

Statement of Estimated State Revenue Impact

Date: February 19, 2014 (As amended February 18, 2014 by the Senate Finance Committee)
Bill Number: H.B. 3561
Author: White

Committee Requesting Impact: Senate Finance Committee

Bill Summary

A bill to amend Section 12-36-920, as amended, of the Code of Laws of South Carolina, 1976, relating to tax on accommodations, so as to delete certain items subject to the five percent tax on additional surcharges.

REVENUE IMPACT ¹¹

This bill, as amended, is expected to decrease sales and use tax revenue by an estimated \$1,072,754 in FY2014-15. Of this amount, General Fund sales and use tax would be reduced by \$715,170, the Education Improvement Fund would be reduced by \$178,792, and the Homestead Exemption Fund would be reduced by \$178,792 in FY2014-15.

Explanation of Amendment (February 18, 2014) – By the Senate Finance Committee

This amendment would strike Section 2 and insert a new section to change the effective date of the bill from “July 1, 2013” to “July 1, 2014”. This bill, as amended, is expected to decrease sales and use tax revenue by an estimated \$1,072,754 in FY2014-15.

Explanation of Amendment (April 30, 2013) – By the House of Representatives

The House of Representatives adopted the amended version of the bill passed by the House Ways and Means Committee. The amended and adopted bill was sent to the Senate.

Explanation of Amendment (April 17, 2013) – By the House Ways & Means Committee

This amendment would amend Section 12-36-920(B) to not allow sales tax to be imposed on selected additional guest charges that are readily available to the general public. This amendment would not permit an additional sales tax of five percent to be imposed upon the additional guest charges of, but are not limited to, amenities, entertainment, special items in promotional tourist packages, and other guest services, such as, spa and salon services, sporting lessons, children’s activities, outside transportation, private tour guides, and the purchase of tour tickets. Based on conversations with the Department of Revenue (DOR), state (2% tax rate) accommodation taxes totaled \$50,910,208 in FY2012-13. This amounts to an estimated \$2,545,510,400 in hotel industry sales revenue in South Carolina. According to information from the American Hospitality and Lodging Association, an estimated 7.4% of total available hotel properties are styled as “resort” properties and include many of the services listed above. These full-service “resort” hotels charge an average of 70% higher room rates than limited-service hotels, based on information from Smith Travel Research. Multiplying \$2,545,510,400 in annual hotel industry sales by a “resort” factor of 7.4% and adjusting for higher room rates charged at full-service hotels yields an estimated \$320,225,208 in full-service “resort” hotel sales. Also according to an analysis of hotel industry financial statements by Smith Travel Research, an estimated 6.7% of full-service hotel room sales are from the non-room charges listed above. Therefore, multiplying \$320,225,208 in full-service “resort” hotel sales by a factor of 6.7% to adjust for non-room charges and applying a 5.0% sales tax rate yields an estimated \$1,072,754 of non-room sales tax revenue in FY2013-14. This act takes effect July 1, 2013.

Statement of Estimated State Revenue Impact

Explanation of Bill filed February 19, 2013

This bill would amend Section 12-36-920(B) to not allow sales tax to be imposed on additional guest charges that are readily available to the general public. Additional guest charges include, but are not limited to, room service, amenities, entertainment, special items in promotional tourist packages, in-room movies, and other guest services, such as, spa and salon services, sporting lessons, children's activities, outside transportation, private tour guides, and the purchase of tour tickets. Based on conversations with the Department of Revenue (DOR), state (2% tax rate) accommodation taxes totaled \$50,912,258 in FY2011-12. This amounts to an estimated \$2,545,612,900 in hotel industry sales revenue in South Carolina. According to information from the American Hospitality and Lodging Association, an estimated 7.4% of total available hotel properties are styled as "resort" properties and include many of the services listed above. These full-service "resort" hotels charge an average of 70% higher room rates than limited-service hotels, based on information from Smith Travel Research. Multiplying \$2,545,612,900 in annual hotel industry sales by a "resort" factor of 7.4% and adjusting for higher room rates charged at full-service hotels yields an estimated \$320,238,103 in full-service "resort" hotel sales. Also according to an analysis of hotel industry financial statements by Smith Travel Research, an estimated 11.3% of full-service hotel room sales are for non-room charges. Therefore, multiplying \$320,238,103 in full-service "resort" hotel sales by a factor of 11.3% to adjust for non-room charges and applying a 5.0% sales tax rate yields an estimated \$1,809,345 of non-room sales tax revenue in FY2013-14. This act takes effect July 1, 2013.



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¹¹ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.