

**From:** Maybank, Burnet R. III <BMaybank@nexsenpruet.com>  
**To:** Maybank, Burnet R. IIIBMaybank@nexsenpruet.com  
**Date:** 8/27/2014 11:00:20 AM  
**Subject:** SALT LS: MB reaches agreement with TERC re ATAX funding

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## After a decade of court battles, Myrtle Beach reaches agreement with SC tourism expenditure committee

By Maya T. Prabhu

[mprabhu@thesunnews.com](mailto:mprabhu@thesunnews.com) August 26, 2014 Updated 39 minutes ago

2014-08-27T14:16:06Z

By Maya T. PrabhuThe\_Sun\_News



THE SUN NEWS FILE PHOTO

The city of Myrtle Beach will change the way it allocates accommodations tax revenue it receives from the state, ending a 10-year battle with a state oversight committee over the city's process, officials said Tuesday. The city no longer will move the money it receives from the state from accommodations tax into the general fund before spending it on what the city says are tourism-related expenses and will submit more detailed reports to the state Tourism Expenditure Review Committee, which is an oversight group set up to determine whether A-tax expenditures are proper.

The move will end years of disagreement between the entities that included a lawsuit that made it to the state Supreme Court. For years, Myrtle Beach has argued that, as a tourist location, the city can use accommodations tax money to pay for additional public services such as police and fire. The state committee wanted to ensure the money was being allocated correctly, TERC chairman Ed Riggs of Mount Pleasant said.

"We've been at odds for a while," he said. "We've resolved our differences and we're all moving on."

TERC challenged four grants the city awarded to outside entities in its 2008-2009 budget totaling \$302,545. The dispute went to the courts, where the S.C. Supreme Court ruled 3-2 in February that state rules were not followed. Previously, a state administrative law judge ruled for the city.

During an April TERC meeting, the group voted to challenge about \$5.1 million of the city's A-Tax expenditures – requesting the state withhold the money.

Three months later, city staff and Myrtle Beach Area Chamber of Commerce President Brad Dean met with TERC members to reach a compromise, city manager Tom Leath said Tuesday.

TERC voted in its Aug. 11 meeting not to ask the state to withhold the funds.

City Council passed a resolution Tuesday that says the city will allocate A-tax money from that fund instead of first moving it into the general fund, then allocating it. The city also now will submit more detailed reports to TERC, according to the resolution.

“From an accounting standpoint, we’ll just spend the money out of the A-Tax fund,” Leath said. “We are agreeing to submit [a report] in more detail than other jurisdictions have to submit. We agreed to give them enough information to get them comfortable with it.”

Riggs said the reports Myrtle Beach staff had been submitting did not show that the money was allocated to the groups as recommended by the accommodations tax committee.

“We just want to see it done the proper way,” he said.

Riggs said the two groups were able to get a better understanding of each other’s practices.

“We helped them understand what our charge was,” Riggs said. “We weren’t trying to control anybody’s money. We were just trying to abide by the statute. ... And we understand that the city has police and fire needs that need to be accommodated because of the tourists.”

According to the Supreme Court opinion issued in February, Justice John W. Kittredge said that moving accommodations tax money to the general fund did not comply with the state’s accommodations tax act. South Carolina collects a 2 percent statewide accommodations tax levied on temporary lodgings. Local governments have the option of adding up to 5 percent in additional accommodations taxes.

All of the local-option accommodations tax is sent back to the government from where it is collected. The statewide 2 percent tax also is sent back to the government from where it is collected, minus an administrative fee charged by the state treasurer's department.

That money must be spent on tourism-related expenses, such as advertising.

The city also was taken to court after it used \$20,000 in accommodations taxes for a 2003 fireworks show that was produced by for-profit entities. Also that year, the city spent \$10,000 in accommodations taxes to help advertise a fall motorcycle rally that was sponsored by a for-profit business.

TERC ruled in 2004 that both expenditures were improper because the money went to for-profit entities and ordered the S.C. Treasurer’s Office to withhold \$30,000 from the city’s future accommodations tax disbursements.

The case has worked its way through the judicial system to the appeals court, but in 2006 the state legislature passed a law requiring accommodations taxes withheld by the treasurer’s office prior to July 1, 2006, be returned to the entity from which they were held.

The Supreme Court dismissed that case in May 2013.

Contact **MAYA T. PRABHU** at 444-1722 or on Twitter [@TSN\\_mprabhu](#).

Read more here: <http://www.myrtlebeachonline.com/2014/08/26/4434882/after-a-decade-of-court-battles.html?rh=1#storylink=cpy>

**Burnet R. Maybank, III**

Nexsen Pruet, LLC

1230 Main Street, Suite 700 (29201)

P.O. Drawer 2426

Columbia, SC 29202

T: 803.540.2048, F: 803.253.8277

Cell: 803.960.3024

[bmaybank@nexsenpruet.com](mailto:bmaybank@nexsenpruet.com)

[www.nexsenpruet.com](http://www.nexsenpruet.com)

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