

# TOWN OF BLYTHEWOOD SAT, LAT, AND H TAX FUND ALLOCATION POLICY

APPROVED JANUARY 6, 2023

## INTRODUCTION

On July 25, 2022, Town Council established the Local Accommodations and Hospitality Tax Advisory Subcommittee. This subcommittee was charged with presenting recommendations to the council regarding the allocation of state and local accommodation taxes (SAT and LAT), as well as recommendations for the allocation of hospitality tax (H Tax).

On January 6, 2023, Town Council voted to adopt this policy as written, including the application and the Excel formula-driven worksheet used to determine allocations.

Any update or amendment to the application, policy, or Excel formula-driven worksheet will require a super-majority vote from Town Council and may be reviewed once annually prior to the SAT, LAT and H Tax application process.

## STATE ACCOMMODATIONS TAX

Pursuant to S.C. Code Ann. § 6-4-10, the following formula applies for State Accommodations Tax (SAT):

- First \$25,000 must be allocated to the general fund
- Five percent of the balance must be allocated to the general fund
- Thirty percent of the balance must be allocated to a special fund and used only for advertising and promotion of tourism
- The remaining balance (plus interest) must be allocated to a special fund and used for tourism-related expenditures

Tourism-related expenditures include:

- advertising and promotion of tourism as to develop and increase tourist attendance through the generation of publicity,
- promote the arts and cultural events,
- construction, maintenance, and operation of facilities for civic and cultural activities including construction and maintenance of access and other nearby roads and utilities for the facilities,
- the criminal justice system, law enforcement, fire protection, solid waste collection, and health facilities when required to serve tourist and tourists facilities (based on direct costs attributed to tourists),
- public facilities such as restrooms, dressing rooms, parks and parking lots,
- tourist shuttle transportation,
- control and repair of waterfront erosion, including beach renourishment,
- operating visitor information centers.

Allocations to the special fund must be spent by the municipality or county within two years of receipt. However, the time limit may be extended upon recommendation of the local governing body and approval

by the oversight committee established pursuant to S.C. Code Ann. § 6-4-35 (Tourism Expenditure Review Committee, or TERC).

S.C. Code Ann. § 6-4-15 provides guidance on the use of revenues to finance bonds. It states:

*A municipality or county may issue bonds, enter into other financial obligations, or create reserves to secure obligations to finance all or a portion of the cost of constructing facilities for civic activities, the arts, and cultural events which fulfill the purpose of this chapter. The annual debt service of indebtedness incurred to finance the facilities or lease payments for the use of the facilities may be provided from the funds received by a municipality or county from the accommodations tax in an amount not to exceed the amount received by the municipality or county after deduction of the accommodations tax funds dedicated to the general fund and the advertising and promotion fund. However, none of the revenue received by a municipality or county from the accommodations tax may be used to retire outstanding bonded indebtedness unless accommodations tax revenue was obligated for that purpose when the debt was incurred.*

## **LOCAL ACCOMMODATIONS TAX**

Pursuant to S.C. Code Ann. § 6-1-500 through § 6-1-570, the following applies for Local Accommodations Tax (LAT):

- ❖ All proceeds from a LAT must be kept in a separate fund segregated from the imposing entity's general fund. All interest generated must be credited to the LAT fund.

The revenues generated by the LAT must be used exclusively for the following purposes (§ 6-1-530):

- 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 HOSPITALITY TAX**

Pursuant to S.C. Code Ann. § 6-1-700 through § 6-1-770, the following applies for H Tax:

- All proceeds from a H TAax must be kept in a separate fund segregated from the imposing entity's general fund. All interest generated must be credited to the H Tax fund.

The revenues generated by the H Tax must be used exclusively for the following purposes (§ 6-1-730):

- 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,
- control and repair of flooding and drainage within or on tourism-related lands or areas, or
- site preparation for items in this section including, but not limited to, demolition, repair or construction.

## **RULES FOR APPROPRIATION OF FUNDS**

In conjunction with the criteria established in Title Six of the South Carolina Code of Laws, the Town establishes the following rules for the appropriation of SAT, LAT, and H Tax:

- Expenditures must strictly adhere to the permitted uses outlined by Title 6 – Local Government
- All expenditures must be approved by the Town Administrator prior to disbursement of funds
- First year events are funded at a maximum of \$7,500 of eligible expenses in the first fiscal year of implementation
- Subsequent year events are funded at a maximum of \$5,000 of eligible expenses per fiscal year
- Organizations are capped at \$15,000 in the first fiscal year of implementation and \$10,000 in all subsequent years
- Ticketed and private events do not qualify for SAT, LAT or H Tax funding
- Richland School District Two area high schools (Blythewood, Westwood) will receive \$5,000 fiscal year sponsorships; individual sports (or sporting events) will not receive funding
- For profit entities are not eligible to receive SAT, LAT or H Tax funding
- Elected officials, employees, and part-time employees, as well as their immediate families, are not eligible to receive SAT, LAT or H Tax funding

## **ORGANIZATION ELIGIBILITY REQUIREMENTS**

- Applicant organizations must have been in existence for at least one (1) year prior to requesting funds.
- Applicants must provide proof of their non-profit status or fall into one of the following categories:
- Organizations exempt from federal income tax under Section 501(C) (3) of the Internal Revenue Code and whose primary goal is to attract additional visitors through tourism promotion. The letter of exemption from the Internal Revenue Service must accompany your proposal.
- Destination Marketing Organizations, which are recognized non-profit organizations charged with the responsibility of marketing tourism for their specific municipalities, counties or regions, such as Chambers of Commerce, Convention and Visitors Bureaus and Regional Tourism Commissions.
- The Town of Blythewood will not award H Tax/LAT Funds to individuals, fraternal organizations or organizations that support and/or endorse political campaigns.
- Grantee organizations may not re-grant Town funds to other organizations. All funds must be spent on direct program expenditures by the organization that is granted the allocation.

## **RULES FOR DISBURSEMENT OF FUNDS**

Funding for all projects is dependent on the receipt of expected LAT and H Tax revenues from the State of South Carolina. Any decision or lower than expected revenues could affect project funding. If LAT and H Tax revenue received is less than budgeted, project funding may be reduced on a pro-rata basis or as otherwise determined. Project Directors should remember this in developing project budgets.

**SAT, LAT, and H Tax allocation policy**  
**Approved January 6, 2023**

- Reimbursement for project expenses requires the submission of paid receipts verifying expenditures. Expenditures must be consistent with the application budget. Only goods and services that comply with the Hospitality Tax/Local Accommodations Tax Policy and State Law are reimbursable. Reimbursement checks will be written only to the applicant. Invoices for reimbursements should be submitted to the Town of Blythewood Administrator with written letter of request for funding. Requests for reimbursement must be on letterhead from the organization funded, including a valid contact number and address.
- 80% of the total amount budgeted for projects/events will be paid to organizations no more than 90 days prior to the event. Once the Final Report is received and reviewed by the Town Administrator, it will be determined if the additional 20% will be granted.
- 20% of grant funds will be withheld until the Final Report is completed and reviewed by the Town Administrator. Upon approval by the Town Administrator, grant funds will be released to the organizations. Failure to submit a Final Report within 60 days upon the conclusion of the event/project may result in a forfeiture of any remaining grant funds. In the event the 20% grant funds are denied, the organization may appeal the Administrator's decision directly to Town Council.

Unused funds must be returned to the Town of Blythewood within 60 days of completion of the event/project. Any deviation from this policy reverts back to Town Council for additional approval. If the event/project is cancelled, funds must be returned to the Town of Blythewood as quickly as possible. In the event a recipient is forced to cancel due to an Act of God, Town Council reserves the right to override the rules within this policy.

## **USE OF REVENUES**

The Town of Blythewood will use the Excel formula-driven worksheet to determine the uses and allocations within SAT, LAT and H Tax. While the allocations can change, to ensure long-term financial stability, it is recommended that no changes occur while the Town is contractually obligated to appropriate revenues for the financing of capital assets, capital projects or capital improvements.

### **Use for SAT** *(estimate of \$225,600):*

- I. General Fund receives first \$25,000
- II. Next five percent (5%) to the general fund *(\$10,030)*
- III. Thirty percent (30%) to the DMO *(\$60,180)*
- IV. Sixty-five percent (65%) balance to be allocated by Council *(\$130,390)\**

\*Pending a legal review, all excess SAT funds should be remitted for contractual obligation to the Blythewood Facilities Corporation. For this example, apply \$81,890 to the Blythewood Facilities Corporation appropriation from SAT and \$59,959 from the General Fund.

### **Use for LAT** *(estimate of \$218,400):*

- I. Remaining Balance of contractual obligation with BFC *(\$177,503)*
- II. Remaining LAT funds to be allocated to applicants subject to S.C. Code Ann. § 6-1-530 *(\$40,897)*

**Use for H TAX** (*estimate of \$592,800*):

- I. Up to 50% to restricted capital assets, capital projects, and capital improvements account (*\$296,400*)
- II. Full payment remitted one year in advance for outstanding contractual obligations for the acquisition of capital assets (*up to \$296,000*)
- III. H Tax funds to be allocated to applicants subject to S.C. Code Ann. § 6-1-730
- IV. Any excess H Tax funds remitted to restricted capital assets, capital projects, and capital improvements account

**REVISED CONTRACTUAL OBLIGATION WITH BLYTHEWOOD FACILITIES CORPORATION**

Historically, the Town of Blythewood has appropriated funds from the general fund, local accommodations, and hospitality tax to satisfy the contractual obligations with the Blythewood Facilities Corporation.

The obligation is appropriated by Council on an annual basis within each fiscal year's budget. The annual appropriation is \$319,352.

On July 25, 2022, Council unanimously approved **Ordinance 2022.011**, which removed the percentage restrictions on the installment purchase plan related to the contractual obligation between the town and the Blythewood Facilities Corporation. This amendment allows the town to satisfy the obligation with all available revenues.

The prior breakdown for the obligation was as follows:

- General Fund (*\$89,959*)
- Local Accommodations (*\$66,906*)
- Hospitality Tax (*\$162,487*)

Proposed new allocation for Blythewood Facilities Corp obligation:

- General Fund (*\$59,959*)
- State Accommodations (*\$81,890*)<sup>1</sup>
- Local Accommodations (*\$177,503*)<sup>1</sup>

<sup>1</sup>*Subject to change*

**OUTSIDE AGENCY REQUEST FUNDS (NOTE: THIS IS IN THE GENERAL FUND)**

The following are restrictions to the Outside Agency Request Funds:

- a. Recipients must be a non-profit organization in good standing
- b. Recipients must have been in existence for over one year
- c. Recipients must use the awarded funds to benefit the Town of Blythewood
- d. Appropriations to a single applicant cannot exceed 10% of the total funds available
- e. Applicant cannot receive discretionary grant funds if they receive SAT, LAT or H Tax fundings