



Town of Hilton Head Island
TOWN COUNCIL SPECIAL MEETING
Monday, September 20, 2021, 11:00 a.m.
AGENDA

The Town Council Special Meeting will be conducted virtually and can be viewed on the [Town of Hilton Head Island Public Meetings Facebook Page](#).

1. Call to Order

2. FOIA Compliance: Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act and the requirements of the Town of Hilton Head Island.

3. Pledge to the Flag

4. Roll Call

5. Approval of the Agenda

6. Consideration of a Resolution – Local Option Sales Tax

Consideration of a Resolution of the Town of Hilton Head Island supporting the passage of a Local Option Sales Tax, providing for the distribution and usage of revenues generated thereunder, and authorizing the Town's participation in a public education effort in partnership with other local governments in Beaufort County.

Citizens who wish to address Town Council on this item must contact the Town Clerk at 843.341.4701 no later than 10:00 a.m. Monday, September 20, 2021. Citizens may also submit written comments concerning this item via the Town's Open Town Hall Portal. The portal will also close at 10:00 a.m. Monday, September 20, 2021. Comments submitted through the portal will be shared with Town Council and made part of the official record.

7. Adjournment



TOWN OF HILTON HEAD ISLAND

Executive Department

TO: Town Council
FROM: Marc Orlando, ICMA-CM – Town Manager
DATE: 09/07/2021
SUBJECT: Local Option Sales Tax Referendum
CC: Joshua Gruber, Deputy Town Manager

Background:

In April of 2021, Beaufort County Council adopted an Ordinance calling for a county-wide referendum on the question of whether there should be a one-cent sales and use tax imposed as a Local Option Sales Tax.

South Carolina Code of Laws (1976) Section 4-10-30 allows for the following question to be placed upon the ballot:

Must a one percent sales and use tax be levied in Beaufort County for the purpose of allowing a credit against a taxpayer's county and municipal ad valorem tax liability and for the purpose of funding county and municipal operations in the Beaufort County area?

If adopted by the voters, the revenues collected under this program would be required to be applied as a direct credit against a portion of a property owner's ad valorem property tax bill in Beaufort County. This would apply to both County's millage rates and to the Town's millage rates. Additionally, a certain percentage of the revenues generated may be used to pay for public projects such as capital improvements or programming and operational expenses for public services.

Staff Recommendation:

Municipalities within Beaufort County have been actively advocating for the passage of a Local Option Sales Tax for many years. The City of Beaufort, the Town of Bluffton, and the Town of Port Royal have all recently adopted formal Resolutions declaring their support for the passage of a Local Option Sales Tax.

In looking at the potential financial impacts from the adoption of a Local Option Sales Tax, staff believes that the financial benefits to property tax payers would be significant and would certainly be sufficient to warrant adoption of the Referendum. Additionally, passage of the Local Option Sales Tax would allow the Town to continue to diversify its revenue sources thereby lessening its reliance on property tax collections to meet its capital and operational needs.

As estimated by the Town's Finance staff, the average Hilton Head Island taxpayer would see an approximately \$98 reduction in the Town property tax bill and \$435 reduction in their County tax bill for a total of \$533 reduction in their real property bills and a proportionally similar reduction in personal property tax bills.

In order to allow Hilton Head Island residents to see the full value of adopting this referendum question, staff is requesting that the Town pledge to utilize one hundred percent (100%) of the revenues that it receives under the Local Option Sales Tax as a credit against property taxes for the first four years following its adoption. After that period, the Town Council, through its annual budget adoption process, will identify how best to utilize the revenues that it receives under this program. However, at no point in time shall the amount of revenue used as a credit against property taxes be less than 71% as required under the Local Option Sales Tax enabling legislation.

It is important to note that currently 32 of the 46 counties in the State of South Carolina have adopted a Local Option Sales Tax.

Additionally, in order to provide factual information to the residents of Hilton Head Island regarding the workings and attributes of the Local Option Sales Tax, the Town has been asked to partner with the other municipalities within the County to undertake educational efforts that would provide relevant information to residents and voters surrounding the referendum question. The staff believes that this is an appropriate action that is necessary to ensure a full and complete understanding of this somewhat complicated topic prior to the voting polls being opened on this matter.

Conclusion:

Staff is recommending that Town Council adopt the Resolution in support of passage of a Local Option Sales Tax referendum with an express understanding that for the first four years after its adoption, the Town will utilize one hundred percent (100%) of the revenues generated thereunder to provide property tax credit relief. Following that period, Town Council, through its annual budget adoption process will determine what percentage of revenues should be allocated to this purpose. However, at no time with less than seventy-one percent (71%) of the revenues collected be used to provide property tax credit relief.

Additionally, staff recommends that Town Council adopt the Resolution authorizing the Town Manager to take such actions as may be necessary to jointly participate with the other municipalities in Beaufort County to undertake a public education campaign concerning the factual attributes and processes associated with the imposition of a Local Option Sales Tax.

RESOLUTION NO. 2021-_____

A RESOLUTION OF THE TOWN OF HILTON HEAD ISLAND SUPPORTING THE PASSAGE OF A LOCAL OPTION SALES TAX, PROVIDING FOR THE DISTRIBUTION AND USAGE OF REVENUES GENERATED THEREUNDER, AND AUTHORIZING THE TOWN'S PARTICIPATION IN A PUBLIC EDUCATION EFFORT IN PARTNERSHIP WITH OTHER LOCAL GOVERNMENTS IN BEAUFORT COUNTY

WHEREAS, the Hilton Head Island Town Council is elected by the people to provide those services which are necessary and required to provide for the general well-being of its citizens, and must provide for revenues necessary to fund those services; and

WHEREAS, the Hilton Head Island Town Council agrees that a disproportionate share of the local revenues that are used to pay for the costs of government services are derived from property taxes, creating an inequitable tax burden on both resident and non-resident property owners; and

WHEREAS, the Town of Hilton Head Island is committed to minimizing the impact of property tax rates that are necessary to provide governmental services and also to seek alternative revenue sources which can be used to supplement and/or replace property taxes; and

WHEREAS, pursuant to Sections 4-10-10 through 4-10-100 of the South Carolina Code of Laws (1976) the voters of Beaufort County may adopt via a county-wide referendum a one percent sales and use tax, which if adopted, would require that revenues generated thereunder be utilized to provide ad valorem property tax credits and county/municipal revenues; and

WHEREAS, the Hilton Head Island Town Council is of the opinion and belief that all property owners within the Town can benefit from the implementation of a Local Option Sales Tax as an alternative revenue source and as such publicly supports the adoption of such a referendum; and

WHEREAS, the Hilton Head Island Town Council believes that one hundred percent (100%) of the revenues generated from a Local Option Sales Tax should be utilized as a credit against Hilton Head Island property taxes for a period of four years following its adoption and thereafter, the Town Council, via adoption of its annual fiscal budget, shall determine the percentage of revenues to be utilized towards property relief but shall at no point allocate less than 71% to property tax relief credits; and

WHEREAS, in order to provide voters with accurate information regarding the Local Option Sales Tax initiative prior to the referendum being conducted, the Town Council hereby desires to participate with other local governments within Beaufort County to educate the public with factual information pertaining to the ballot referendum question.

NOW, THEREFORE BE IT RESOLVED, by the Mayor and Town Council for the Town of Hilton Head Island, South Carolina, in Council duly assembled, that the Town of Hilton Head Island hereby declares its support for the passage of a Local Option Sales Tax referendum. Further, the Town of Hilton Head Island hereby pledges to utilize one hundred percent (100%) of the revenues that it receives under the Local Option Sales Tax as a property tax credit for a period of four years following adoption of the referendum and thereafter it shall allocate no less than seventy-one percent (71%) of the revenues received as a credit against property taxes. Additionally, the Town Manager is hereby authorized to take such actions as may be necessary for the Town to participate jointly with other local governments within Beaufort County in an effort to educate residents on the factual attributes of the Local option Sales Tax provided that such participation shall not exceed \$25,000.00 in total expenses.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS _____ DAY OF _____, 2021.

THE TOWN OF HILTON HEAD ISLAND
SOUTH CAROLINA

John M. McCann, Mayor

ATTEST:

Krista M. Wiedmeyer, Town Clerk

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

Introduced by Council Member: _____

Local Option Sales Tax

September 16, 2021



Introduction – the State grants the choice:

The State of South Carolina gives local jurisdictions the option to enact a Local Option Sales Tax (LOST).

- State law prescribes the process how to hold a referendum for the public to choose to enact this tax.
- State law prescribes certain requirements on how the proceeds of the tax should be allocated.
- Although the majority of the proceeds would be for property tax relief, each jurisdiction has some discretion in the allocation of the proceeds.

Introduction – where did the numbers come from?

The following slides are an illustration of the estimated potential of what LOST could mean to the area.

- We applied the local option sales tax state law to the sales tax data obtained from the *updated* SC Department of Revenue amounts.
- Calculations of the estimates followed the specifics within the law; estimating the property tax credit and county/municipal revenue fund.
- The sales tax data for Beaufort County and the Municipal governments within the County was obtained from SC Department of Revenue research.
- The credits apply to Real, Personal and Commercial Property.

The SC Department of Revenue has estimated annual LOST collections to be \$48,587,364 – split among these jurisdictions:

		Dept of Revenue	
		Estimated	
		Collections	Collections
			Ratio
Beaufort County		13,728,625	28.2556%
Beaufort		8,581,837	17.6627%
Bluffton		6,990,949	14.3884%
Hilton Head		18,478,356	38.0312%
Port Royal		806,634	1.6602%
Yemassee		963	0.0020%
Hardeeville		-	0.0000%
Total		48,587,364	100.0000%

State law provides the first 5% of annual collections are kept by the State for other jurisdictions

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From the estimated collections:				
Beaufort County Total				\$ 48,587,364
"Robin Hood" provision to the State				(2,429,368)
Net Collections available to County and Municipalities				46,157,996

State law then provides 71% of collections to property tax relief:

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Net Collections available to County and Municipalities	\$	46,157,996
71 % goes to property tax relief		71%
Property tax relief	\$	32,772,177

State law then provides the \$32,772,177 property tax relief is further split:

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Property tax relief is further split by:

County 67% **\$ 21,957,359**

Municipalities 33% **\$ 10,814,818**

Total Property Tax Relief **\$ 32,772,177**

State law then provides the \$10,814,818 municipal property tax relief is further split by population(these are last census numbers):

	Population	Population Ratio	Municipal Property Tax Relief
Beaufort	12,361	16.9%	1,827,505
Bluffton	12,893	17.6%	1,906,158
Hilton Head	37,099	50.7%	5,484,880
Port Royal	10,678	14.6%	1,578,683
Yemassee	119	0.2%	17,593
Hardeeville	-	0	-
	<hr/>		
Total	<u>73,150</u>	<u>100.0%</u>	<u>10,814,818</u>

State law then provides 50% of the 29% (the non-property tax relief amounts -- or 50% x \$13,385,818 = \$6,692,909) is further split between the jurisdictions by population:

Jurisdiction	Weighted Population	Split by Population
Beaufort County	162,233	4,612,953
Beaufort	12,361	351,474
Bluffton	12,893	366,601
Hilton Head	37,099	1,054,878
Port Royal	10,678	303,620
Yemassee	119	3,384
Hardeeville	-	-
Total	235,383	6,692,909

State law then provides 50% of the 29% (the non-property tax relief amounts -- or 50% x \$13,385,818 = \$6,692,909) is further split between the jurisdictions by location of sale or collections:

Jurisdiction	Estimated Collections	Split by Collections
Beaufort County	13,042,194	1,891,118
Beaufort	8,152,745	1,182,148
Bluffton	6,641,402	963,003
Hilton Head	17,554,438	2,545,394
Port Royal	766,302	111,114
Yemassee	915	133
Hardeeville	-	-
Total	46,157,996	6,692,909

To summarize the split of the 29% that is not required for property tax relief:

Jurisdiction Totals	Split by Collections	Split by Population	Total for each Jurisdiction to spend
Beaufort County	1,891,118	4,612,953	6,504,070
Beaufort	1,182,148	351,474	1,533,622
Bluffton	963,003	366,601	1,329,604
Hilton Head	2,545,394	1,054,878	3,600,271
Port Royal	111,114	303,620	414,733
Yemassee	133	3,384	3,516
Hardeeville	-	-	-
Total	6,692,909	6,692,909	13,385,818

Note: Each legislative body would choose how to apply these funds.

To summarize the totals of the categories:

Summary		
State	\$ 2,429,368	5.0%
County Tax Relief	\$ 21,957,359	45.2%
Municipal Tax Relief	\$ 10,814,818	22.3%
Jurisdictions	\$ 13,385,819	27.6%
	<u>\$ 48,587,364</u>	<u>100.0%</u>

Another way to look at this by jurisdiction/ by category of split:

	State	County Tax Relief	Municipal Tax Relief	Split by Collections	Split by Population	Total by Jurisdiction	Percentage by Jurisdiction
State	2,429,368	-	-	-	-	2,429,368	5.0%
Beaufort County	-	21,957,359	0	1,891,118	4,612,953	28,461,430	58.6%
Beaufort	-	-	1,827,505	1,182,148	351,474	3,361,127	6.9%
Bluffton	-	-	1,906,158	963,003	366,601	3,235,762	6.7%
Hilton Head	-	-	5,484,880	2,545,394	1,054,878	9,085,151	18.7%
Port Royal	-	-	1,578,683	111,114	303,620	1,993,416	4.1%
Yemassee	-	-	17,593	133	3,384	21,110	0.0%
Hardeeville	-	-	-	-	-	-	0.0%
Total	2,429,368	21,957,359	10,814,819	6,692,909	6,692,909	48,587,364	100.0%

Another way to look at this, the annual \$48,587,364 is split by:

	State	County Tax Relief	Municipal Tax Relief	Split by Jurisdiction	Total by Jurisdiction
State	2,429,368	-	-	-	2,429,368
Beaufort County	-	21,957,359	-	6,504,071	28,461,430
Beaufort	-	-	1,827,505	1,533,622	3,361,127
Bluffton	-	-	1,906,158	1,329,604	3,235,762
Hilton Head	-	-	5,484,880	3,600,271	9,085,151
Port Royal	-	-	1,578,683	414,733	1,993,416
Yemassee	-	-	17,593	3,516	21,110
Hardeeville	-	-	-	-	-
Total	2,429,368	21,957,359	10,814,818	13,385,819	48,587,364

The County tax relief would be allocated approximately based on appraised values:

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Beaufort County -- outside municipalities	17,648,532,756	37.2%
Beaufort	2,595,803,777	5.5%
Bluffton	6,473,096,339	13.6%
Hilton Head	19,623,981,388	41.3%
Port Royal	1,096,468,050	2.3%
Yemassee	23,636,060	0.0%
Hardeeville	27,037,670	0.1%
Total Beaufort County	47,488,556,040	100.0%

The estimated Town tax relief:

<u>Estimate</u>	<u>Town of Hilton Head</u>
Projected Sales Tax Revenue	\$ 5,484,880
Appraised Values	19,623,981,388
LOST Credit Factor	0.0279%
Appraised Value	\$ 350,000
Lost Credit	\$ 97.82
4% Assessment	\$ 14,000
Municipal Millage Rate	23.10
County Millage Rate	64.20
Property Taxes - Municipal	\$ 323.40
Property Taxes - County	\$ 898.80
Total Current Taxes	\$ 1,222.20
Municipal LOST Credit	(97.82)
County LOST Credit	<u>(435.45)</u>
New Property Tax	<u><u>\$ 688.93</u></u>
Estimated Total Tax Credit	<u><u>\$ (533.27)</u></u>

The Town may choose to allocate some or all of the Municipal Revenue for additional Town tax relief :

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	Required	Optional	Total
Credit to HHI property owners	5,484,880	3,600,271	9,869,873
Appraised value	19,623,981,388	19,623,981,388	19,623,981,388
Credit Factor	0.027949882%	0.018346283%	0.050294956%

The tax relief compared to other jurisdictions:

<u>Estimate</u>	<u>Beaufort County</u>	<u>Town of Hilton Head</u>	<u>Town of Bluffton</u>	<u>City of Beaufort</u>	<u>Town of Port Royal</u>	<u>City of Yemassee</u>	<u>City of Hardeeville</u>
Projected Sales Tax Revenue	\$ 21,957,359	\$ 5,484,880	\$ 1,906,158	\$ 1,827,504	\$ 1,578,682	\$ 17,594	\$ 17,594
Appraised Values	17,648,532,756	19,623,981,388	6,473,096,339	2,595,803,777	1,096,468,050	23,636,060	27,037,670
LOST Credit Factor	0.1244%	0.0279%	0.0294%	0.0704%	0.1440%	0.0744%	0.0651%
Appraised Value	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000	\$ 350,000
Lost Credit	\$ 435.45	\$ 97.82	\$ 103.07	\$ 246.41	\$ 503.93	\$ 260.53	\$ 227.75
4% Assessment	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Municipal Millage Rate	-	23.10	38.50	79.30	74.00	66.60	114.00
County Millage Rate	64.20	64.20	64.20	64.20	64.20	64.20	64.20
Property Taxes - Municipal	\$ -	\$ 323.40	\$ 539.00	\$ 1,110.20	\$ 1,036.00	\$ 932.40	\$ 1,596.00
Property Taxes - County	\$ 898.80	\$ 898.80	\$ 898.80	\$ 898.80	\$ 898.80	\$ 898.80	\$ 898.80
Total Current Taxes	\$ 898.80	\$ 1,222.20	\$ 1,437.80	\$ 2,009.00	\$ 1,934.80	\$ 1,831.20	\$ 2,494.80
Municipal LOST Credit	-	(97.82)	(103.07)	(246.41)	(503.93)	(260.53)	(227.75)
County LOST Credit	(435.45)	(435.45)	(435.45)	(435.45)	(435.45)	(435.45)	(435.45)
New Property Tax	\$ 463.35	\$ 688.93	\$ 899.28	\$ 1,327.14	\$ 995.42	\$ 1,135.22	\$ 1,831.60
Estimated Total Tax Credit	\$ (435.45)	\$ (533.27)	\$ (538.52)	\$ (681.86)	\$ (939.38)	\$ (695.98)	\$ (663.20)

Sample calculations for median home value:

Estimate	Property	Optional	Total
Projected Sales Tax Revenue	5,484,880	3,600,271	9,085,151
Appraised Values	19,623,981,388	19,623,981,388	19,623,981,388
LOST Credit Factor	0.0279498838%	0.0183462822%	0.0462961660%
Appraised Value	350,000	350,000	350,000
Lost Credit	97.82	64.21	162.04
4% Assessment	14,000	14,000	14,000
Municipal Millage Rate	23.1	23.1	23.1
County Millage Rate	64.2	64.2	64.2
Property Taxes - Municipal	323.4	323.4	323.4
Property Taxes - County	898.8	898.8	898.8
Total Current Taxes	1,222.20	1,222.20	1,222.20
Municipal LOST Credit	(97.82)	(64.21)	(162.04)
County LOST Credit	(435.45)	-	(435.45)
New Property Tax	688.93	1,157.99	624.71
Estimated Total Tax Credit	(533.27)	(64.21)	(597.49)

Sample calculations for median home value:

Estimate	Property	Optional	Total
Projected Sales Tax Revenue	5,484,880	3,600,271	9,085,151
Appraised Values	19,623,981,388	19,623,981,388	19,623,981,388
LOST Credit Factor	0.0279498838%	0.0183462822%	0.0462961660%
Appraised Value	471,000	471,000	471,000
Lost Credit	131.64	86.41	218.05
4% Assessment	18,840	18,840	18,840
Municipal Millage Rate	23.1	23.1	23.1
County Millage Rate	64.2	64.2	64.2
Property Taxes - Municipal	435.204	435.204	435.204
Property Taxes - County	1209.528	1209.528	1209.528
Total Current Taxes	1,644.73	1,644.73	1,644.73
Municipal LOST Credit	(131.64)	(86.41)	(218.05)
County LOST Credit	(585.99)	-	(585.99)
New Property Tax	927.10	1,558.32	840.69
Estimated Total Tax Credit	(717.63)	(86.41)	(804.04)

Sample calculations for other properties:

Estimate	-----Primary home 4%-----		6%	10%
	Property	Property	Property	Property
Projected Sales Tax Revenue	5,484,880	5,484,880	5,484,880	5,484,880
Appraised Values	19,623,981,388	19,623,981,388	19,623,981,388	19,623,981,388
LOST Credit Factor	0.0279498838%	0.0279498838%	0.0279498838%	0.0279498838%
Appraised Value	350,000	471,000	800,000	1,000,000
Lost Credit	97.82	131.64	223.60	279.50
4% Assessment	14,000	18,840	48,000	100,000
Municipal Millage Rate	28.1	28.1	28.1	28.1
County Millage Rate	64.2	64.2	64.2	64.2
Property Taxes - Municipal	393.40	529.40	1,348.80	2,810.00
Property Taxes - County	898.80	1,209.53	3,081.60	6,420.00
Total Current Taxes	1,292.20	1,738.93	4,430.40	9,230.00
Municipal LOST Credit	(97.82)	(131.64)	(223.60)	(279.50)
County LOST Credit	(435.45)	(585.99)	(995.32)	(1,244.15)
New Property Tax	758.93	1,021.30	3,211.48	7,706.35
Estimated Total Tax Credit	<u>(533.27)</u>	<u>(717.63)</u>	<u>(1,218.92)</u>	<u>(1,523.65)</u>

Up to what level sales tax purchases will be breakeven?

Estimate	-----Primary home 4%-----		6%	10%
	<u>Property</u>	<u>Property</u>	<u>Property</u>	<u>Property</u>
Appraised Value	350,000	471,000	800,000	1,000,000
Estimated Total Tax Credit	<u>(533.27)</u>	<u>(717.63)</u>	<u>(1,218.92)</u>	<u>(1,523.65)</u>
Breakeven Sales Tax Purchases	<u>\$ 53,327</u>	<u>\$ 71,763</u>	<u>\$ 121,892</u>	<u>\$ 152,365</u>

Staff is recommending Town Council adopt a resolution to:

1. Recognize state law requires at least 71% of the proceeds will be used for property tax relief.
2. Pledge 100% of the Town's proceeds to go toward property tax relief -- for the first four years.
3. Allow future Town Councils to decide future uses in accordance with State Law (which requires at least 71% to property tax relief).
4. Give the people of Beaufort County the opportunity to join the other 32 of 46 counties that already utilize this property tax relief.
5. Support diversification of revenues to make the Town more resilient.
6. Provide information to voters through a regional municipal initiative about the facts of this ballot question.

Comments or Questions?