

PUBLIC DRAFT

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Comments Due by: **October 10, 2025**

SC REVENUE RULING #25-XX [PUBLIC DRAFT – 9/18/2025]

SUBJECT: Paying Project Debt using a Capital Project Sales Tax
(Local Option Sales Tax)

REFERENCES: Capital Project Sales Tax Act, S.C. Code Ann. § 4-10-300, et seq.

AUTHORITY: S.C. Code Ann. Section 12-4-320 (2014)
S.C. Code Ann. Section 1-23-10(4) (2005)
SC Revenue Procedure #09-3

SCOPE: The purpose of a Revenue Ruling is to provide guidance to the public. It is an advisory opinion issued to apply principles of tax law to a set of facts or general category of taxpayers. It is the Department's position until superseded or modified by a change in statute, regulation, court decision, or another Department advisory opinion.

INTRODUCTION:

The Capital Project Sales Tax Act ("Act") authorizes counties to impose a local option sales and use tax, the Capital Project Sales Tax ("CPST"), to fund specific capital projects within the county. This ruling addresses whether a county may use CPST revenue to reimburse expenses incurred prior to the approval of a CPST referendum; specifically general obligation bond debt and advanced payments from the county's general fund, and whether a county may limit the use of revenue generated from a CPST to project costs incurred, or bonds, issued following the referendum.

LAW AND ANALYSIS:

The Act allows a county to impose a sales and use tax not to exceed 1% if the county's governing body enacts an ordinance and the voters approve the ordinance in a referendum. S.C. Code Ann. § 4-10-310. The CPST must be for a specific purpose and for a limited amount of time. *Id.* A county may use CPST revenue to pay for projects authorized by the ordinance or to defray debt on bonds issued pursuant to the Act. S.C. Code Ann. §§ 4-10-310 and 330. A county may use a CPST to fund the following types of projects:

- (a) highways, roads, streets, bridges, and public parking garages and related facilities;
- (b) courthouses, administration buildings, civic centers, hospitals, emergency medical facilities, police stations, fire stations, jails, correctional facilities, detention facilities, libraries, coliseums, educational facilities under the direction of an area commission for technical education, or any combination of these projects;
- (c) cultural, recreational, or historic facilities, or any combination of these facilities;

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- (d) water, sewer, or water and sewer projects;
- (e) flood control projects and storm water management facilities;
- (f) beach access and beach renourishment;
- (g) dredging, dewatering, and constructing spoil sites, disposing of spoil materials, and other matters directly related to the act of dredging;
- (h) jointly operated projects of the county, a municipality, special purpose district, and school district, or any combination of those entities, for the projects delineated in subitems (a) through (g) of this item;
- (i) any combination of the projects described in subitems (a) through (h) of this item;

S.C. Code Ann. § 4-10-330(A)(1).

The South Carolina Department of Revenue (the “Department”) is tasked with administering and collecting the CPST “in the same manner that other sales and use taxes are collected.” S.C. Code Ann. § 4-10-350. The Department has full authority to administer and enforce the provisions of the Sales and Use Tax Code. S.C. Code Ann. § 12-36-2660. The Department has “extensive administrative, oversight, and enforcement responsibilities” related to local option sales tax. *Richland Co. v. Dep’t of Revenue*, 422 S.C. 292, 306, 811 S.E.2d 758, 766. Accordingly, in addition to the Department’s responsibility to collect revenue generated by a CPST, the Department has a statutory duty to ensure that a county’s expenditures of CPST revenue comply with the Act.

In some cases, a county may begin work on a project prior to a referendum passing a CPST. To fund the project, the county may issue general obligation bonds or advance payments from its general fund, to be reimbursed by the later approved CPST. A county may also fund the project only for project costs incurred after a CPST is passed.

The Act does not prohibit the use of CPST revenue to pay debt on general obligation bonds¹, to reimburse the general fund, or defray debt on bonds issued following the approval of the CPST. However, a county must specify in the ordinance certain details regarding the CPST, including:

¹General obligation bonds may be issued by counties pursuant to The County Bond Act, codified in S.C. Code Ann. § 4-15-10, et seq. Because the Department does not administer or enforce the provisions of The County Bond Act, and for purposes of simplifying the discussion herein, this ruling will not discuss the requirements for a county to issue general obligations. Counties should refer directly to The County Bond Act for any guidance regarding general obligation bonds.

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1. The purpose for which the county intends to use the CPST revenue, including the projects to be funded²;
2. Whether the county intends to issue bonds to provide for the payment of any costs of the projects, the maximum amount of bonds to be issued, whether the county intends to pledge the CPST revenue to the payment of the bonds and, if other sources of revenue are to be used for the projects, details of these other sources³;
3. The maximum cost of the project or facilities, or portion of facilities, to be funded from CPST revenue⁴; and
4. If a county seeks to impose a CPST for more than one purpose, the priority in which it intends to use the CPST in the ordinance.⁵

In addition to these statutorily mandated details, the Department recommends that any county wishing to use CPST revenue to pay off prior debt service or reimburse the general fund, as described herein, also include that information in the project description in the ordinance and in the referendum.

CONCLUSION:

The Act does not prohibit a county from using revenue generated by a CPST to defray debt on general obligation bonds used to fund an approved project prior to a referendum passing a CPST. Nor does the Act prohibit a county from using CPST revenue to reimburse its general fund for payments made prior to an approved CPST or prior to issuing bonds pursuant to an approved CPST. Lastly, the Act does not prohibit a county from utilizing CPST revenue to pay for costs, or for debt on bonds issued pursuant to the CPST, incurred after the approval of the CPST. However, a county must comply with all provisions of the Act as set forth herein.

² S.C. Code Ann. § 4-10-330(A)(1).

³ A county cannot issue bonds which are authorized solely under the Act without first seeking the required referendum. S.C. Code Ann. § 4-10-330(A)(3)(a). The bonds discussed in this ruling as the bonds issued prior to the required CPST referendum are general obligation bonds issued under The County Bond Act.

⁴ S.C. Code Ann. § 4-10-330(A)(3)(b).

⁵ S.C. Code Ann. § 4-10-330(B).