



**SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE**  
**STATEMENT OF ESTIMATED FISCAL IMPACT**  
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<b>Bill Number:</b>	S.0217	Signed by Governor on September 28, 2020
<b>Author:</b>	Kimpson	
<b>Subject:</b>	Hospitality Tax Expenditures	
<b>Requestor:</b>	Senate	
<b>RFA Analyst(s):</b>	Z. Payne	
<b>Impact Date:</b>	November 20, 2020	

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### **Fiscal Impact Summary**

This bill does not affect state General Fund revenue in FY 2020-21 or any fiscal year thereafter. This bill does not impact local government expenditures or tax revenue but does add items to the list of project types that may be funded by hospitality tax revenues. This may result in the reallocation of existing hospitality tax revenue among additional permissible tourism-related projects.

### **Explanation of Fiscal Impact**

#### **Signed by the Governor on September 28, 2020**

##### **State Expenditure**

The Department of Revenue reports that this bill will have no expenditure impact on the state General Fund, Federal Funds, and Other Funds.

##### **State Revenue**

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. According to the latest data available from the *Local Government Finance Report*, as reported by local municipalities and published on November 5, 2019, local hospitality tax revenue totaled \$223,748,592 in FY 2017-18.

**Section 1.** This bill amends 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 does 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 does not affect state General Fund revenue in FY2020-21 or any fiscal year thereafter.

**Section 2.** This bill adds 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 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.** Local governments that have comprehensive plans due December 31, 2020, may delay the submission of these plans until December 31, 2021. This section does not affect General Fund revenue in FY2020-21 or any fiscal year thereafter.

**Section 4.** This act takes effect upon approval by the Governor.

### **Local Expenditure**

The bill allows local governments to delay the submission of comprehensive plans due December 31, 2020 until December 31, 2021. As the plan is still required to be completed, this flexibility will not impact local government expenditures.

### **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 hospitality tax revenue. There may, 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 increase the number of eligible projects.



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Frank A. Rainwater, Executive Director