

**TOWN OF HILTON HEAD ISLAND
ACCOMMODATIONS TAX ADVISORY COMMITTEE**

Date: August 25, 2010 **Time:** 9:00 a.m.

Members Present: Willis O. Shay; *Chairman*, John Diamond; *Vice-Chairman*, Michael A. Keskin, John Munro, Bret Martin, Frank Soule, Jason Presley

Members Absent: None

Staff Present: Susan Simmons; *Director of Finance*, Greg DeLoach; *Assistant Town Manager*, Steven Markiw; *Deputy Finance Director*, Debra Cyrilla; *Accounting Specialist*

Others Present: Bill Ferguson; *Councilman*, William Harkins; *Councilman*, Kim Likins, Pamela June, Barry Bryant; *Main Street Youth Theater*, Susan Thomas, Ray Deal, Dave Zunker; *Hilton Head Island-Bluffton Chamber of Commerce*, Ann-Marie Adams; *Hilton Head Hospitality Association*

Media: Tom Barton; *Island Packet*

1. Call to Order:

The meeting was called to order at 9:05 a.m.

2. FOIA Compliance:

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Minutes:

Mr. Martin moved to approve the Minutes of July 7, 2010. Mr. Keskin seconded the motion. The Motion passed unanimously. (7-0)

4. Chairman's Report:

Mr. Shay introduced Jason Presley, the new member of the Accommodations Tax Advisory Committee, and then reviewed the purpose of the meeting.

5. Unfinished Business: None

6. New Business:

a. Presentation of request for supplemental funding for the 2010 season by Main Street Youth Theater.

Kim Likins, Pam June and Barry Bryant spoke on behalf of the Main Street Youth Theater and explained the details of their move into a new facility. They have moved from the building that they had been leasing on Main Street to a new facility on New Orleans Road, where they will provide educational classes, rehearsals and set building/storage. Performances are being presented at other venues including the VPAC at Hilton Head High School and at Shelter Cove in the Band Shell. They are saving

approximately \$6,000 per month on rent and related expenses as a result of the move. This figure does not include the cost of rent for shows. Those costs are on a per show basis. However, the overall cost savings is considerable and MSYT is more financially stable as a result of the move.

They explained how they have used the funds that have been recently received from the Gallagher estate bequest and the Judy Gallagher endowment. Those funds will not be used for operating expenses.

Committee Members commended MSYT for the fine work they have done with the Theater. Mr. Martin made a motion to allocate \$22,714 to Main Street Youth Theater as a supplement to the previously awarded grant. Mr. Diamond seconded the motion. The Motion passed unanimously.(7-0)

b. Report from the VCB on tourist activity and projected accommodations revenue for the first six months of 2010.

Susan Thomas of the VCB explained to the Committee how the VCB calculates the number of visitors to Hilton Head Island and how those numbers impact the amount of accommodations tax dollars collected. They did a visitor profile in 2009 and 2010, collecting data on visitors to the island and where they stay. The information was divided into five groups; hotels, home/villa rentals, timeshares, second homeowners/guests and day visitors, using the same formula for both years. Using that data the VCB estimates the number of home/villa rental units that are not submitting accommodations taxes to be approximately 2,055 units. That figure indicates that a significant amount of revenue is not being collected on both a state and local level. The Committee asked Susan Simmons if she would contact the State of South Carolina and request the amount of accommodations tax revenue collected each month for both 2009 and 2010 from the Town of Hilton Head Island, Charleston and Myrtle Beach. The revenues from Hilton Head Island can then be compared to what was actually received and what the VCB has projected those figures could be.

c. Report from Susan Simmons on the progress of identifying and tracking rentals of homes and villas by owners who do not collect or remit applicable taxes.

Susan Simmons reported that the Revenue and Collections Department is building their data base on rental properties. Based on what was reported by the VCB, it appears that they are approximately halfway to completion of building that data base. They have researched and identified the rental companies on the island and have brought the majority of them into compliance. The Deputy Finance Director, Steven Markiw is currently cross-checking the information gained from rental companies and Beaufort County tax records to build that data base. He has identified 64 properties that may have business license issues. After the data base is completed they intend to do a sample audit with current staff before recommending any staff additions to Town Council. They intend to audit 100 properties advertised on various websites, from 4 different areas on the island, to determine if those properties are listed with a rental agency or rented only by the owners. From that information they will determine if taxes are being remitted for those properties. Using two staff members, it is estimated to take 3 weeks for that part of the audit. Ms. Simmons added that new revenue codes are also

being established for the Town's system to track what is being collected as a result of this recovery effort. Mr. Shay asked what the penalty was for not remitting accommodations taxes. Ms. Simmons informed the committee that locally the penalty is 5% per month. Failure to obtain a business license is 5% of the business license fee per month. The Town does issue citations and also has the ability to close a business for failure to pay.

7. Adjournment:

Mr. Martin moved to adjourn the meeting. Mr. Diamond seconded the Motion. The meeting was adjourned at 11:10 a.m.

Approved: 10-18-2010

Respectfully submitted:

Willis O. Shay, Chairman

Debra Cyrilla, Secretary