

FAST FACTS: TOURISM DEVELOPMENT FEE

BACKGROUND

The Tourism Development Fee (S. 483) became law April 9, 2009. Local government now has the power to levy an additional 1 cent sales tax to be invested in out-of-state marketing and promotion of the Myrtle Beach area. The tax provides local municipal governments an option which they have not had: a revenue-producing fee that will more than pay for itself while creating jobs, growing tourism and guaranteeing property tax rollbacks on owner-occupied homes.

S. 483 enables individual municipal governments within Horry County only to enact a tourism fee of up to 1 percent on gross retail sales (excludes prescriptions and groceries) for purposes of tourism promotion. This only applies to municipalities such as the city of Myrtle Beach. It does not apply to the unincorporated areas of Horry County.

Funds collected would be used for out-of-state marketing to attract overnight tourists not currently planning to visit South Carolina. Guidelines for expenditure and oversight would be similar to those specified within the Destination-Specific Tourism Marketing Grant Program (commonly referred to as the 2-for-1 state grant program).

BENEFITS IF IMPLEMENTED IN MYRTLE BEACH

- Would deliver \$15 million or more per year for tourism promotion in the first two years.
- Would deliver tax relief in years three and beyond by allocating as much as 20 percent of the revenues to property tax rollback for owner-occupied homes.
- Some of the proceeds could also be used for tourism-related infrastructure, like the boardwalk, airport expansion or convention center expansion.

KEY POINTS

- Despite the current economic slowdown, Americans will still travel in 2009. However, recent surveys reveal two-thirds of 2008 travelers plan to scale back by reducing the number of trips taken, the time spent traveling, the number of meals eaten in restaurants and/or discretionary retail purchases.
- Due to the planned cutbacks in travel, the Myrtle Beach area could face a projected revenue decline of \$400-600 million in 2009 (calendar year) according to a recent economic forecast performed by Dr. Don Schunk, research economist, BB&T Center for Economic and Community Development, Coastal Carolina University.
- A unique opportunity exists to reverse this revenue decline, but action must be taken now. In a February survey of likely travelers in the top 10 states of visitor traffic (excluding S.C. and N.C.), 91 percent of those visitors who traveled to Myrtle Beach's key competitor destinations (Gatlinburg, Virginia Beach, Daytona, Orlando, Ocean City) report they will consider visiting a new destination if they can get a "better value." This presents an opportunity to increase our market share, which could offset the projected revenue decline and prepare the Myrtle Beach area to rebound from the current recession stronger than ever.
- The tourism fee will restore tourism budgets that have been cut due to the reduction in state funds. More importantly, the fee will provide a recurring source of funding, which will allow for improved planning and promotional partnerships. This ensures a short-term impact with long-term benefits. State funding for tourism promotion has been \$4 million (2006), \$10 million (2007) and \$5.5 million (2008). Currently, the 2009-2010 budget proposed by the governor, and also by the House, has zero dollars for destination-specific tourism promotion.
- Competitor destinations, on average, outspend the Myrtle Beach area in marketing funds by 43 percent. Orlando's Convention and Visitors Bureau budget in 2008 was \$55 million, with 60 percent coming from public funds. Virginia Beach's budget for tourism and special events is roughly \$15 million, with most of that

coming from public sources. Our projected marketing budget for the 2009-2010 fiscal year is \$6 million to 8 million.

- For tourism destination marketing, the industry standard is typically 80 percent of funds from public sources (i.e., tourism-derived tax/fee revenues). We receive 30 percent from public sources.
- Currently, the Myrtle Beach area is advertising in only 30 of its top 75 DMAs. This is due to limited funding. The area has added direct flights in 2009, whereas most other communities have seen flights decline. Unfortunately, marketing of those flights has been limited to 25 percent to 35 percent of the necessary schedule. Due to funding limitations, the local community has turned away offers by three airlines to offer direct service to South Carolina, including international service from Canada, Germany and the United Kingdom.
- The tourism fee would not impact any state funding or state tourism grant program. However, the state would reap the benefit of additional tourists. Currently, each individual vacation to Myrtle Beach generates \$174.00 of state taxes.
- The area's hospitality industry employs more than 70,000 people, and the indirect impact upon local employment is even greater. We could be facing a loss of 15,000 or more jobs if we do not protect the tourism industry.