

Overview of Local Sales and Use Taxes in South Carolina

**Appalachian Council of Governments
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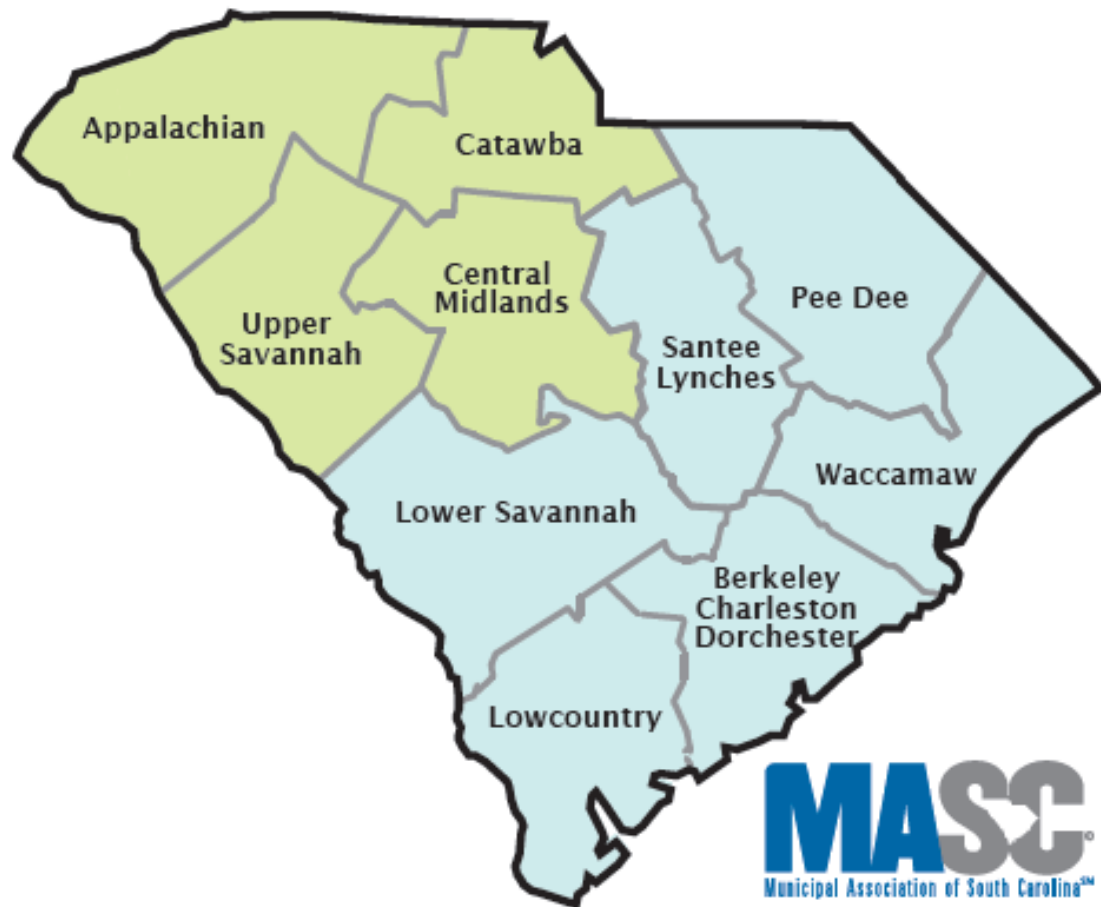
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Dorchester, Lowcountry, Lower
Savannah, Waccamaw, Santee-
Lynches and Pee Dee

Field Services Managers

Assigned a specific region of the state, two field services managers provide technical assistance, discuss municipal issues and coordinate resources with the Association's 270 cities and towns. Also, they communicate with municipal officials about key legislative issues.



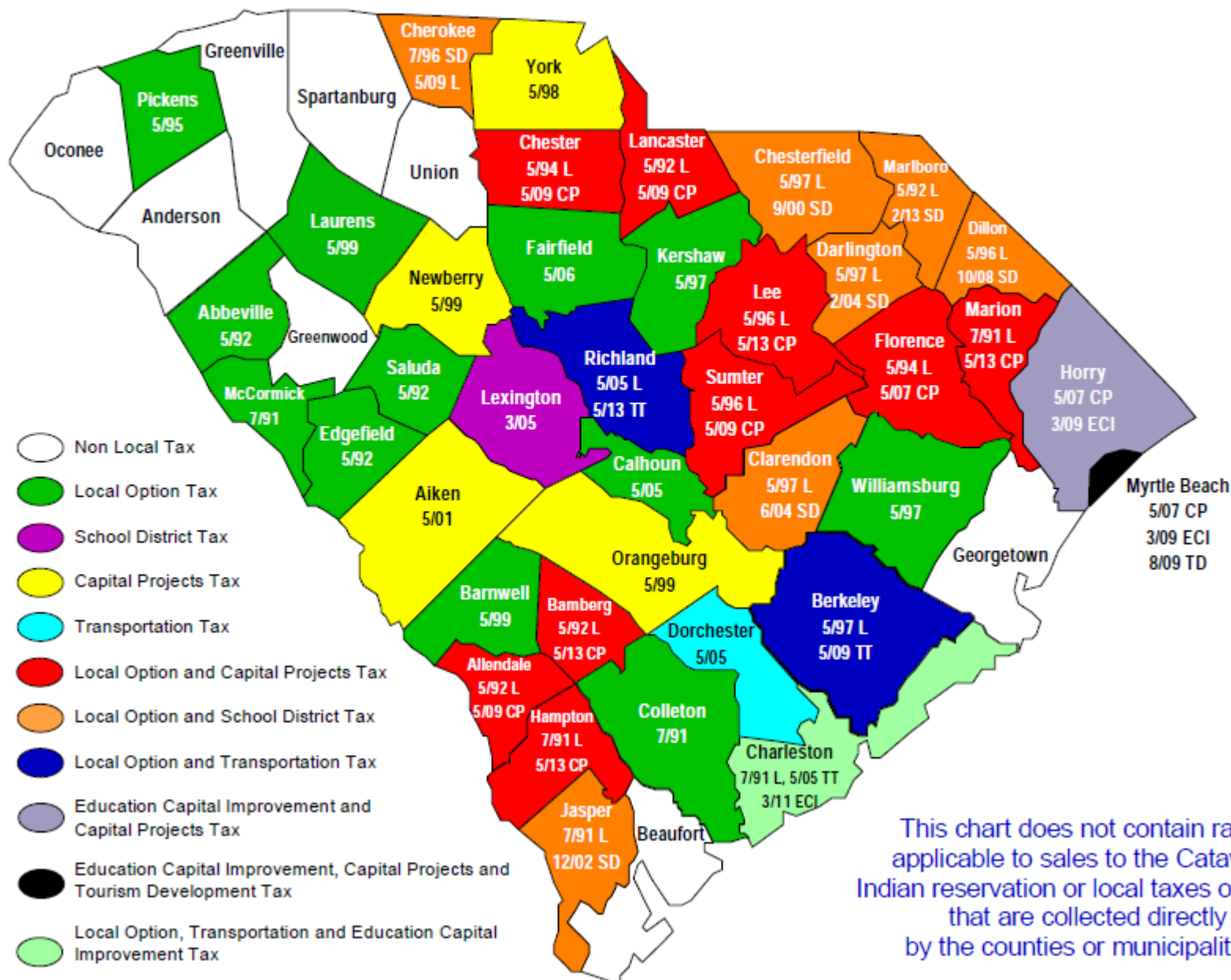
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Overview of Local Sales and Use Taxes in S.C.

Local Sales Taxes:

1. Local Option Sales Tax (LOST)
2. Capital Projects Sales Tax (CPST)
3. Local Property Tax Credit Sales Tax
4. Personal Property Tax Relief Sales Tax
5. Local Option Tourism Development Fee
6. Local Transportation Projects Sales Tax
7. Local Hospitality and Accommodations Tax
8. Education Capital Improvement Sales Tax
9. School District Sales Tax

**State of South Carolina
Local Tax Designation
by County Effective May 1, 2013
Collected by the SC Department of Revenue**



Local Option Sales Tax (LOST)

Title 4, Chapter 10, Article 1 (1990)

Local Option Sales Tax (LOST)

- ❖ Act 391 passed in 1990.
- ❖ Established Local Option Sales Tax (LOST).
- ❖ Requires county referendum to implement.
- ❖ In 1990, 6 of 46 counties approved LOST.
- ❖ Currently, 31 of 46 counties have implemented LOST.

Local Option Sales Tax (LOST)

- ❖ Cherokee County is the most recent to implement LOST - May 1, 2009.
- ❖ Since LOST was established by the General Assembly, 6 other optional local sales taxes have been authorized.
- ❖ 38 of 46 counties have adopted at least one of the optional sales taxes

Local Option Sales Tax (LOST)

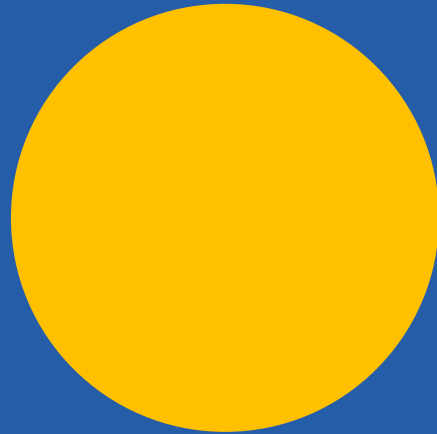
- ❖ LOST approval requires county referendum on the Tuesday following the first Monday in November.
- ❖ Collection of the 1% tax begins in May following a successful referendum.

Local Option Sales Tax (LOST)

Revenue Allocation

- ❖ Of the total LOST revenue collected in the county, the money must be used as follows:
 - 71% for property tax rollback (**Property Tax Credit Fund**)
 - 29% for county/ municipal revenue (**County/Municipal Revenue Fund**)

TOTAL COUNTY SALES TAX COLLECTION



\$100,000
100%



■ **ROLLBACK ALLOCATION (71%)**

■ **COUNTY/MUNICIPAL REVENUE (29%)**

Local Option Sales Tax (LOST)

Revenue Distribution (Continued)

❖ Of the 71% rollback allocation:

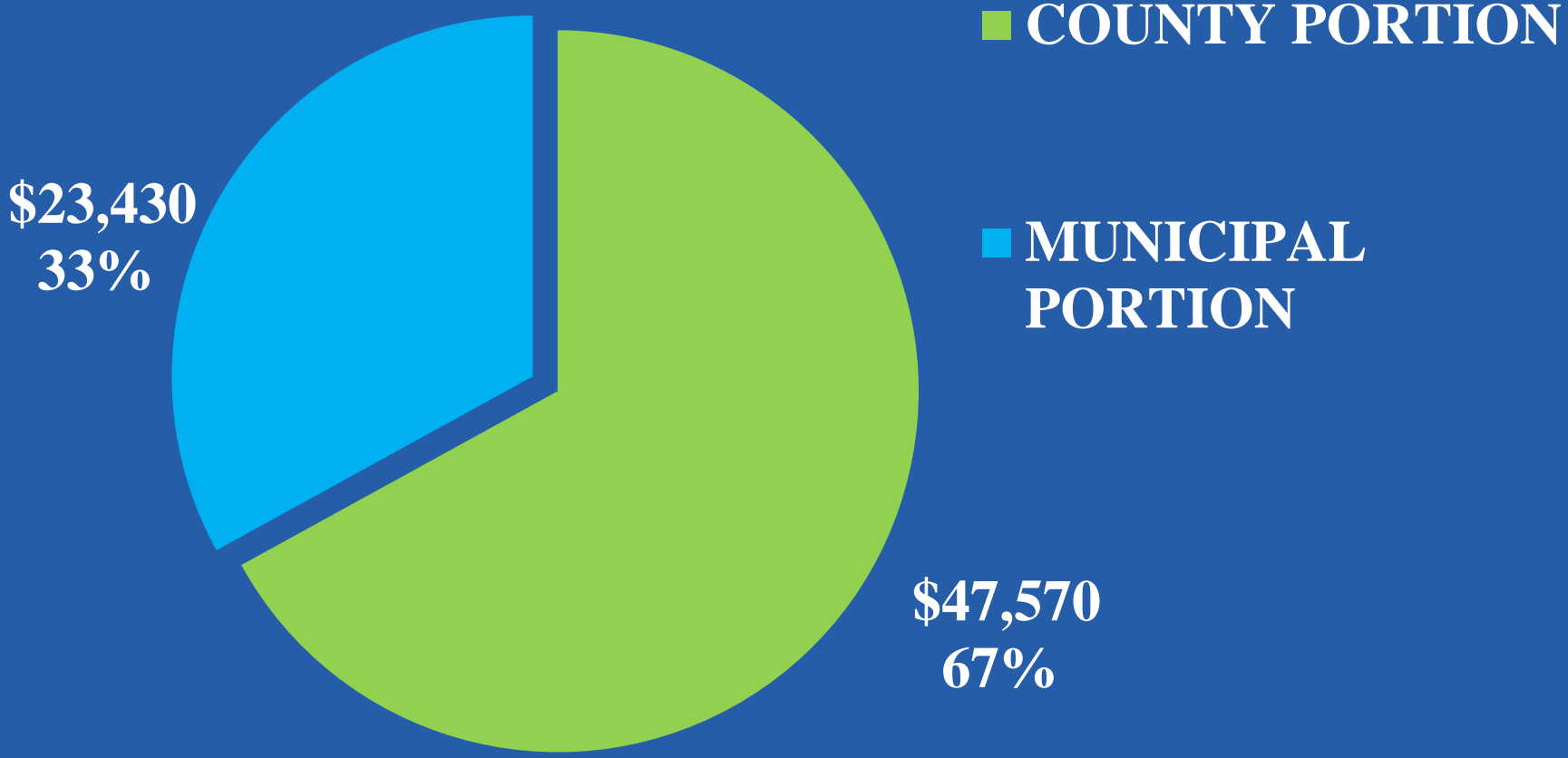
- 67% distributed to county government
- 33% distributed to municipal governments in the county based on a municipality's population as a % of the total population of all municipalities in the county.

Local Option Sales Tax (LOST)

Revenue Distribution (Continued)

- ❖ The 29% county/municipal revenue allocation is distributed to county and municipalities as follows:
 - 50% based on location of the sale
 - 50% based on population

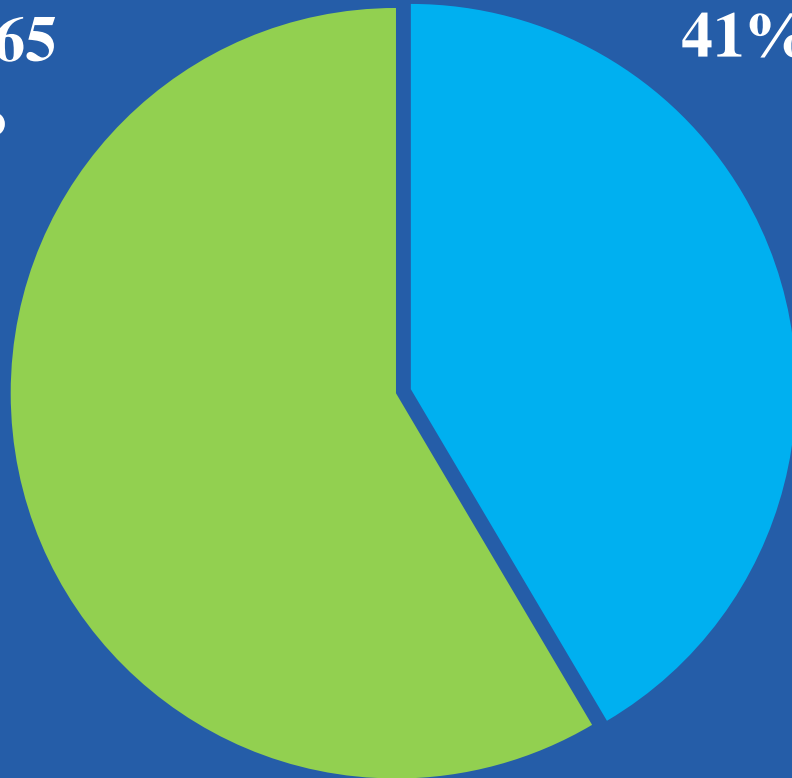
ROLL BACK ALLOCATION DISTRIBUTION



DISTRIBUTION OF COUNTY/MUNICIPAL REVENUE

\$16,965
59%

\$12,035
41%



■ MUNICIPAL REVENUE
(33% / 50%)

■ COUNTY REVENUE (67% / 50%)



Local Option Sales Tax (LOST)

Revenue Restrictions

- ❖ State of South Carolina issues LOST checks monthly based on collections during the previous month.

- ❖ Two checks are issued:
 - Rollback check.

 - County / Municipal revenue check.

Local Option Sales Tax (LOST)

Revenue Restrictions (Continued)

- ❖ The total amount (100%) of revenue received by a county or municipality in checks labeled as **Property Tax Credit Fund**, as well as accrued interest on these funds, must be given back in the form of property tax rollback.

Local Option Sales Tax (LOST)

Revenue Restrictions (Continued)

- ❖ Projecting total funds to be received in property tax rollback fund is shooting at A moving target.
- ❖ All funds received in credit funds checks must be credited.

Local Option Sales Tax (LOST)

Revenue Restrictions (Continued)

- ❖ Some municipalities and counties agreed to give 100% of both credit fund and new revenue fund to tax rollback.
- ❖ If this was done by formal action of council, it creates a legal liability which can only be changed by the same method that originally established the higher credit.

Local Option Sales Tax (LOST)

Revenue Restrictions (Continued)

- ❖ Recommended method of projecting mandatory rollback funds:
 - Project anticipated rollback fund revenue conservatively based on historical collections
 - Maintain a spreadsheet to track collections

Local Option Sales Tax (LOST)

- ❖ When In Doubt - Estimate Low.
- ❖ Reconcile Credit Granted And Rollback Fund Collections On An Annual Basis.
- ❖ Any Shortage In Credit Granted Must Be Added To The Next Year's Projection Of Rollback Funds.
- ❖ Recommended Method Of Projecting Mandatory Rollback Funds.

LOST CREDIT FACTOR CALCULATION

TAX CREDIT FUND COLLECTION PERIOD	FY 2008-2009 CREDIT 2008 TAX BILL	FY 2009 - 2010 CREDIT 2009 TAX BILL	FY 2010 -2011 PROJECTED CREDIT 2010 TAX BILL
PRIOR YEAR ADJUSTMENT	\$ 6,321	\$ 1,781	\$ 6,149
JULY	\$ 49,183	\$ 49,921	\$ 51,418
AUGUST	\$ 46,708	\$ 47,409	\$ 48,831
SEPTEMBER	\$ 43,677	\$ 44,332	\$ 45,662
OCTOBER	\$ 42,465	\$ 43,102	\$ 44,395
NOVEMBER	\$ 39,752	\$ 40,348	\$ 41,559
DECEMBER	\$ 36,688	\$ 37,238	\$ 38,355
JANUARY	\$ 44,840	\$ 45,513	\$ 46,878
FEBRUARY	\$ 30,986	\$ 31,451	\$ 32,394
MARCH	\$ 44,382	\$ 45,048	\$ 46,399
APRIL	\$ 38,500	\$ 39,078	\$ 40,250
MAY	\$ 33,488	\$ 33,990	NA
JUNE	\$ 36,324	\$ 36,869	NA
YEAR END SUPPLEMENT	\$ 28,667	\$ 29,097	NA
ACTUAL TAX CREDIT FUND COLLECTIONS	\$ 521,981	\$ 525,176	
PROJECTED TAX CREDIT FUND	\$ 520,200	\$ 519,027	\$ 536,098
SURPLUS OR DEFFICENCY IN TAX CREDIT GRANTED	\$ (1,781)	\$ (6,149)	

Local Option Sales Tax (LOST)

Applying LOST Credit:

**PROJECTED
REVENUE IN
TAX CREDIT
FUND** \$ **536,098** = **0.002383**

**APPRAISED
VALUE
(MARKET
VALUE) ALL
TAXABLE
PROPERTY** \$ **225,000,000**

Local Option Sales Tax (LOST)

Applying LOST Credit:

APPRAISED VALUE (MARKET VALUE) OF OWNER OCCUPIED HOME		\$100,000
LOST CREDIT FACTOR	X	0.002383
<hr/>		
LOST CREDIT APPLIED TO TAX BILL		\$238.27

Local Option Sales Tax (LOST)

Effect Of LOST Credit:

APPRAISED VALUE OF OWNER OCCUPIED HOME		\$100,000
TAX ASSESSMENT RATIO	X	4%
<hr/>		
ASSESSED VALUE FOR TAX PURPOSES		\$4,000
MUNICIPAL MILLAGE RATE (100 MILLS)		0.100
<hr/>		
TAX BILL BEFORE LOST CREDIT		\$400
LOST CREDIT		(\$238)
<hr/>		
NET PROPERTY TAX AFTER LOST		\$162

Local Option Sales Tax (LOST)

Summary:

- ❖ Conservatively Project Rollback Fund Collections.
- ❖ Keep Detailed Records On Tax Credit Revenue And Calculation Of Credit Factor.
- ❖ Perform Annual Reconciliation Between Actual Rollback Fund Collections And Estimated Revenue Used To Grant The Tax Credit.

Local Option Sales Tax (LOST)

Summary:

- ❖ If Actual Rollback Collections Exceed Estimated Collections, Carry The Shortage Over As Additional Revenue For Purpose Of Tax Credit Factor Calculation.
- ❖ If Previous Council Committed 100% Of All LOST Revenue to Rollback, Do Not Reduce Credit Unless Proper Approval Method Used.

Capital Projects Sales Tax (CPST)

Title 4, Chapter 10, Article 3 (1997)

Capital Projects Sales Tax (CPST)

- ❖ County council may impose a 1% sales and use tax by ordinance, subject to a referendum, within the county area for a specific purpose(s) and for a limited amount of time to collect a limited amount of money.
- ❖ County council creates a commission of six members:
 - County council appoints three members.
 - Municipal councils within the county appoint the other three members using an appointive index.
- ❖ Index is a function of the city's population relative to the total municipal population in the county

Capital Projects Sales Tax (CPST)

- ❖ Commission considers proposals from general purpose and special purpose districts for funding capital projects within the county area.
- ❖ Commission then formulates the list of projects for the ballot question.
- ❖ Referendum must be held during the next general election
- ❖ Unless the vote is to reimpose a tax in effect on or before June 1, 2009 - in which case the referendum may be held on a date that permits the tax to continue without interruption.
- ❖ If the referendum is successful, the sales and use tax is imposed by county council by ordinance.

Capital Projects Sales Tax (CPST)

❖ Section 4-10-330 provides for the following types of project:

- Highways, roads, streets, bridges, and public parking garages.
- Courthouses, administration buildings, civic centers, hospitals, police and fire stations, jails, libraries, technical college facilities.
- Cultural, recreational, or historic facilities.
- Water and sewer projects;
- Flood control projects and storm water facilities;
- Dredging, dewatering, and constructing spoil sites related to dredging.
- Beach access and renourishment;

Capital Projects Sales Tax (CPST)

- ❖ Projects may be funded on a pay-as-you-go basis (commission establishes priority which is presented on ballot and incorporated in ordinance) or with debt secured by revenue of CPST.
- ❖ Council may only impose the tax for the maximum cost of the project(s) but not to exceed eight years beginning on May 1st following the referendum
- ❖ In the case of a reimposed tax, the project(s) must end on April 30th of an odd-numbered year not to exceed seven years.

Local Property Tax Credit Sales Tax

Title 4, Chapter 10, Article 7 (2006 – Act 388)

Local Property Tax Credit Sales Tax

- ❖ County council may by ordinance (or by an ordinance initiated by a petition signed by 7% of the qualified electors of the county) call for a referendum to decide the implementation of a Property Tax Credit Sales Tax.
- ❖ The ordinance must be enacted 120 days before the Tuesday following the first Monday of November of that year.
- ❖ Tax may be imposed in increments of 1/10 of 1%, not to exceed 1%.
- ❖ It must be used to provide a credit against county, school district, or both county and school district property taxes for all classes of property.

Local Property Tax Credit Sales Tax

- ❖ This tax is a general sales and use tax on all sales at retail (with a few exceptions) taxable under the state sales and use tax.
- ❖ The rate must be set at an amount (expressed in .1%) estimated to produce revenues that do not exceed those necessary to replace property tax revenue for the county and/or school district in the previous fiscal year.
- ❖ The rate must not exceed 1%
- ❖ And it must also take into account reimbursements received by the county and/or school district(s) for property tax exemptions.

Local Property Tax Credit Sales Tax

- ❖ If one or more TIFs have been enacted within the county (or other financing plan that relies on property tax for its funding), the rate must take into account full funding for the project or retirement of the debt.
- ❖ The revenue must be used to provide a credit against the county and/or school district property tax liability on all classes of property.
- ❖ The referendum for this tax must be held in any year on the first Tuesday after the first Monday in November.
- ❖ If approved by the voters, the tax must be imposed by ordinance on July 1st following the referendum.

Personal Property Tax Relief Sales Tax

Title 4, Chapter 10, Article 5 (2000)

Personal Property Tax Relief Sales Tax

- ❖ Provides the only method by which a county may exempt private passenger motor vehicles, motorcycles, general aviation aircraft, boats, and boat motors from property taxes levied in the county.
- ❖ The tax may not exceed the lesser of 2% or the amount necessary to replace the property tax on vehicles, motorcycles, general aviation aircraft and boats.
- ❖ County council by ordinance may impose the tax in increments of 1/10 of 1%, not to exceed 2%.
- ❖ If approved by referendum, the tax is imposed on July 1st following the referendum.

Local Option Tourism Development Fee

Title 4, Chapter 10, Article 9 (2009)

Local Option Tourism Development Fee

- ❖ This tax may only be imposed by a municipality located in a county collecting at least \$14 million in state accommodations taxes in a fiscal year.
- ❖ At this time, only Horry County meets the criterion; therefore, only municipalities in Horry County currently may impose this tax.
- ❖ It may be imposed by an ordinance adopted by positive majority (2/3) of the municipal council or via a referendum called by a majority of the municipal council.
- ❖ All revenues and interest must be used exclusively for tourism advertisement and promotion directed at non-South Carolina residents.

Local Option Tourism Development Fee

- ❖ Revenues in year two and beyond must be used similarly except that up to 20% may be retained by the municipality and used as follows:
 - At least 20% of the amount retained must be used to provide a property tax credit on owner-occupied residential property located in the city.
 - The balance for tourism-related capital projects that involve the construction of new (or renovation of existing) tourism-related facilities intended to grow overnight tourism.
- ❖ The municipality shall designate no more than 2 qualified nonprofit destination marketing organizations to receive the revenues and conduct the out-of-state focused promotional activities

Local Transportation Projects Sales Tax

Title 4, Chapter 37 (1995)

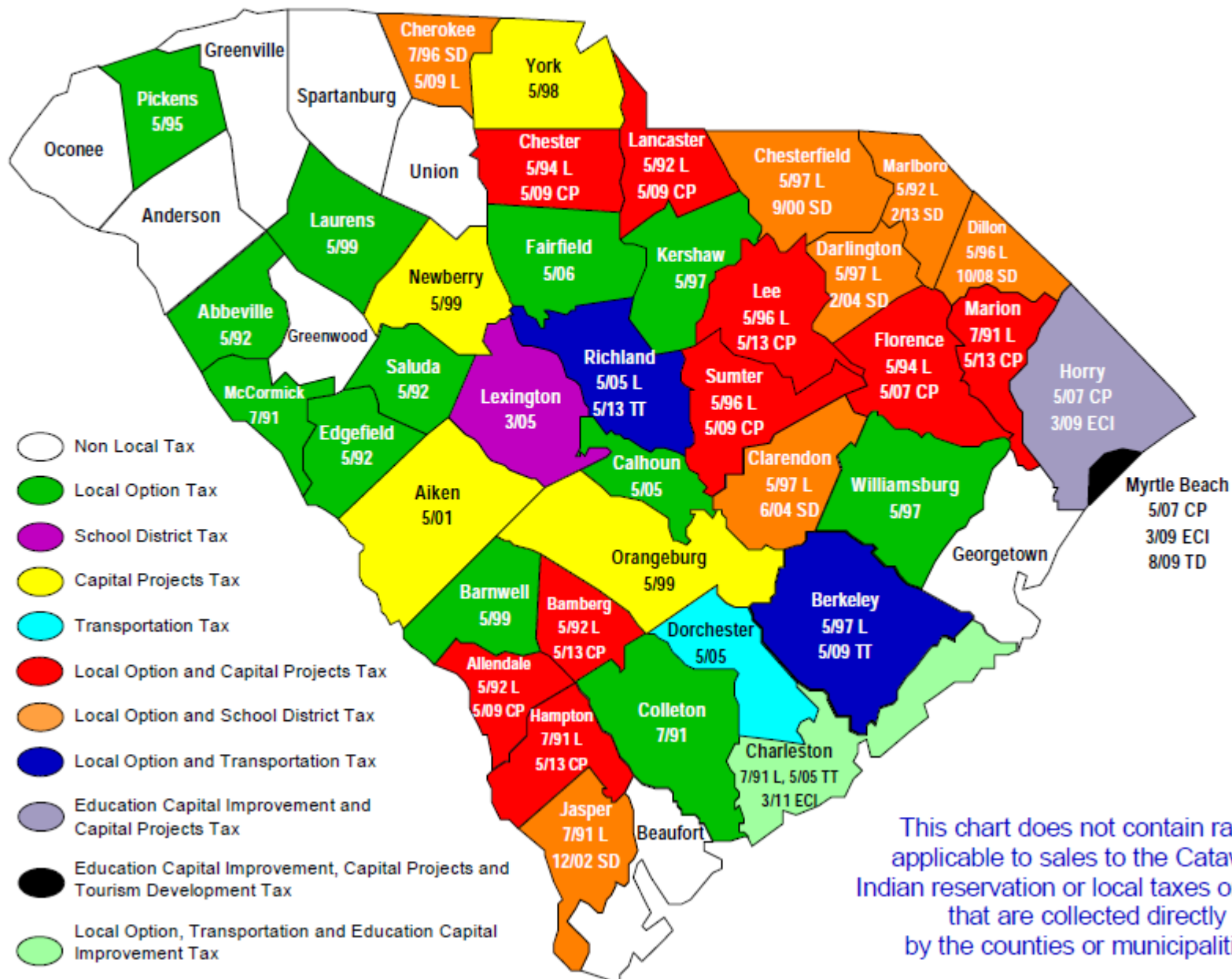
Local Transportation Projects Sales Tax

- ❖ Upon referendum approval, County Council may impose by ordinance a % sales and use tax for a single project or for multiple projects and for a specific period of time to collect a limited amount of money.
- ❖ Counties are empowered to impose the 1% local transportation projects sales tax or tolls but not both.
- ❖ Projects may include: highways, roads, streets, bridges, mass transit systems, greenbelts, and other transportation-related projects and facilities (for example, drainage facilities).
- ❖ The county election commission shall conduct a referendum on the question, which must be held at the time of the general election.

Local Transportation Projects Sales Tax

- ❖ The life of the tax must be specified on the ballot and may not exceed the shorter of 25-years or the length of payment for the project(s).
- ❖ The ballot must specify the project(s) to be funded, the cost of each project, the maximum time of the tax, and whether GO debt will be issued to finance the projects (an additional question).
- ❖ This tax is intended to provide an additional/alternative method for funding the construction of transportation projects - either alone or in partnership with other governmental entities.
- ❖ SCDOT is prohibited from removing previously dedicated or designated funds based upon the fact that a county has passed a referendum to impose the transportation sales tax.

**State of South Carolina
Local Tax Designation
by County Effective May 1, 2013
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Local Accommodations and Hospitality Fee

Title 6, Chapter 1, Article 5 and 7 (1997)

Local Accommodations and Hospitality Fee

- ❖ In difficult financial times, a local government's first responsibility is to ensure that they are operating as efficiently as possible.
- ❖ Sometimes it is not enough.
- ❖ To avoid a reduction in services, local officials may need to look for alternative revenue sources.
- ❖ Two commonly used alternative revenue sources are the local accommodations and hospitality taxes.

Local Accommodations and Hospitality Fee

❖ Accommodations Tax:

- May not exceed 3 percent
- Applied to gross proceeds from the rental or charges for accommodations.

❖ Hospitality Tax:

- May not exceed 2 percent
- Applied on the sale of prepared meals and beverages in establishments or
- On the sale of prepared food and beverages in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine.

Local Accommodations and Hospitality Fee

- ❖ Establishments subject to the tax must collect it as an ad valorem assessment on each sale and then remit it to the local government:
 - Monthly - if the estimated amount averages \$50 or more per month;
 - Quarterly - if the estimated amount averages \$25-\$50 per month; and
 - Annually - if the estimated amount averages less than \$25 per month.

Local Accommodations and Hospitality Fee

- ❖ Both municipal and county governments may impose these taxes up to the combined maximum rates mentioned before.
- ❖ However, a county government may not impose an accommodations tax exceeding 1.5 percent or a hospitality tax exceeding 1 percent within a municipality without consent by resolution of the municipal council.
- ❖ To levy these local taxes, a **positive majority** of the entire governing body must adopt an **ordinance** approving the local accommodations and/or hospitality taxes.

Local Accommodations and Hospitality Fee

The Law:

- ❖ Local Accommodations Tax – Title 6, Chapter 1, Article 5
- ❖ Local Hospitality Tax – Title 6, Chapter 1, Article 7
- ❖ Revenue from these taxes is restricted and may only be spent on tourism-related programs or projects as defined in Sections 6-1-530 and 6-1-730 of the South Carolina Code of Laws.

Local Accommodations and Hospitality Fee

❖ The revenue must be used exclusively for the following purposes:

- 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 Accommodations and Hospitality Fee

- ❖ In a county collecting at least \$900,000 in State A Taxes annually, the local accommodations and hospitality revenues may also be used for operation and maintenance of the tourism related purposes and facilities that were listed previously.
- ❖ Additionally, the revenue may be used to deliver municipal services related to those purposes and facilities, including:
 - Police,
 - Fire protection,
 - Emergency medical services, and
 - Emergency-preparedness operations

Local Accommodations and Hospitality Fee

- ❖ Effective January 1, 2011, counties that collect less than \$900,000 in state accommodations taxes annually gained greater flexibility in using the revenue.
- ❖ The amount of local accommodations and hospitality revenue that may be used for the operation and maintenance of tourism related facilities and purposes increased from 20% to 50% of previous year collections.
- ❖ Additionally, revenues up to that amount may be used to fund police, fire protection, emergency medical services, and emergency-preparedness operations directly related to tourism related purposes and facilities.

Local Accommodations and Hospitality Fee

- ❖ Local accommodations and hospitality taxes are excellent sources of revenue to fund tourism-related programs or projects without placing a burden on the general fund budget.
- ❖ However, city officials need to carefully budget and monitor expenditures funded by these taxes to ensure they comply with state law.

Questions