

On July 25, 2022, Town Council established the State Accommodations Tax Advisory Committee. This subcommittee was charged with presenting recommendations to the council regarding the allocation of state and local accommodation taxes, as well as recommendations for the allocation of hospitality tax.

### **State Accommodations Tax**

Pursuant to S.C. Code Ann. § 6-4-10, the following formula applies for State Accommodations Tax (SAT):

- First \$25,000 must be allocated to the general fund
- Five percent of the balance must be allocated to the general fund
- Thirty percent of the balance must be allocated to a special fund and used only for advertising and promotion of tourism
- The remaining balance (plus interest) must be allocated to a special fund and used for tourism-related expenditures

Tourism-related expenditures include:

- advertising and promotion of tourism as to develop and increase tourist attendance through the generation of publicity,
- promote 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,
- the criminal justice system, law enforcement, fire protection, solid waste collection, and health facilities when required to serve tourist and tourists facilities (based on direct costs 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,
- operating visitor information centers.

Allocations to the special fund must be spent by the municipality or county within two years of receipt. However, the time limit may be extended upon recommendation of the local governing body and approval by the oversight committee established pursuant to S.C. Code Ann. § 6-4-35 (Tourism Expenditure Review Committee, or TERC).

S.C. Code Ann. § 6-4-15 provides guidance on the use of revenues to finance bonds. It states:

*A municipality or county may issue bonds, enter into other financial obligations, or create reserves to secure obligations to finance all or a portion of the cost of constructing facilities for civic activities, the arts, and cultural events which fulfill the purpose of this chapter. The annual debt service of indebtedness incurred to finance the facilities or lease payments for the use of the facilities may be provided from the funds received by a municipality or county from the accommodations tax in an amount not to exceed the amount received by the municipality or county after deduction of the accommodations tax funds dedicated to the general fund and the advertising and promotion fund. However, none of the revenue received by a municipality or county from the accommodations tax may be used to retire outstanding bonded indebtedness unless accommodations tax revenue was obligated for that purpose when the debt was incurred.*

### **Local Accommodations Tax**

Pursuant to S.C. Code Ann. § 6-1-500 through § 6-1-570, the following applies for Local Accommodations Tax (LAT):

- ❖ All proceeds from a LAT must be kept in a separate fund segregated from the imposing entity's general fund. All interest generated must be credited to the LAT fund.

The revenues generated by the LAT must be used exclusively for the following purposes (§ 6-1-530):

- tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums,
- tourism-related cultural, recreational, or historic facilities,
- beach access, renourishment, or other tourism-related lands and water access,
- highways, roads, streets, and bridges providing access to tourist destinations,
- advertisements and promotions related to tourism development, or
- water and sewer infrastructure to serve tourism-related demand.

### **Local Hospitality Tax**

Pursuant to S.C. Code Ann. § 6-1-700 through § 6-1-770, the following applies for Local Hospitality Tax (HTAX):

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

The revenues generated by the HTAX must be used exclusively for the following purposes (§ 6-1-730):

- tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums,
- tourism-related cultural, recreational, or historic facilities,
- beach access, renourishment, or other tourism-related lands and water access,
- highways, roads, streets, and bridges providing access to tourist destinations,
- advertisements and promotions related to tourism development, or
- 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
- site preparation for items in this section including, but not limited to, demolition, repair or construction.

In conjunction with the criteria established in Title Six of the South Carolina Code of Laws, the Town of Blythewood Finance subcommittee recommends the following rules for the appropriation of State Accommodations, Local Accommodations and Hospitality Tax.

- I. Expenditures must strictly adhere to the permitted uses outlined by Title 6 – Local Government
- II. All expenditures must be approved by the Town Administrator prior to disbursement of funds
- III. First year events are funded at a maximum of \$7,500 of eligible expenses in the first fiscal year of implementation
- IV. Subsequent year events are funded at a maximum of \$5,000 of eligible expenses per fiscal year
- V. Organizations are capped at \$15,000 in the first fiscal year of implementation and \$10,000 in all subsequent years
- VI. Ticketed and private events do not qualify for SAT, LAT or HTAX funding
- VII. Richland School District Two area high schools (Blythewood, Westwood) will receive \$5,000 fiscal year sponsorships; individual sports (or sporting events) will not receive funding

### **Use of revenues**

The Town of Blythewood will use an Excel formula-driven document to determine the uses and allocations within SAT, LAT and HTAX. While the allocations can change, to ensure long-term financial stability, it is recommended that no changes occur while the Town is contractually obligated to appropriate revenues for the financing of capital assets, capital projects or capital improvements.

### **Use for SAT** *(estimate of \$225,600):*

- I. General Fund receives first \$25,000
- II. Next five percent (5%) to the general fund *(\$10,030)*
- III. Thirty percent (30%) to the DMO *(\$60,180)*
- IV. Sixty-five percent (65%) balance to be allocated by Council *(\$130,390)\**

\*Pending a legal review, all excess SAT funds should be remitted for contractual obligation to the Blythewood Facilities Corporation. For this example, apply \$81,890 to the Blythewood Facilities Corporation appropriation from SAT and \$59,959 from the General Fund.

### **Use for LAT** *(estimate of \$218,400):*

- I. Remaining Balance of contractual obligation with BFC *(\$177,503)*
- II. Remaining LAT funds to be allocated to applicants subject to S.C. Code Ann. § 6-1-530 *(\$40,897)*

### **Use for HTAX** *(estimate of \$592,800):*

- I. Up to 50% to restricted capital assets, capital projects, and capital improvements account *(\$296,400)*
- II. Full payment remitted one year in advance for outstanding contractual obligations for the acquisition of capital assets *(up to \$296,000)*
- III. HTAX funds to be allocated to applicants subject to S.C. Code Ann. § 6-1-730

- IV. Any excess HTAX funds remitted to restricted capital assets, capital projects, and capital improvements account

**Revised Contractual Obligation with Blythewood Facilities Corporation:**

Historically, the Town of Blythewood has appropriated funds from the general fund, local accommodations, and hospitality tax to satisfy the contractual obligations with the Blythewood Facilities Corporation.

The obligation is appropriated by Council on an annual basis within each fiscal year's budget. The annual appropriation is \$319,352.

On July 25, 2022, Council unanimously approved **Ordinance 2022.011**, which removed the percentage restrictions on the installment purchase plan related to the contractual obligation between the town and the Blythewood Facilities Corporation. This amendment allows the town to satisfy the obligation with all available revenues.

The prior breakdown for the obligation was as follows:

- General Fund (\$89,959)
- Local Accommodations (\$66,906)
- Hospitality Tax (\$162,487)

Proposed new allocation for Blythewood Facilities Corp obligation:

- General Fund (\$59,959)
- State Accommodations (\$81,890)<sup>1</sup>
- Local Accommodations (\$177,503)<sup>1</sup>

<sup>1</sup>Subject to change

Under the new proposal, \$30,000 was deducted from the general fund allocation to the Blythewood Facilities Corp. This allows for Council to allocate an additional \$30,000 to Outside Agency Requests, and if Council chooses, allocate \$6,000 in discretionary funds per member, subject to the restrictions adopted by Council.

The following are recommended restrictions to the discretionary funds:

- a. Recipients must be a non-profit organization in good standing
- b. Recipients must have been in existence for over one year
- c. Recipients must use the awarded funds to benefit the Town of Blythewood
- d. No member of Council may award more than 50% of their allocation to one organization
- e. All unused balances at the end of the fiscal year are forfeited
- f. All requests must be approved by the Town Administrator subject to the approved restrictions
- g. Town Administrator will update Council on a regular basis on approved and rejected requests