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COMMITTEE REPORT

January 16, 2019

**S. 217**

Introduced by Senators Kimpson, Campsen and Senn

S. Printed 1/16/19--S.

Read the first time January 8, 2019.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 217) to amend Sections 6‑1‑530, 6‑1‑730, and 6‑4‑10 of the 1976 Code, all relating to the expenditure of the, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**Explanation of Fiscal Impact**

**Introduced on January 8, 2019**

**State Expenditure**

The Department of Revenue reports that this bill would have no expenditure impact on the state general fund, federal funds, and other funds.

**State Reve**n**ue**

Currently, a local governing body may impose, by ordinance, a local hospitality tax not to exceed two percent of the charges for food and beverages 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. Based on the latest data available from the *Local Government Finance Report* published by the Economic Research Section of the Revenue and Fiscal Affairs Office, reported local hospitality tax revenue totaled $225,188,884 in FY2016-17. Also, a local governing body may impose, by ordinance, a local accommodations tax not to exceed three percent on the gross proceeds derived from the rental or charges for accommodations furnished to transients. Based on the latest data available from the *Local Government Finance Report* published by the Economic Research Section of the Revenue and Fiscal Affairs Office, reported local accommodations tax revenue totaled $80,127,627 in FY2016-17. There is also imposed a two percent state accommodations tax charged in addition to the state five percent sales tax which must be credited to the political subdivisions of the state in accordance with Chapter 4 of Title 6 of the Code of Laws. Based on the latest data available from the South Carolina Department of Revenue, the reported two percent state accommodations tax revenue totaled $72,032,863 in FY2017-18. Collectively, the total revenue available to local government bodies to be used for specific tourism-related purposes totaled $377,349,374.

**Section 1.** This bill would amend Section 6-1-530(A) to add “control and repair of flooding and drainage at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction to be used for the items in this section” to the enumerated list of exclusive purposes the local accommodations tax revenue may be used. The addition of these items would not change or alter any existing taxes, tax rates, or fees, but the additional items would cause a competition among all of the exclusive purposes for use of the revenues and reallocate the existing revenue. This section would not affect state general fund revenue in FY2019-20 or any fiscal year thereafter.

**Section 2.** This bill would add an appropriately lettered subsection to Section 6-1-530 to ensure that if the revenues are used to “control and repair of flooding and drainage at tourism-related lands or areas” the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.

**Section 3.** This bill would amend Section 6-1-730(A) to add “control and repair of flooding and drainage at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction to be used for the items in this section” to the enumerated list of exclusive purposes the local hospitality tax revenue may be used. The addition of these items would not change or alter any existing taxes, tax rates, or fees, but the additional items would cause a competition among all of the exclusive purposes for use of the revenues and reallocate the existing revenue. This section would not affect state general fund revenue in FY2019-20 or any fiscal year thereafter.

**Section 4.** This bill would add an appropriately lettered subsection to Section 6-1-730 to ensure that if the revenues are used to “control and repair of flooding and drainage at tourism-related lands or areas” the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.

**Section 5.** This bill would amend Section 6-4-10(4)(b) to add “control and repair of flooding and drainage at tourism-related lands or areas” and “site preparation, including, but not limited to, demolition, repair, or construction to be used for the items in this section” to the enumerated list of exclusive purposes the additional two percent state accommodations tax revenue may be used. The addition of these items would not change or alter any existing taxes, tax rates, or fees, but the additional items would cause a competition among all of the exclusive purposes for use of the revenues and reallocate the existing revenue. This section would not affect state general fund revenue in FY2019-20 or any fiscal year thereafter.

**Section 6.** This act takes effect upon approval by the Governor.

**Local Revenue**

Because this bill does not change any existing taxes, tax rates, or fees, there would not be any change to local or municipal accommodations tax or hospitality tax revenue. There would, however, be a reallocation of revenue among competing tourism-related purposes since the addition of the control and repair of flooding and drainage at tourism-related lands or areas would become an acceptable use of the tax revenue.

Frank A. Rainwater, Executive Director

Revenue and Fiscal Affairs Office

**A** **BILL**

TO AMEND SECTIONS 6‑1‑530, 6‑1‑730, AND 6‑4‑10 OF THE 1976 CODE, ALL RELATING TO THE EXPENDITURE OF THE STATE ACCOMMODATIONS TAX, LOCAL HOSPITALITY TAX, AND LOCAL ACCOMMODATIONS TAX, RESPECTIVELY, TO ALLOW THE REVENUE TO BE EXPENDED FOR THE CONTROL AND REPAIR OF FLOODING AND DRAINAGE AT TOURISM‑RELATED LANDS OR AREAS.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 6‑1‑530(A) of the 1976 Code is amended by adding new items to read:

“(7) control and repair of flooding and drainage within or on tourism‑related lands or areas; or

(8) site preparation, including, but not limited to, demolition, repair, or construction, to be used for the items in this section.”

SECTION 2. Section 6-1-530 of the 1976 Code is amended by adding an appropriately lettered new subsection at the end to read:

“( ) If applying the provisions of subsection (A)(7), then the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Such adverse effects include road closures and other transportation disruptions, storm‑water drainage issues, and compromised public infrastructure. The public works projects must be within or on tourism-related lands or areas. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.”

SECTION 3. Section 6‑1‑730(A) of the 1976 Code is amended by adding new items to read:

“(7) control and repair of flooding and drainage within or on tourism‑related lands or areas; or

(8) site preparation, including, but not limited to, demolition, repair, or construction, to be used for the items in this section.”

SECTION 4. Section 6-1-730 of the 1976 Code is amended by adding an appropriately lettered new subsection at the end to read:

“( ) If applying the provisions of subsection (A)(7), then the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Such adverse effects include road closures and other transportation disruptions, storm‑water drainage issues, and compromised public infrastructure. The public works projects must be within or on tourism-related lands or areas. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.”

SECTION 5. Section 6‑4‑10(4)(b) of the 1976 Code is amended to read:

“(b) The funds received by a county or municipality which has a high concentration of tourism activity may be used to provide additional county and municipal services including, but not limited to, law enforcement, traffic control, public facilities, and highway and street maintenance, as well as the continual promotion of tourism. The funds must not be used as an additional source of revenue to provide services normally provided by the county or municipality but to promote tourism and enlarge its economic benefits through advertising, promotion, and providing those facilities and services which enhance the ability of the county or municipality to attract and provide for tourists.

‘Tourism‑related expenditures’ include:

(i) advertising and promotion of tourism so as to develop and increase tourist attendance through the generation of publicity;

(ii) promotion of the arts and cultural events;

(iii) 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;

(iv) 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;

(v) public facilities such as restrooms, dressing rooms, parks, and parking lots;

(vi) tourist shuttle transportation;

(vii) control and repair of waterfront erosion, including beach renourishment;

(viii) operating visitor information centers;

(ix) site preparation, including, but not limited to, demolition, repair, or construction, to be used for the subitems of this section; and

(x) control and repair of flooding and drainage within or on tourism‑related lands or areas.

If applying the provisions of item (4)(b)(x) relating to flooding and drainage, then the revenues must be expended exclusively on public works projects designed to eliminate or mitigate the adverse effects of recurrent nuisance tidal flooding, including that which is attributable to sea-level rise, or other recurrent flooding. Such adverse effects include road closures and other transportation disruptions, storm‑water drainage issues, and compromised public infrastructure. The public works projects must be within or on tourism-related lands or areas. Revenues must not be used to pay claims or otherwise settle litigation that may arise from time to time due to the harmful impacts of nuisance or other flooding.”

SECTION 6. This act takes effect upon approval by the Governor.

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