

TALKING POINTS - HOSPITALITY/ACCOMMODATION TAXES

Overview

In the past few months Taxation Realignment Committee (TRAC) , a Committee appointed by various State Senators, has recommended that Tourism Expenditure Review Committee (TERC) have oversight responsibility over local ATAX and hospitality taxes as well. Local ATAX and hospitality taxes are statutorily limited to promoting tourism. TRAC stated there have been considerable media reports that local governments have been using local ATAX and hospitality taxes to balance their budgets and other non-tourism uses. This may be true with some municipalities, but certainly not true of all. Folly Beach is audited annually by external auditors and have always been found to be compliant. To give TERC oversight of **our** local hospitality and a-tax fund is ludicrous and unnecessary.

These funds are important to all communities. For example, Folly Beach uses these funds to pay certain percentages of various tourist-related services, i.e., public safety and public works, as well as, web sites, recreational areas, and any other items which promote tourism. Folly Beach is a tourist destination and as such these funds help pay for the badly needed public safety and public works support we need.

Tourism means different things to different communities. Local leaders should be allowed to continue to decide how these funds should be allocated based on their local priorities. One city may see ball fields as a way to attract tourists, while another may anchor its tourism efforts through a historic downtown or building while others have natural amenities such as beaches or rivers to draw from. A one-size fits all state formula with oversight by a non-elected body in Columbia doesn't make sense. There is no way individuals sitting on a Board and living in Columbia can possibly know what the City of Folly Beach needs. Just as the City of Folly Beach has no idea what Isle of Palms or Sullivan Island needs. Local officials represent the citizens in our town and know better than anyone what should be funded. All requests for expenditures are brought before the A-Tax Advisory Board for its recommendation to Council for its approval. With this process, you have more oversight by individuals with a better understanding of the community than you could possibly have with a Board in Columbia consisting of business people from all over the state.

Local control of these funds will ensure the highest level of accountability

- Local elected leaders accept the accountability to spend local accommodations and hospitality funds according to state law but we also accept the accountability to prioritize spending these funds in the way that's best for our own communities based on individual city needs and fluctuating economic conditions:
 - Examples – **tourism products** – Each city needs to have the flexibility to develop its tourism “product” based on its individual assets. Our assets are the beaches, river, lighthouse, historic places, etc. There is no way a statewide formula would take into consideration these assets.
 - Examples – **services and public safety** – Each city has different needs in public service demands by tourists that are on top of public services demands by residents. Folly's

ability to provide public safety and other services are definitely affected by the influx of tourists? At the present time, Folly has the ability to fund certain percentages of the cost of public safety and public works. What would happen if the funds that support these tourist services went away, which is being proposed by the Hospitality/Accommodation Tax Sub-Committee.

- Examples - **economic conditions** – In an up economy a city might be spending on product development (new facilities, buildings, etc.) to make more attractions for visitors but not have the need to market as much because people are naturally travelling more. In a down economy you might need to market to encourage visitors because they are making more targeted spending decisions. Again, the local governing body is in a better position to determine how the funds are spent. Where is Home Rule in this mix?
- By imposing TERC oversight on local accommodations and hospitality taxes, this proposal is moving the role of determining local uses for this revenue from a local elected body that knows local needs best to a state level non-elected body.

Technical aspects of the proposed collection process for local accommodations and hospitality taxes

- Tracking businesses - Local leaders are in a better position than the state to keep up with businesses that are opening and closing to accurately track and collect taxes owed. DOR would likely not have adequate “boots on the ground” in local communities to be able to track this as accurately as the local governments can.
- Annexation – Local officials know exactly what businesses are located in newly annexed areas and can keep track of that much easier than a state bureaucrat in Columbia with 270 municipalities and 46 counties to track.
- DOR collection – there are different rates among cities and counties making central collection difficult

Original intent of the state accommodations tax

- The original intent of the law was to give local governments a revenue source that would take the pressure off of property taxes and allow local leaders the flexibility to spend the funds in the manner most appropriate for their own community.
- This proposal to use state accommodations revenue to fund welcome centers is backfilling the state budget with revenue intended for local governments during a time where local revenue-raising flexibility is at a minimum with the millage cap in place because of Act 388.
- This proposal uses a statewide formula to allocate revenue for marketing of local tourist attractions. This takes away the local leaders’ ability to build, market and maintain local attractions that best suit each individual community and location.