



Tourism Expenditure Review Committee

State of South Carolina

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Question: Are historical markers or monuments fundable?

Question: How do I know if a project or event qualifies as a tourism-related expenditure?

Answer: The committee looks to distinguish between events or activities designed for and attended primarily by those in the local community, from events that are designed for and attended primarily by non-residents who come from outside the local community. In looking to make a determination regarding the purpose or intent of an activity or event, the Committee looks to substantiate the promotional activities undertaken to bring non-residents into the area to attend the funded activity. The promotional efforts are a key indicator of the extent to which the purpose of the funded activity is to attract non-residents. As the statute identifies such promotional activities to be an approved use of funds, the Committee encourages counties and municipalities to consider this factor in granting funds. (Read more in our Tourism Policy, available in your reporting package).

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Are Municipality and County Services Fundable?

Under Code Section 6-4-10 (4)(b)(4), monies in the 65% Tourism-related Fund can be used for services normally provided by the municipality or county only if these local governments have a high concentration of tourism. Revenue Ruling 98-22 states that a county or municipality has a high level of tourism when it collects over \$900,000 in accommodations tax revenue and is exempt from Sunday "blue laws." Currently, the only counties that meet this criteria are Beaufort, Charleston, Georgetown, Greenville, Horry, and Richland. Examples of qualifying expenditures under this category would include salaries for extra police force during the peak tourist season, monies spent to hire extra garbage service around tourist facilities during the tourist season or to provide other services that are required by high concentration of tourism. If your local government is not located within the "high concentration" counties you may spend accommodations tax money for such services only for specific events (extra police force at a music festival, for example) and the expenditures must be based on the estimated percentage of costs directly attributable to tourists.

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Questions: Carryover Amounts

As a reminder, the law says that you have two years from receipt to spend any remaining funds from the 65% tourism-related fund, which must be used for tourism-related expenditures. Please keep this in mind when awarding funds and reporting this year. Should you need an

extension, one may be requested from the Tourism Expenditure Review Committee. Please bear in mind that the funds may only be carried over beyond the two-year limit provided the funds are designated for an approved project or event.

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Question: What is the definition of tourist?

Answer: According to Section 6-4-5 (a)(4), "travel" and "tourism" mean the action and activities of people taking trips outside their home communities for any purpose, except daily commuting to and from work. Because there is no clear definition of "home community," the Tourism Expenditure Review Committee has adopted a guideline set by other travel industry entities, which states that a tourist is **generally** one that comes from 50 miles outside of their homes. However, the Committee **looks at every event on a case-by-case basis**. The Committee considers any project or event that increases visitors to the region and boosts the economy.

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Question: Does the Tourism Expenditure Review Committee monitor local accommodations taxes?

Answer: No, the Committee's charge is to monitor state accommodations tax reporting only. If an entity encounters a problem concerning local accommodations taxes, it must be worked out from a local level.

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Question: The issue of the distance a "tourist" has to travel is concerning to some accommodations tax recipients. We know TERC will look at individual situations, case by case, but for the general question of how far a tourist has to travel to be considered a "tourist" needs to be clarified. Something in writing would be helpful, so that we have something to give our organizations.

Answer: The Committee has drafted a policy on the definition of tourist, which is posted on our website: www.atax.sc.gov. The law defines tourists as those traveling outside of their "home communities," however; it does not define home community. Therefore, the Committee has adopted the geographical definition of tourist used by the national Tourism Industry Association and the South Carolina Department of Parks Recreation and Tourism, which defines a tourist essentially as a "traveler" from 50 miles away or more. But, in the same policy, the Committee states that it does examine every application for the economic impact the "tourist" has on the visited community. So in essence the tourist may be from an area closer than the 50 miles as mentioned above but only if a significant economic impact can be shown such as the case may be in Columbia and Camden.

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Question: Is it appropriate or not to fund museums, libraries, etc. in an area of non high concentration of tourism and can these facilities receive state accommodations tax funding for costs incurred in building, funding of operation, as well as cost of repairs and necessary additions to the facility?

Answer: The Tourism Expenditure Review Committee maintains a position under Section 6-4-10 (4b3) that the following is reserved for areas of high concentration of tourism activity: "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." However, the Committee does examine the "tourism economic impact". We have in the past allowed funding for facilities such as those mentioned above, however, it is vitally important that the facilities maintain documentation of the visitors in order to qualify as a facility that is not simply for local benefit. In cases where no visitor information has been generated because the facility is new, a long range plan on how the facility plans to promote and market itself to visitors is appropriate.

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Question: Many counties and municipalities continue to fund the lighting of interstate and highway exits through state accommodations taxes. I was under the impression that this was an acceptable expenditure?

Answer: Although the Committee has in the past found the purchase and installation of lighting of interstate and highway exits and the installation of landscaping an acceptable expenditure, the Committee feels as though that the maintenance and operating costs of these assets might not be the best use of accommodations tax funds. Normally, this is something considered a "normal expense" of the municipality or county. Although the Committee is not recommending funds be withheld at this time, we would like for entities to consider this for the future and notify the Committee of steps being taken to fund the lights from some source other than state accommodations tax funds.

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Question: Recently, someone asked about applying for atax funds to fund the salary of a staff member who does website updates and answering tourist inquiries. Could it be applicable as long as they could give the percentage of the staff time that actually applies to the tourism effort?

Answer: For the first part of your question we refer to Revenue Ruling 98-22, issued by the S.C. Department of Revenue. In question 19, it says "can Accommodations Tax Funds be used to fund local government salaries?" The Answer is that "As a general rule, no unless the county or municipality can show that the employee's position is

necessary to attract or provide for tourists. Additionally, the salary or wage must: (a) be for services that would normally not be provided by the county; (b) the county or municipality must have a high concentration of tourism activity; and (c) the amount of Tourism-related Funds spent on the salary or wages must be based on the estimated percentage of costs attributable to tourists. To the extent that only a portion of the employee's salary or wages meets the requirements listed above, only that portion of the salary or wages that would satisfy these requirements may be paid for out of Tourism related Funds. If a staff person's entire time is not devoted to the promotion of tourism or the furnishing of services to tourists, the Department would expect the employee and the county or municipality to determine the amount of time the employee devotes to tourism and to treat an appropriate amount of the employee's salary as a tourism-related expenditure. Also, in recent years, the Committee has relaxed part "B" of the above statement if it is proven that the employee is 100% dedicated to tourism matters. If not, once again, you would estimate the percentage of their time that went towards tourism and fund their salary based on that.

However, keep in mind that if the employee is someone that would have to be employed by the County or municipality anyway (even if they did deal with promotion of tourism), such as the mayor, their salary could not be funded at all.

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Question: Are fireworks considered an appropriate expenditure of accommodations taxes?

Answer: Fireworks expenditures may only be funded to the extent that they attract and provide for tourism and are a tourism-related expenditure according to Section 6-4-10 of the S.C. Code of Laws. This would include expenditures to advertise an event to tourists or an event that has ties to civic or cultural activities (such as a July 4th, New Years Eve) fireworks display.

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Question: Are welcome signs and banners considered fundable?

Answer: Welcome signs are not acceptable accommodations tax expenditures, and should not be funded from accommodations taxes. However, welcome signs when part of an overall tourism promotion and displayed in an effort to attract tourists may be funded. Example of appropriate expenditures would be billboards displayed in an "out of market" advertising area that states "come stay in xyz..." which would state the tourist destination.

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Question: Are the operation of sporting events acceptable use of atax funds?

Answer: TERC maintains that if the primary purpose of the event is to attract tourists and promote tourism to the general area and not to fund scholarships (even though subsequently some events that promote tourism may generate scholarships, but that was not the primary intent), and the funds are used strictly to promote and generate tourism than it is likely appropriate. However, the statute makes no mention of "operational costs" for sporting events as it does for cultural events and the arts, so TERC maintains the operation of sporting events is not an acceptable use of funds.

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Question: Are historical markers or monuments fundable?

Answer: To answer this question, the Committee always refers to Revenue Ruling 98-22, issued by the SC Department of Revenue, which that it depends on the nature of the monument and the impact it will have on tourism. If it is a single statute dedicated to a local figure, it is unlikely that such a monument will have any impact on tourism. However, if the monument is in the nature of a large structure designed to honor a group or entity, then it may be permissible to use Tourism-related Funds for such monument. For example, a monument along the lines of the United States Holocaust Memorial Museum or the Vietnam Veterans Memorial may have a sufficient impact on tourism to warrant receiving Tourism-related Funds.

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