting. Watch for an update of TERC's website, www.atax.sc.gov, which will list these in our FAQ section:

Are fireworks considered an appropriate expenditure of accommodations taxes?
Answer: Fireworks expenditures may only be funded to the extent that they attract and provide for tourism and are a tourism-related expenditure according to Section 6-4-10 of the S.C. Code of Laws. This would include expenditures to advertise an event to tourists or an event that has ties to civic or cultural activities (such as a July 4th, New Years Eve) fireworks display.

Are welcome signs and banners considered fundable?
Answer: Welcome signs are not acceptable accommodations tax expenditures, and should not be funded from accommodations taxes. However, welcome signs when part of an overall tourism promotion and displayed in an effort to attract tourists may be funded. Banners and welcome signs considered out of market advertising are fundable. Also, for example, a sign along the highway to identify the "Cotton Museum," even though within the market area is also acceptable when it is intended to draw tourists into a certain area.

Is the operation of sporting events acceptable use of atax funds?
Answer: TERC maintains that if the primary purpose of the event is to attract tourists and promote tourism to the general area and not to fund scholarships (even though subsequently some events that promote tourism may generate scholarships, but that was not the primary intent), and the funds are used strictly to promote and generate tourism than it is likely appropriate. However, the statute makes no mention of "operational costs" for sporting events as it does for cultural events and the arts, so TERC maintains the operation of sporting events is not an acceptable use of funds.

Are historical markers or monuments fundable?
Answer: To answer this question, the Committee always refers to Revenue Ruling 98-22, issued by the SC Department of Revenue, which that it depends on the nature of the monument and the impact it will have on tourism. If it is a single statute dedicated to a local figure, it is unlikely that such a monument will have any impact on tourism. However, if the monument is in the nature of a large structure designed to honor a group or entity, then it may be permissible to use Tourism-related Funds for such monument. For example, a monument along the lines of the United States Holocaust Memorial Museum or the Vietnam Veterans Memorial may have a sufficient impact on tourism to warrant receiving Tourism-related Funds.

Robin Hood Clause Explained

A re-occurring question during this year's governor's conference dealt with a clear explanation of the Robin Hood Provision of the state law. For this, TERC sought clarification from the State Treasurer's office. Below is the office's explanation:

The Robin Hood Clause Explained

Accommodation tax distributions are calculated quarterly by the State Treasurer's Office and checks are mailed in October, January, April and July. Cities and counties receive dollar for dollar what was collected in their jurisdiction until their county area reaches four hundred thousand dollars in collections. A percentage of collections are withheld from the allocation to cities and counties once their county area exceeds $400,000 in accommodation tax collections. These withheld funds are used for two purposes. First, to assure that each county area receive a minimum annual allocation and second, to assure that county areas that collect more than the minimum annual allocation but less than four hundred thousand dollars receive an additional supplement. In Fiscal Year 2004-05 eleven county areas exceeded four hundred thousand dollars in annual accommodation tax collections. They are Beaufort, Charleston, Florence, Georgetown, Greenville, Horry, Lexington, Orangeburg, Richland, Spartanburg and York counties.

...The A-Tax Update, continued

Robin Hood Clause, continued...

Minimum Annual Allocation

Funds withheld from county areas that collect more than $400,000 are used to assure that each county area receives a minimum annual allocation. When this law was first enacted the minimum annual allocation to each county area was fifty thousand dollars. This minimum annual allocation will change year over year. If the total accommodations tax statewide collections exceed the statewide collections for the preceding fiscal year then this fifty thousand dollar figure is increased by seventy-five percent of the statewide percentage increase in collections for the preceding fiscal year. In Fiscal Year 2004-05 the county area minimum annual allocation was $134,139. The difference between the minimum annual allocation and the actual collections within a county area is proportionally distributed to the cities and county within the county area based on population. Twenty three county areas received the minimum allocation of $134,139. They are Abbeville, Allendale, Bamberg, Barnwell, Calhoun, Cherokee, Chester, Chesterfield, Darlington, Edgefield, Fairfield, Hampton, Kershaw, Lancaster, Laurens, Lee, McCormick, Marion, Marlboro, Newberry, Saluda, Union and Williamsburg counties.

Additional Supplement

Also, funds withheld from county areas that collect more than $400,000 are used to assure that county areas that collect more than the minimum annual allocation but less than four hundred thousand dollars receive an additional supplement. When this law was first enacted the additional supplement was fifteen thousand dollars. This additional supplement will change year over year by the same percentage as the minimum annual allocation. In Fiscal Year 2004-05 the additional supplement was $40,240. The additional supplement amount is proportionally distributed to the cities and county within the county area based on population. Twelve county areas received the additional supplement of $40,240. They are Aiken, Anderson, Berkeley, Clarendon, Colleton, Dillon, Dorchester, Greenwood, Jasper, Oconee, Pickens and Sumter counties.

To Summarize….

Each county area is guaranteed to receive a minimum annual amount from state accommodation tax revenue if that county area's accommodation tax collections are below the minimum annual amount. Also, if a county area collects an amount between the minimum allocation and less than four hundred thousand dollars then that county area receives a supplement. The minimum annual amount and the supplement are funded by withholding funds through out the year from county areas that collect more than four hundred thousand dollars. Accommodation tax distributions are calculated quarterly. Checks are mailed out in October, January, April and July. The minimum annual allocation and the supplement are included in the July checks.

Committee Welcomes New Members

In the past few months, TERC has welcomed several new members to the Committee. They are **Lisa Martin, who is** appointed by the Governor at the recommendation of the SC Travel and Tourism Coalition; **Kevin Yokim who is** appointed by the Governor at the recommendation of the SC Association of Counties, and **Ed Riggs who is the** Governor's At-Large appointee.

The three will assist Committee members in reviewing accommodations tax expenditures for adherence with Section 6-4-10 of the S.C. Code of Laws and also serve to correspond with various local governments on state accommodations tax issues.

TERC's Position on Re-Granting of Funds

TERC has determined that "regranting" funds is an inappropriate use of tourism monies per Section 6-4-10 of the S.C. Code of Laws. Over the years, the Tourism Expenditure Review Committee and its advisors have gleaned that according to Section 6-4-10 of the S.C. Code of Laws, there should not be a re-granting process. If you read the Section, you will notice that it clearly states the process in which funds should be granted. Funds are received by a municipality or county and the same municipality or county, after potential recipients go through a proper application and review process, awards funds to an eligible non profit, which in turn, has a responsibility to use the money for proper tourism-related expenditures within a certain time frame.

Because the Section does not refer to any further action taken after the funds are awarded, the Committee has interpreted that it would not be an acceptable process to allow organizations, once they receive the funds, to simply "re-grant" them to other organizations. This violates all checks and balances set forth in Title 6 of the S.C. Code of Laws, and many times makes it virtually impossible to track tourism data, which is important in many cases to justify expenditures. If the recipient would like to spend the funds on promoting the various tourism events or aspects of these other organizations, then that is acceptable. Additionally, should these other, smaller organizations wish to apply to the municipality or county for funding, they may do so as well.