



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

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June 7, 2005

The Honorable André Bauer
President of the Senate
State House, 1st Floor, East Wing
Columbia, South Carolina 29202

Dear Mr. President and Members of the Senate:

I am hereby vetoing and returning without my approval S. 27, R-137. This bill allows a city or county to keep control of local accommodations tax funds determined by the Tourism Expenditure Review Committee ("Committee") to have been unlawfully disbursed by the city or county. Most local accommodations tax funds are statutorily reserved to be used only for advertising and tourism related expenditures. These funds are similar to trust funds. I am vetoing this bill because it removes the forfeiture provisions for fiscal years FY 2003-04 and FY 2004-05, and thereby lessens the incentive for cities or counties to use the funds as intended when they are initially disbursed. I also object to this bill because it creates a temporary exception to the accommodations tax rules that are applicable to all cities and counties.

South Carolina has a seven percent sales tax on accommodations. One component of the tax is a two percent "local" accommodations tax that is distributed to cities and counties. Some of the local accommodations tax can go into the city or county's general fund, but most of it has to go into special funds to be used for advertising and tourism related expenditures. If the Committee determines that a city or county made a non-tourism related payment from these special funds, the city or county must forfeit a future disbursement in the same amount. The forfeited amount is then paid to the other cities, counties, and other organizations eligible to receive accommodations tax funding. This bill changes current law by allowing the city or county to refund the non-tourism payment and thereby avoid the forfeiture. The bill only applies to accommodations tax allocations for two fiscal years and is automatically repealed effective June 30, 2006.

This bill allows Florence County to refund a \$230,000 allocation that the county made to its Sheriff's Office in 2003. The Committee found that the payment did not comply with existing statutory requirements. The Administrative Law Court affirmed the Committee's decision. This

The Honorable André Bauer
June 7, 2005
Page 2

bill would allow Florence County to refund the money and avoid forfeiting \$230,000 to the other cities, counties, and organizations that are eligible to receive accommodations tax funding.

I object to this legislation because it makes a temporary change in the law regarding the accommodations tax. There is no rational basis to allow refunds for only two fiscal years. I also object to this legislation applying retroactively to allocations for FY 2003-04. The Committee has already issued rulings on allocations for FY 2003-04. Moreover, the Committee's Florence County ruling for FY 2003-04 has already been appealed and affirmed by the Administrative Law Court. This legislation now gives Florence County a refund procedure that did not exist at the time it made its allocation decision. The rules of the game should not be changed in the middle of the game.

For the reasons stated above, I am returning S.27, R-137 to you without my signature.

Sincerely,



Mark Sanford