

The A-Tax Update



Fourth Quarter, 2005

The Official Newsletter of the Tourism Expenditure Review Committee

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A-Tax Reporting Packages Due by October 15

By now, applicable local governments should have received the state accommodations tax reporting packages from the Tourism Expenditure Review Committee. If you receive the package, then state law mandates that you **MUST COMPLETE AND RETURN IT BY OCTOBER 15**. After receiving them, our procedure is to review them for accuracy and then the Committee reviews them to verify all expenditures were appropriate in that they adhere to Section 6-4-10 of the S.C. Code of Laws and attract, provide for and promote tourism. In order to accomplish this task, the Committee is once again requesting additional information, such as budget, percentage of tourists, overall attendance, etc. This helps us gain a better understanding of how certain projects attract and promote tourists to the area. We understand that many municipalities and counties do not currently keep this data. In that case, we ask that you provide as much information as possible, especially a description of the project. Please note that the new forms also contain seven "project category numbers." **We ask for your help in submitting these "project numbers" as accurately as possible. This data is used by the S.C. Department of Parks, Recreation and Tourism to compile statistical reports, and the reports are only as accurate as the information provided.**

There are some additions to the guidelines this year. This includes TERC's policy on fireworks usage and welcome signs based on their adherence to the state statute. For more information, see below.

To help with reporting, the forms may be e-mailed to you. The forms are also available on our website at www.atax.sc.gov. For more information, contact Damita Jeter, Staff Liaison, at jeterd@sctax.org or call 803-898-5400.

TERC Revises Fireworks Policy and Develops Welcome Signs Policy

For many years, TERC had stated that it would examine state accommodations tax funds expended for fireworks usage on a "case by case" basis and make a determination based on the applicability of the state statute governing accommodations taxes.

After careful review of a variety of expenditures made by reporting entities in this area, TERC has revised its policy in this regard as is reflected in this year's guidelines. Fireworks may 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 or promote an event featuring fireworks to tourists or expenditures to defray the operational expenses of a fireworks display that is associated with a civic or cultural activity (such as a July 4th, New Years Eve, Labor Day, etc.). TERC will continue to review fireworks expenditures not falling within the terms of this policy.

Additionally, TERC receives many inquiries regarding welcome signs and has developed the following policy in that regard: 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 program and displayed in an effort to attract tourists, may be funded. An example of an appropriate expenditure would be a billboard displayed in an "out of market" advertising area that promotes travel to the tourist destination.

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... The A-Tax Update, continued



Make Plans Now to Attend the 2006 S.C.'s Governor's Conference on Travel and Tourism

Once again, the Tourism Expenditure Review Committee is proud to be a part of the upcoming Governor's Conference on Travel and Tourism. The conference is the state's largest gathering of tourism industry leaders. Over the past 40 years, the conference has grown to an attendance of 500-600 participants who find the seminars, workshops and networking opportunities enjoyable, informative, and productive. An assembly of a wide variety of backgrounds, the majority of our participants include: representatives from destination management organizations, state/county entities, regional tourism associations, accommodations, attractions, advertising agencies, economic development companies and various media outlets.

The 2006 conference will be held February 6-8, 2006 at the Kiawah Island Golf Resort, with an agenda that includes TERC's exact speaking time coming soon! For more information, go to the SCPRT website at www.discoversouthcarolina.com/agency. Click on agency's events and activities.

Review of Q and A

Many entities are entering a new funding year and making decisions on what applications are eligible to receive state accommodations tax grants. When making such awards, the following Q and A can be used to help answer some questions:

Question: Is it appropriate or not to fund museums, libraries, etc. in an area of non high concentration of tourism and can these facilities receive state accommodations tax funding for costs incurred in building, funding of operation, as well as cost of repairs and necessary additions to the facility?

Answer: It is the Tourism Expenditure Review Committee's position that, under Section 6-4-10 (4)(b)(3), the "construction, maintenance, and operation of facilities for civic and cultural activities including construction and maintenance of access and other nearby roads and utilities for the facilities" is reserved for areas of high concentration of tourism activity. However, the Committee does examine the "tourism economic impact". We have in the past allowed funding for facilities such as those mentioned above, however, it is vitally important that the facilities maintain documentation of the visitors in order to qualify as a facility that is not simply for local benefit. In cases where no visitor information has been generated because the facility is new, a long range plan on how the facility plans to promote and market itself to visitors is appropriate.

Question: Many counties and municipalities continue to fund the lighting of interstate and highway exits through state accommodations taxes. I was under the impression that this was not an acceptable expenditure?

Answer: Although the Committee has in the past found the purchase and installation of lighting of interstate and highway exits and the installation of landscaping an acceptable expenditure, the Committee feels as though that the maintenance and operating costs of these assets **might not be the best use of accommodations tax funds**. Normally, this is something considered a "normal expense" of the municipality or county. Although the Committee is not recommending funds be withheld at this time, we would like for entities to consider this for the future and notify the Committee of steps being taken to fund the lights from some source other than state accommodations tax funds.

Question: Are 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.