

Local Option Sales Tax Revenue and Your City: Are You Getting It Right?

*MFOCTA and BLOA Joint
Annual Meeting*

October 26 – 29, 2010

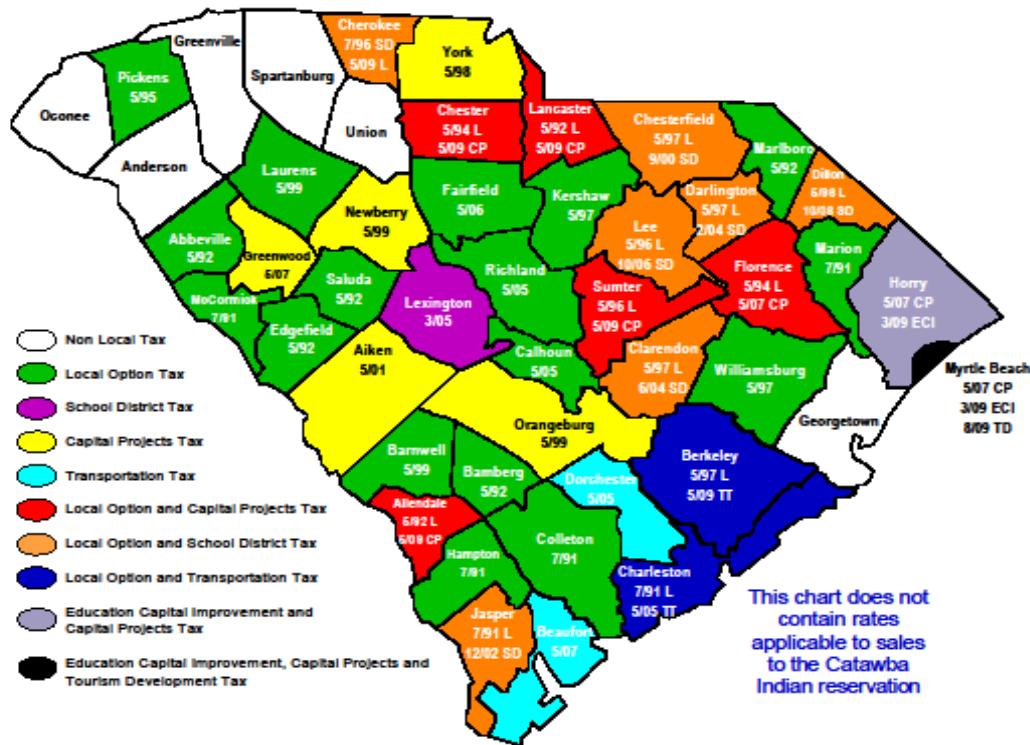
LOCAL OPTION SALES TAX

- Act 391 Passes In 1990. Established Local Option Sales Tax (LOST).
- Required County Referendum To Implement.
- In 1990, 6 Of 46 Counties Approved LOST.
- Currently 31 Of 46 Counties Have Implemented LOST.

LOCAL OPTION SALES TAX

- Cherokee County Most Recent To Implement LOST May 1, 2009.
- Since General Assembly Approved LOST, 6 Other Local Option Type Sales Taxes Have Been Authorized For Adoption.
- 40 of 46 Counties Have Adopted At Least One Of The Optional Sales Taxes

**State of South Carolina
Local Tax Designation
by County Effective January 1, 2010**



Abbeville	7%	Chesterfield	8%	Hampton	7%	Newberry	7%
Aiken	7%	Clarendon	8%	Horry	8%	Oconee	6%
Allendale	8%	Colleton	7%	Horry (Myrtle Beach)	9%	Orangeburg	7%
Anderson	6%	Darlington	8%	Jasper	8%	Pickens	7%
Bamberg	7%	Dillon	8%	Kershaw	7%	Richland	7%
Barnwell	7%	Dorchester	7%	Lancaster	8%	Saluda	7%
Beaufort	7%	Edgefield	7%	Laurens	7%	Spartanburg	6%
Berkeley	8%	Fairfield	7%	Lee	8%	Sumter	8%
Calhoun	7%	Florence	8%	Lexington	7%	Union	6%
Charleston	7.5%	Georgetown	6%	McCormick	7%	Williamsburg	7%
Cherokee	8%	Greenville	6%	Marion	7%	York	7%
Chester	8%	Greenwood	7%	Marlboro	7%		

Special Notice

- Effective March 1, 2009, Horry County imposed a 1 percent (.01) Education Capital Improvement Tax.
- Effective May 1, 2009, the following counties imposed a new local tax: Allendale (1% Capital Projects Tax), Berkeley (1% Transportation Tax), Cherokee (1% Local Option Tax), Chester (1% Capital Projects Tax), Lancaster (1% Capital Projects Tax), Sumter (1% Capital Projects Tax).
- Effective August 1, 2009, the municipality of Myrtle Beach imposed a 1 percent (.01) Tourism Development Tax.
- Effective January 1, 2010, Hampton County no longer imposes the 1% Capital Projects Tax.

LOCAL OPTION SALES TAX

- LOST Approval Requires County Referendum On The Tuesday Following The First Monday In November.
- Collection Of The 1% Local Sales Tax Begins In May Following A Successful Referendum.

LOCAL OPTION SALES TAX

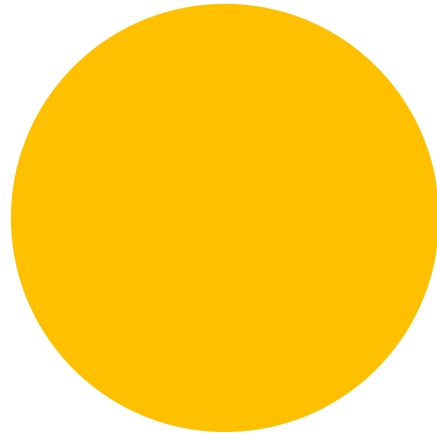
- Revenue Allocation

- Of The Total Sales Tax Revenue Collected In The County, The Money Must Be Used As Follows:

- 71% For Property Tax Rollback

- 29% For County/ Municipal Revenue

TOTAL COUNTY SALES TAX COLLECTION

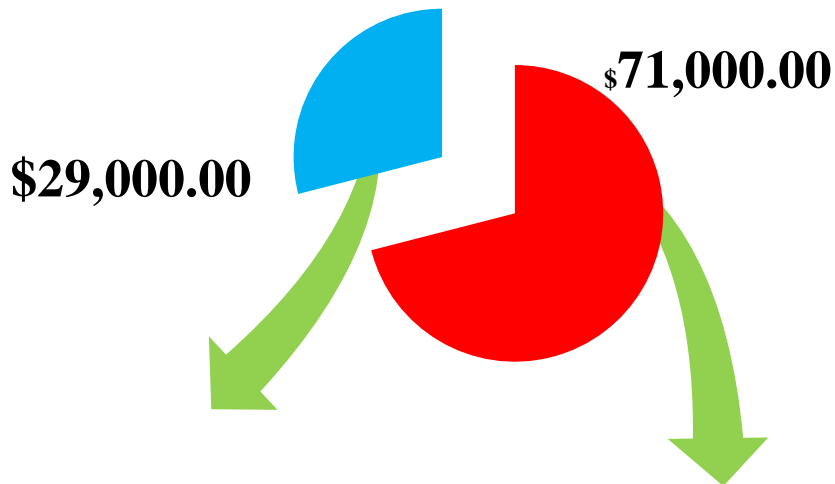


\$100,000
100%



■ ROLLBACK ALLOCATION (71%)

■ COUNTY/MUNICIPAL REVENUE (29%)



LOCAL OPTION SALES TAX

- Revenue Distribution
 - 71% Of County Sales Tax Collection Allocated To Property Tax Rollback.
 - 29% Of County Sales Tax Collection Allocated To Optional New County/Municipal Revenue.

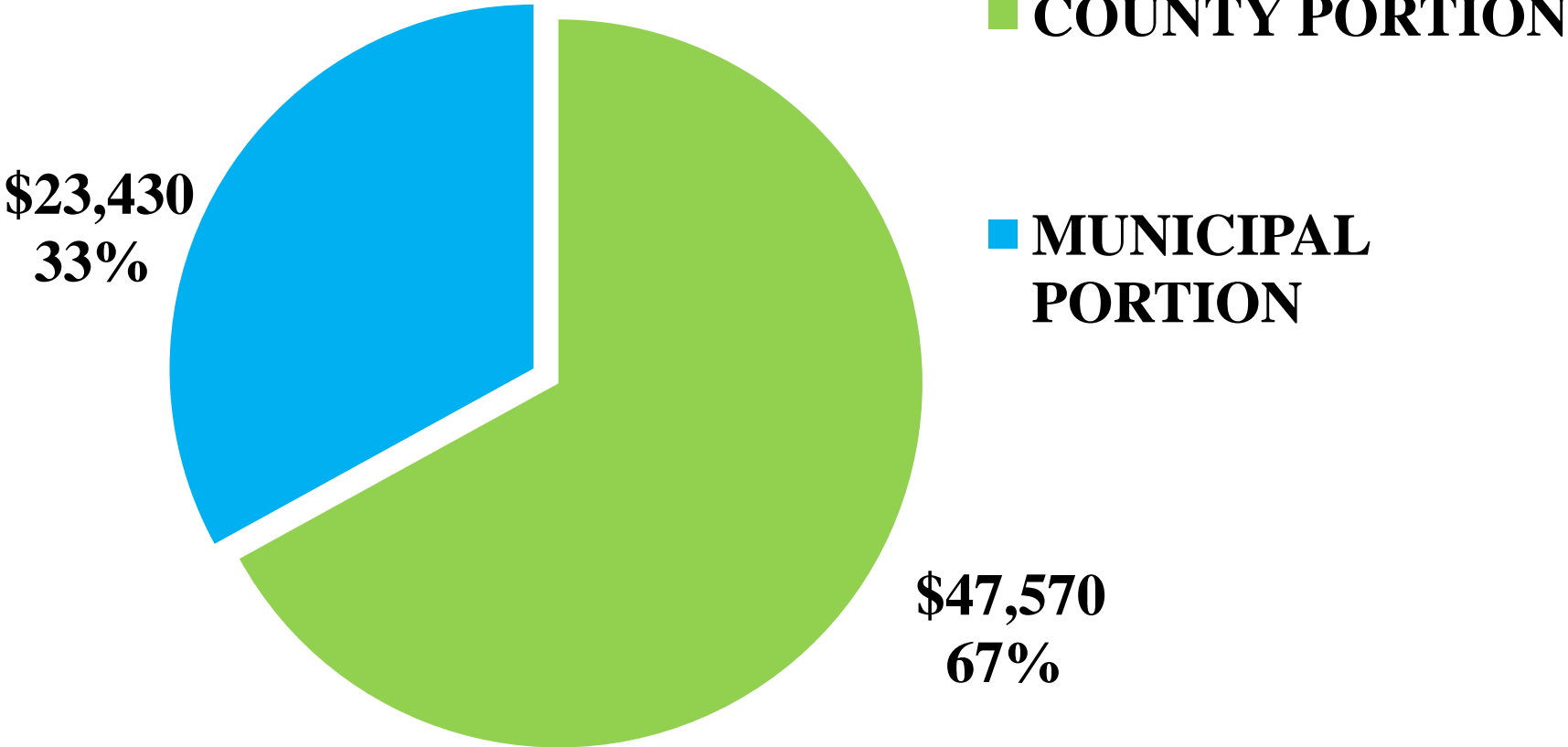
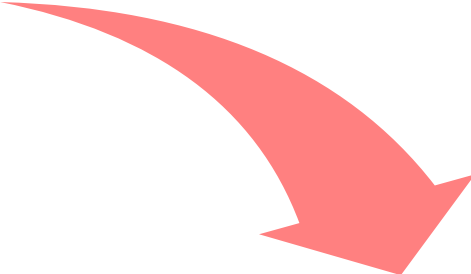
LOCAL OPTION SALES TAX

- Revenue Distribution (continued)
 - Of The 71% Rollback Allocation
 - 67% Distributed To County Government.
 - 33% Distributed To Municipal Governments In The County Based On A Municipality's Population As A % Of The Total Population Of All Municipalities In The County.

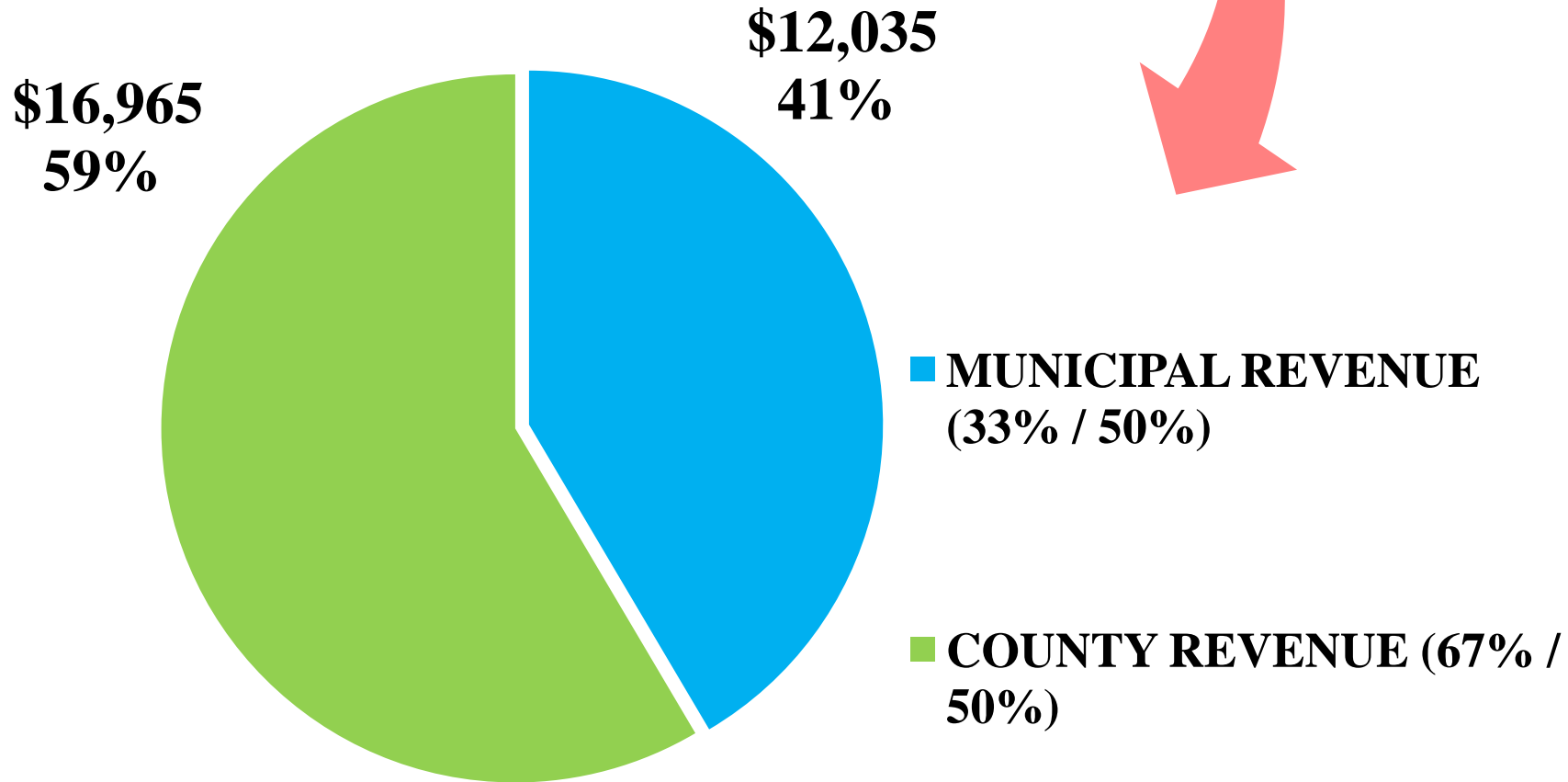
LOCAL OPTION SALES TAX

- Revenue Distribution (continued)
 - The 29% County / Municipal Allocation Distributed To County And Municipalities as Follows:
 - 50% Based On Location Of The Sale
 - 50% Based On Population

ROLL BACK ALLOCATION DISTRIBUTION



DISTRIBUTION OF COUNTY/MUNICIPAL REVENUE



LOCAL OPTION SALES TAX

- Revenue Restrictions
 - State Of South Carolina Issues LOST Checks Monthly Based On Prior Months Collections.
 - Two Checks Are Issued
 - Rollback Check.
 - County / Municipal Revenue Check.

LOCAL OPTION SALES TAX

- Revenue Restrictions (continued)
 - The Total Amount (100%) Of Revenue Received By A County Or Municipality In Checks Labeled As Property Tax Rollback Fund As Well As Accrued Interest On These Funds Must Be Given Back In The Form Of Property Tax Rollback.

LOCAL OPTION SALES TAX

- Revenue Restrictions (continued)
 - Projecting Total Funds To Be Received In Property Tax Rollback Fund Is Shooting At A Moving Target.
 - All Funds Received In Credit Funds Checks Must Be Credited

LOCAL OPTION SALES TAX

- Revenue Restrictions (continued)
 - Some Municipalities And Counties Agreed To Give 100% Of Both Credit Fund And New Revenue Fund To Tax Rollback.
 - If This Was Done By Formal Action Of Council, It Creates A Legal Liability Which Can Only Be Changed By The Same Method That Originally Established The Higher Credit.

LOCAL OPTION SALES TAX

- Revenue Restrictions (continued)
 - Recommended Method Of Projecting Mandatory Rollback Funds.
 - Project Anticipated Rollback Fund Revenue Conservatively Based On Historical Collections.
 - Maintain A Spreadsheet To Track Collections.

LOCAL OPTION SALES TAX

- Revenue Restrictions (continued)
 - When In Doubt Estimate Low.
 - Reconcile Credit Granted And Rollback Fund Collections On An Annual Basis.
 - Any Shortage In Credit Granted Must Be Added To The Next Year's Projection Of Rollback Funds.
 - Recommended Method Of Projecting Mandatory Rollback Funds.

LOST CREDIT FACTOR CALCULATION

TAX CREDIT FUND COLLECTION PERIOD	FY 2008-2009 CREDIT 2008 TAX BILL	FY 2009 - 2010 CREDIT 2009 TAX BILL	FY 2010 -2011 PROJECTED CREDIT 2010 TAX BILL
PRIOR YEAR ADJUSTMENT	\$ 6,321	\$ 1,781	\$ 6,149
JULY	\$ 49,183	\$ 49,921	\$ 51,418
AUGUST	\$ 46,708	\$ 47,409	\$ 48,831
SEPTEMBER	\$ 43,677	\$ 44,332	\$ 45,662
OCTOBER	\$ 42,465	\$ 43,102	\$ 44,395
NOVEMBER	\$ 39,752	\$ 40,348	\$ 41,559
DECEMBER	\$ 36,688	\$ 37,238	\$ 38,355
JANUARY	\$ 44,840	\$ 45,513	\$ 46,878
FEBRUARY	\$ 30,986	\$ 31,451	\$ 32,394
MARCH	\$ 44,382	\$ 45,048	\$ 46,399
APRIL	\$ 38,500	\$ 39,078	\$ 40,250
MAY	\$ 33,488	\$ 33,990	NA
JUNE	\$ 36,324	\$ 36,869	NA
YEAR END SUPPLEMENT	\$ 28,667	\$ 29,097	NA
ACTUAL TAX CREDIT FUND COLLECTIONS	\$ 521,981	\$ 525,176	
PROJECTED TAX CREDIT FUND	\$ 520,200	\$ 519,027	\$ 536,098
SURPLUS OR DEFFICENCY IN TAX CREDIT GRANTED	\$ (1,781)	\$ (6,149)	

LOST CREDIT CALCULATION

**PROJECTED
REVENUE IN
TAX CREDIT
FUND**

\$ 536,098 = 0.002383

**APPRAISED
VALUE
(MARKET
VALUE) ALL
TAXABLE
PROPERTY**

\$ 225,000,000

APPLYING LOST CREDIT

APPRAISED VALUE (MARKET
VALUE) OF OWNER OCCUPIED

HOME

\$100,000

LOST CREDIT FACTOR

X

0.002383

LOST CREDIT APPLIED TO TAX

BILL

\$238.27

EFFECT OF LOST CREDIT

APPRAISED VALUE OF OWNER OCCUPIED HOME		\$100,000
TAX ASSESSMENT RATIO	X	4%
<hr/>		
ASSESSED VALUE FOR TAX PURPOSES		\$4,000
MUNICIPAL MILLAGE RATE (100 MILLS)		0.100
<hr/>		
TAX BILL BEFORE LOST CREDIT		\$400
LOST CREDIT		(\$238)
<hr/>		
NET PROPERTY TAX AFTER LOST		\$162

Summary

- Conservatively Project Rollback Fund Collections.
- Keep Detailed Records On Tax Credit Revenue And Calculation Of Credit Factor.
- Perform Annual Reconciliation Between Actual Rollback Fund Collections And Estimated Revenue Used To Grant The Tax Credit.

Summary

- If Actual Rollback Collections Exceed Estimated Collections, Carry The Shortage Over As Additional Revenue For Purpose Of Tax Credit Factor Calculation.
- If Previous Council Committed 100% Of All LOST Revenue to Rollback, Do Not Reduce Credit Unless Proper Approval Method Used.