

ACCOMMODATIONS TAX ADVISORY COMMITTEE

STAFF REPORT

Department of Finance & Administration



MEETING DATE: February 18, 2025
 SUBJECT: Accommodations Tax Policy Recommendation
 PROJECT MANAGER: Natalie Majorkiewicz, CGFO, Director of Finance

On October 27, 1998, the State of South Carolina Department of Revenue issued SC Revenue Ruling #98-22 that specifically addresses the use of State Accommodations Tax funds. This is an official advisory opinion, is provided as guidance, and shall remain in effect until superseded or modified.

A category of tourism-related expenditures is **Facilities for Civic and Cultural Events**. Within the category, the following is addressed:

Under Code Section 6-4-10(4)(b)(3), monies in the Tourism-related Fund can be used for the construction, maintenance and operation of facilities for cultural and civic activities including construction and maintenance of access and other nearby roads and utilities for the facilities. Eligible expenditures under this category can include the costs incurred in building a civic center, a museum, or a coliseum. Tourism-related monies can also be used to fund the continued operation of such facilities including management fees or to pay the salaries of those who work at the facility, as well as the cost of repairs and necessary additions to such facilities. Please note, the facility must enhance the ability of the county or municipality to attract and provide for tourists and cannot provide a purely local function or benefit.

Question 19 within the Revenue Ruling: *Can Accommodations Tax Funds be used to fund local government salaries?*

ANSWER: *As a general rule, no unless the county or municipality can show that the employee's position is necessary to attract or provide for tourists. Additionally, since these employees are providing a county or municipal service, the salary or wage must: (a) be for services that would normally not be provided by the county; (b) the county or municipality must have a high concentration of tourism activity; and (c) the amount of Tourism-related Funds spent on the salary or wages must be based on the estimated percentage of costs attributable to tourists. To the extent that only a portion of the employee's salary or wages meets the requirements listed above, only that portion of the salary or wages that would satisfy these requirements may be paid for out of Tourism-related Funds. If a staff person's entire time is not devoted to the promotion of tourism or the furnishing of services to tourists, the Department would expect the employee and the county or municipality to determine the amount of time the employee devotes to tourism and to treat an appropriate amount of the employee's salary as a tourism-related expenditure. For example, Tourism-related Funds could not be used to pay for the mayor's salary even if a portion of his time is spent on tourism matters, since this is a position that would need to be filled, whether or not the municipality had any tourism activity at all.*

Question 22 within the Revenue Ruling: *Can Tourism-related Funds be used to fund buildings or operations for the local chamber of commerce?*

ANSWER: *As a general rule, no. Chambers of commerce usually benefit the local members and are not designed to accommodate or benefit tourists. However, if the local chamber of commerce operates the Visitor's Bureau or Visitor's Center it may be possible that Tourism-related Funds could be used for the operations of the Visitor Center.*

Further clarification from TERC related to SC Code Section 6-4-20(4)(b)(3) specifically states, *"Such expenditures must be of such a percentage of the total expenditures that they do not exceed the percentage of tourists expected to attend the events in relation to the total expected attendance. Reimbursement of salaries is not a permitted use of A-Tax funds under this subsection."*

Staff recommends the following for ATAC's consideration:

- Adding personnel expenses, to include salaries and wages, as ineligible tourism-related expenditures to the Notes and Guidelines section of the Town of Bluffton's Accommodations Tax Application.
- Capping operational expenditures related to cultural and civic facilities to no more than 25% annually or at the documented annual percentage of tourist attendance, whichever is less, with the maximum annual amount not to exceed \$50,000.