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Statement of estimated state revenue impact-H.B. 3555

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Statement of Estimated State Revenue Impact

Date: April 4, 2013

Bill Number: H.B. 3561

Author: White

Committee Requesting Impact: House Ways & Means Committee

Bill Summary

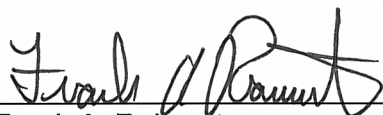
A bill to amend Section 12-36-920, as amended, of the Code of Laws of South Carolina, 1976, relating to tax on accommodations, so as to delete certain items subject to the five percent tax on additional surcharges.

REVENUE IMPACT ^{1/}

This bill is expected to decrease sales and use tax revenue by an estimated \$1,809,345 in FY2013-14. Of this amount, General Fund sales and use tax would be reduced by \$1,206,229, the Education Improvement Fund would be reduced by \$301,558, and the Homestead Exemption Fund would be reduced by \$301,558 in FY2013-14.

Explanation

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.



Frank A. Rainwater
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Analyst: Martin

^{1/} 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 of Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.