



Town of Hilton Head Island
TOWN COUNCIL SPECIAL MEETING
Thursday, September 16, 2021, 9:30 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 8:00 a.m. Thursday, September 16, 2021. Citizens may also submit written comments concerning this item via the Town's Open Town Hall Portal. The portal will also close at 8:00 a.m. Thursday, September 16, 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: _____