

The information provided here is for informational and educational purposes and current as of the date of publication. The information is not a substitute for legal advice and does not necessarily reflect the opinion or policy position of the Municipal Association of South Carolina. Consult your attorney for advice concerning specific situations.

Hospitality and Accommodations Tax

Processes and Procedures

Hospitality Fee – Unrestricted Revenue Source – Service Charges and Fees

Local Hospitality Tax – Restricted Revenue Source

State Accommodations Tax – Restricted Revenue Source

Local Accommodations Tax – Restricted Revenue Source

Show me the \$\$

For FY 25 the City of Myrtle Beach collected \$57MM in Hospitality Fee, Local A-Tax, and State Accommodations Tax.

Hospitality Fee

- The City collects a 1% Hospitality Fee (Uniform Service Fee) imposed on all gross proceeds derived from:
 - Rentals or charges on accommodations for transients for stays less than 90 days
 - Prepared food and beverages
 - Paid admissions to places of amusement
 - The approval authority comes from SC Code Section 5-7-10, 5-7-30, 6-1-300 and 6-1-330.
 - Imposed fee in February of 1996

Hospitality Fee Continued...

- Allowable uses of the uniform service charge for the City of Myrtle Beach:
 - Nourishment, renourishment and maintenance of beaches; dunes restoration, including sand fencing, the planting of sea grass or other vegetation useful in preserving the dune system within the territorial limits of the city.
 - Acquisition and maintenance of public beach access.
 - Capital improvements to the beaches and beach related facilities which include, but are not limited to, public beach parks, public parking, public access, dune walkovers, public bathhouses and restrooms.
 - Transportation improvements including construction and resurfacing of streets, stormwater drainage, sidewalks, bikeways, landscaping and all associated costs including right-of-way acquisition and engineering design.

Allowable Uses Continued...

- The acquisition of land and the construction of passive and active parks and facilities associated with parks including playground equipment, sports facilities and community recreation buildings.
- The acquisition of property and the construction required for the provision of police and fire service; the acquisition of capital equipment for the provision of police, fire, and other public safety services.
- The payment of bonded debt required to provide the above referenced uses.
- Administrative costs associated with collection, accounting for and applying the hospitality fees.

What's the difference?

State Accommodations Tax vs. Local Accommodations Tax?

State Accommodations Tax

- A State Accommodations Tax in the amount of 10% in the City of Myrtle Beach is imposed on rentals or charges on accommodations for transients for stays less than 90 days.
 - 5 % Sales Tax
 - 2 % Accommodations Tax
 - Three 1 % local sales taxes – ECI, TT, and TD

State Accommodations Tax Continued...

- State accommodations tax is collected by SCDOR and the 2 % portion of the accommodations tax is distributed back to cities and counties using a formula based on point of sale.
- State accommodations tax began in 1990.
- The approval authority for the tax comes from SC Code section 12-36-920 and 12-36-2630.
- The approval authority for the allocation of the tax revenues comes from SC Code Section Title 6, Chapter 4 i.e. TERC and Accommodations Tax Advisory Committee.

How do you spend the revenue?

- The first twenty-five thousand dollars must be allocated to the general fund of the municipality or county and is exempt from all other requirements of this chapter.
- The balance remaining, after deduction of the \$25K, must be allocated as follows:
 - 5% of the balance goes to the General Fund
 - 30% of balance to special fund for advertising and promotion of tourism. For MB this balance goes to the COC.
 - 65% of balance, plus interest, goes to special fund for tourism-related expenditures.

Tourism-related expenditures include:

- advertising and promotion of tourism so as to develop and increase tourist attendance through the generation of publicity;
- promotion of the arts and cultural events;
- 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;

Tourism-related expenditures include:

- the criminal justice system, law enforcement, fire protection, solid waste collection, and health facilities when required to serve tourists and tourist facilities. This is based on the estimated percentage of costs directly attributed to tourists;
- public facilities such as restrooms, dressing rooms, parks, and parking lots;
- tourist shuttle transportation;
- control and repair of waterfront erosion, including beach renourishment;

Tourism-related expenditures include:

- operating visitor information centers;
- development of workforce housing, which must include programs to promote home ownership. However, a county or municipality may not expend or dedicate more than fifteen percent of its annual local accommodations tax revenue for the purposes set forth in this item (4)(b)(ix).

Tourism Expenditure Review Committee (TERC)

City of Myrtle Beach Accommodations Tax Advisory Committee

Per: Title 6 Chapter 4, 6-4-25 and 6-4-35

City of Myrtle Beach Accommodations Tax Advisory Committee

- A municipality or county receiving more than \$50K in revenue from State Accommodations Tax must appoint an advisory committee to make recommendations on the expenditures of those revenues.

City of Myrtle Beach Accommodations Tax Advisory Committee Continued...

- The City of Myrtle Beach established the Accommodations Tax Advisory Committee. This committee is composed of 7 members with a majority being selected from the hospitality industry. At least 2 of the hospitality industry members must be from the lodging industry where applicable. One member shall represent the cultural organizations of the municipality.

City of Myrtle Beach Accommodations Tax Advisory Committee Continued...

- 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.

City of Myrtle Beach Accommodations Tax Advisory Committee Continued...

- Advisory committees shall submit written recommendations to a municipality or county at least once annually. The recommendations must be considered by the municipality or county in conjunction with the requirements of this chapter.

[illegible]

- Municipalities and counties annually shall submit to the South Carolina Accommodations Tax Oversight Committee or Tourism Expenditure Review Committee (TERC):

- end-of-the-year report detailing advisory committee accommodations tax recommendations;
- municipality's or county's action following the recommendations;

- list of how funds from the accommodations tax are spent, except for the first twenty-five thousand dollars and five percent of the balance in Section 6-4-10(2) allocated to the general fund. The list is due before October first and must include funds received and dispersed during the previous fiscal year;

*For each 30% organization listed, also submit the required 30 Percent Budget Report Form

Date _____

- list of advisory committee members noting the chairman, business address if applicable, and representation of the hospitality industry including the lodging industry and cultural interests.

Local Accommodations Tax Committee Membership Form, Continued...

Yes, Other Representatives from Hospitality Industry

3. _____
 (Name) (Business Name AND DESCRIPTION OF BUSINESS IF NOT CLEAR HOW IT RELATES TO INDUSTRY)

 (Address) (City, State, Zip)

 (Phone) (FAX)

 (E-Mail Address)

4. _____
 (Name) (Business Name AND DESCRIPTION OF BUSINESS IF NOT CLEAR HOW IT RELATES TO INDUSTRY)

 (Address) (City, State, Zip)

 (Phone) (FAX)

 (E-Mail Address)

Please list below the designated cultural interest representative and affiliation.

5. _____
 (Name) (Cultural Affiliation)

 (Address) (City, State, Zip)

 (Phone) (FAX)

 (E-Mail Address)

Local Accommodations Tax Committee Membership Form, Continued...

Please list below the other two at-large of the committee.

6. _____
 (Name) (Business Name)

 (Address) (City, State, Zip)

 (Phone) (FAX)

 (E-Mail Address)

7. _____
 (Name) (Business Name)

 (Address) (City, State, Zip)

 (Phone) (FAX)

 (E-Mail Address)

Please return to: Danita Holcomb, Tourism Expenditure Review Committee,
 Danita.Holcomb@cityofhilo.gov or should you have questions, email
 Danita.Holcomb@cityofhilo.gov

Submitted by: _____ E-Mail: _____
 (Name and Title)
 Phone: _____ Date: _____
 Name of County/Municipal Government: _____

Local Accommodations Tax

- The City collects a ½ % Local Accommodations Tax imposed on all gross proceeds derived from rentals or charges on accommodations for transients for stays less than 90 days.
- Local Accommodations Tax is capped at 3%.

Local Accommodations Tax

- Local accommodations tax is collected and imposed within the jurisdiction of the local governmental body.
- Local accommodations tax began in 1997 and the City of Myrtle Beach imposed the tax in 2001.
- The approval authority for the tax comes from SC Code section 6-1-500.
- All proceeds from a local accommodations tax must be kept in a separate fund segregated from the imposing entity's general fund.

Types of projects or activities that can be funded by the revenue

- Tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums
- Tourism-related cultural, recreational, or historic facilities.
- Beach access, re-nourishment, or other tourism-related land and water access.
- Highways, roads, streets, and bridges providing access to tourist destinations.
- Advertisements and promotions related to tourism development; or

Types of projects or activities that can be funded by the revenue continued...

- Water and sewer infrastructure to serve tourism-related demand.
- In a county in which at least nine hundred thousand dollars in accommodations taxes is collected annually pursuant to Section 12-36-920, the revenues of the local accommodations tax authorized in this article may also be used for the operation and maintenance of those items provided in (A)(1) through (6) including police, fire protection, emergency medical services, and emergency-preparedness directly attendant to those facilities.

Local Hospitality Tax

- "Local hospitality tax" is a tax 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.

Local Hospitality Tax Continued...

- A local governing body may impose, by ordinance, a local hospitality tax not to exceed two percent of the charges for food and beverages. However, an ordinance imposing the local hospitality tax must be adopted by a positive majority vote. The governing body of a county may not impose a local hospitality tax in excess of one percent within the boundaries of a municipality without the consent, by resolution, of the appropriate municipal governing body.

Local Hospitality Tax Continued...

- All proceeds from a local hospitality tax must be kept in a separate fund segregated from the imposing entity's general fund. All interest generated by the local hospitality tax fund must be credited to the local hospitality tax fund.

Uses of Revenue From Local Hospitality Tax:

- tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;
- tourism-related cultural, recreational, or historic facilities;
- beach access and renourishment;
- highways, roads, streets, and bridges providing access to tourist destinations;
- advertisements and promotions related to tourism development;
- water and sewer infrastructure to serve tourism-related demand;
- control and repair of flooding and drainage within or on tourism-related lands or areas; or

Uses of Revenue From Local Hospitality Tax Continued:

- site preparation for items in this section including, but not limited to, demolition, repair, or construction.
- In a county in which at least nine hundred thousand dollars in accommodations taxes is collected annually pursuant to Section 12-36-920, the revenues of the hospitality tax authorized in this article may be used for the operation and maintenance of those items provided in (A)(1) through (6) including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

Hospitality Tax Rate

- The cumulative rate of county and municipal hospitality taxes for any portion of the county area may not exceed two percent, unless the cumulative total of such taxes was in excess of two percent or were authorized to be in excess of two percent prior to December 31, 1996, in which case the cumulative rate may not exceed the rate that was imposed or adopted as of December 31, 1996.

What are MB's procedures for collecting taxes and fees?

- Horry county imposes and collects from businesses located inside city limits Hospitality fee at 1.5% of gross proceeds from the Sale of Food/Beverages, Rental of Transient Accommodation, and paid Admissions.
- This fee is collected via Hospitality Fee reporting forms. The fee is due monthly and the due date is the 20th following the reporting period. Penalty is assessed if filed and paid after the 20th. Inspections and audits can be performed to ensure compliance.

What are MB's procedures for collecting taxes and fees Continued...

- The City collects a 1% Hospitality Fee (Uniform Service Fee) imposed on all gross proceeds derived from:
 - Rentals or charges on accommodations for transients for stays less than 90 days
 - Prepared food and beverages
 - Paid admissions to places of amusement
- The City collects a ½ % Local Accommodations Tax imposed on all gross proceeds derived from rentals or charges on accommodations for transients for stays less than 90 days.
 - This fee is collected via Hospitality Fee reporting forms. The fee is due monthly and the due date is the 20th following the reporting period. Penalty is assessed if filed and paid after the 20th. Inspections and audits can be performed to ensure compliance.

Myrtle Beach Hosp. Fee and Local A Reporting Form

SCDOR Gross Sales Report

- COMB does utilize the SCDOR report that is received annually by Shannon Attaway.
 - This report does establish the gross sales/receipts for all businesses that have a retail license on file with SCDOR which can be used to initiate audits if discrepancies are found in reporting.

Forecasting Future Revenues / Budgeting

- The City utilizes formal historic trend analysis to establish baseline estimates of major revenues and expenditures. The Financial Management and Reporting Department updates both mathematical specifications of trends and their resulting long-term projections each year.

Forecasting Future Revenues / Budgeting Continued...

Forecasting is conducted by the study of economic projections from a variety of sources. This information helps to identify trends in independent variables in the deterministic models of City revenues and expenditures and to anticipate the likelihood and direction of short-term deviations from long-term trends. Revenue estimates are formulated so as to assume reasonable risk, but avoid overly optimistic projections.

Impact on Revenue Collections from Seasonal Fluctuations and Special Events

- MB is a tourist destination that is seasonal, however as growth continues the seasonal aspect becomes more stabilized.
- CCMF and other large weekends or weeks have dramatic effects on revenue collections. Examples are Easter, July 4th, Bike Weeks, MB Marathon, Spring Breaks, etc.
- Weather is also a major factor.

Balancing Short Term Needs with Long Term Investment

Annually recurring revenues must equal or exceed annually recurring expenditures.

The City utilizes a mix of operating revenues characterized by (1) some revenue sources that offer reasonable stability to support operation at continuous service levels and (2) other revenue sources that provide the elasticity necessary for responding quickly to the challenges of a rapid growth environment.

Balancing Short Term Needs with Long Term Investment

- Use of more economically sensitive revenues, such as business license fees, in the General Fund to allow more timely response to increased service demands during high-growth periods, and to ease the immediate burden on the ad valorem tax rate;
- Stabilize the revenue base for payment of debt service and capital leases by utilizing a portion of the property tax levy for this purpose;
- Avoid the use of non-recurring revenues to fund operations, using them instead to accumulate reserves or to fund capital improvements;
- Use more volatile sources (such as building permits) to fund pay-as-you-go capital improvements.

Balancing Short Term Needs with Long Term Investment Continued...

- For revenue collections from state and local A-Tax as well as Hospitality Fee and Hospitality Tax, what are your Councils initiatives and agendas?
- What is priority and what is long-term investment? Budget and plan accordingly.