



SC REVENUE RULING #88-2

SUBJECT: Accommodations Tax - Golf Packages

EFFECTIVE DATE: February 25, 1988

SUPERSEDES: All previous documents and any oral directives in conflict herewith.

REFERENCE: S.C. Code Ann. Section 12-35-710 (Amended 6-2-87)

AUTHORITY: S.C. Code Ann. Section 12-3-170 (1976)
SC Revenue Procedure #87-3

SCOPE: A Revenue Ruling is the Commission's official interpretation of how tax law is to be applied to a specific set of facts. A Revenue Ruling is public information and remains a permanent document until superseded by a Regulation or is rescinded by a subsequent Revenue Ruling.

Question:

As a result of the amendment to Section 12-35-710, effective June 22, 1987, how should the accommodations tax be applied to hotel golf packages, which include lodging, greens fees, and a meal for one price?

Facts:

Effective June 22, 1987, Section 12-35-710 was amended to exclude "meals and other special items in promotional tourist packages or the rental of meeting rooms" from the 2 percent accommodations tax.

Discussion:

The four percent tax on accommodations furnished transients was enacted in 1955 (Act 234). That act, now codified as Section 12-35-1120, presently imposes the sales, use or license tax on the "gross proceeds derived from the rental or charges for...accommodations furnished to transients."

In 1984 (Act 412 effective July 1, 1984) the Education Improvement Act (EIA) imposed an additional one percent tax on accommodations. That act was codified as Section 12-35-515.

Pursuant to Act 316 of 1984, Section 12-35-710 became effective July 1, 1984. This section "imposed an additional sales tax of 2 percent of the gross proceeds from the rental of transient accommodations...." It also required that the tax under Sections 12-35-1120 (4 %), 12-35-515 (1%) and 12-35-710 (2%) be "billed and paid in a single tax item listed as `tax' without itemizing the two taxes as separate items."

Previously, when a one-price tourist package for golf was billed to a guest, the hotel was required to remit the tax based on 7 % of the total package. The new provision now excludes "meals and other special items" from the 2% accommodations tax and requires a new method of calculating the tax.

As an example, the customer's invoice may show:

Room Rental	\$26.00
Golf Package	20.86
Tax	<u>2.14</u>
Total Due	\$49.00

However, the hotel should maintain the following breakdown for this package in its records:

One Day Room/Golf Package *

Room Rental	\$26.00
(A) Tax (7%)	1.82
Breakfast	5.50
Mandatory Gratuity	.83
(B) Tax (5%)	.32
Greens Fee	<u>14.53</u>
Total Due	\$49.00

* Prices Effective: Sept. 1, 1987 to Dec. 31, 1987

Each breakdown, as shown above, should indicate the effective dates of the package items and related charges. The tax noted as (A) is the 7 % tax on the room rental. The tax noted as (B) is the 5% sales tax on the meal and mandatory gratuity. Charges for greens fees are not subject to the sales tax, however, they are subject to the admissions tax.

The sales tax on meals and gratuities is imposed on the hotel only if the hotel provides the meals. If the hotel contracts with an independent restaurant to provide meals, then the independent restaurant will be held liable for the sales tax. In our example, assuming the hotel did not have a restaurant, the amounts charged for breakfast and gratuities (\$6.33) should be collected by the hotel and "passed through" to the restaurant.

The same would be the case for greens fees (\$14.53) charged by an independent golf course. The golf course would be held liable for the admissions tax, not the hotel.

Conclusion:

In summary, the components of the package should be predetermined and maintained on file by the hotel. In cases where the hotel contracts with an independent restaurant and/or golf course, the amounts shown on the "Room/Golf Package" breakdown for meals and greens fees must be "pass throughs" and equal the amounts paid by the hotel to the restaurant and/or golf course. (Feb. 25, 1988)

SOUTH CAROLINA TAX COMMISSION

s/S. Hunter Howard, Jr.
S. Hunter Howard, Jr., Chairman

s/John M. Rucker
John M. Rucker, Commissioner

s/A. Crawford Clarkson Jr.
A. Crawford Clarkson, Jr., Commissioner

Columbia, South Carolina
February 25, 1988