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HOUSE OF REPRESENTATIVES
COMMITTEE ON
TOURISM
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: HB 277

RELATING TO: Local Option Tourist Development Taxes

SPONSOR(S): Representative Saunders

STATUTE(S) AFFECTED: Section 125.0104, Florida Statutes, 1996 Supplement

COMPANION BILL(S): CS/SB 402 (S)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) TOURISM
(2) FINANCE & TAXATION
(3)
(4)
(5)

I. SUMMARY:

House Bill 277 expands the authorized uses of local option tourist development tax revenues under s. 125.0104, F.S., 1996 Supplement. The amended language allows counties to use such revenues to fund or finance the purchase of publicly owned and operated beach parking facilities or beach access areas. Additionally, the revenues can be used to fund or finance the construction, enlargement, remodeling, repair or improvement of existing publicly owned and operated beach parking facilities or beach access areas.

House Bill 277 takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

Currently, s. 212.03, F.S., imposes a 6 percent tax for transient rentals on persons who rent, lease, or let sleeping or housekeeping accommodations in a hotel, apartment house, rooming house, or tourist or trailer camp. The tax does not apply where there is a written lease in excess of 6 months or to a person who continuously resides for more than 6 months. Other exemptions exist for full-time students in postsecondary education and for military personnel.

Section 125.0104, F.S., 1996 Supplement, is known as the Local Option Tourist Development Act. The taxable privilege described by legislative intent in subsection (3) relates to the renting, leasing or letting for consideration of "transient rentals". Transient rentals are described in this section as living quarters or accommodations in any hotel, apartment hotel, motel, resort motel, apartment, apartment motel, rooming house, mobile home park, recreational vehicle park, or condominium for a term of 6 months or less. This act authorizes certain counties to levy a tourist development tax of 1 percent or 2 percent on transient rentals, in addition to the tax imposed on such rentals by Chapter 212, F.S. After 3 years of collecting the 1 percent or 2 percent tax, the governing board of the county (by extraordinary vote) may elect to impose an additional 1 percent tax on transient rentals.

Section 125.0104(5)(a), F.S., 1996 Supplement, dictates that the revenues from these taxes may be used for four designated purposes.

1. To acquire, construct, extend, enlarge, remodel, repair, improve, operate and promote one or more publicly owned and operated convention centers, sports stadiums, sports arenas, coliseums, or auditoriums, or museums within the county or subcounty special taxing district levying the tax and to secure or liquidate bonds for these purposes (counties may let service contracts to certain qualified lessors to provide for the operation of such facilities);

2. To promote and advertise tourism in the state, nationally, and internationally;

3. To fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus as county agencies or by contract with the chambers of commerce or similar associations in the county; or

4. To finance beach park facilities or beach improvement, maintenance, renourishment, restoration, and erosion control, including shoreline protection, enhancement, cleanup, or restoration of inland lakes and rivers to which there is public access and to secure revenue bonds for these purposes.

Paragraph (b) of subsection (5) provides that counties with less than 600,000 in population which are imposing a tourist development tax may use the revenues of that tax to acquire, construct, generally improve, or promote zoos, fishing piers or nature centers. Those entities must be owned and operated publicly or by a not-for-profit corporation and open to the public.

Paragraph © of subsection (5) authorizes counties to use the tax revenues to fund or refund bonds issued for the revenue uses authorized in subparagraphs (a)1. and 4. However, counties may only pledge up to 50 percent of their tourist tax revenues to fund or refund bonds issued for the purposes enumerated in subparagraph (a)4.

Paragraph (d) of subsection (5) provides that tax revenues may not be used for purposes that are not expressly authorized in the provisions of s. 125.0104(3)(l) and (o), and (5)(a),(b) and (c), F.S., 1996 Supplement.

Currently, there are 41 counties in Florida which have elected to levy local option tourist development taxes. Most of the revenues from this tax are spent by the counties on advertising and promotion and on convention centers. There are several other specific opportunities (tied to certain conditions and authorized revenue uses) that exist within s. 125.0104, F.S., 1996 Supplement, for counties to levy additional taxes on transient rentals.

As reported in the Committee on Tourism's *1997 Report on Tourist Related Taxes*, there are currently 16 out of 41 local option tourist development tax levying counties which use a portion of their tax revenues for beach or shoreline related expenses. The percentages used for these purposes range from 3 to 90 percent of available revenues.

B. EFFECT OF PROPOSED CHANGES:

This bill amends subsection (5) of s. 125.0104, F.S., 1996 Supplement, by expanding the authorized uses of local option tourist development tax revenues. The amended language allows counties to use such revenues to fund or finance the purchase of publicly owned and operated beach parking facilities or beach access areas. Additionally, the revenues can be used to fund or finance the construction, enlargement, remodeling, repair or improvement of existing publicly owned and operated beach parking facilities or beach access areas.

C. APPLICATION OF PRINCIPLES:

1. <u>Less Government:</u>

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Local governments will be able to use local option tourist tax revenues for public beach-related projects which, under current law, would have to be funded from other county resources.

(2) what is the cost of such responsibility at the new level/agency?

The statutory change provided in this bill will not alter the local option tourist development tax collection costs currently borne by county governments or the Department of Revenue.

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

   a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

      No.

   b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

      No.

4. Individual Freedom:

   a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

      No.

   b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

      No.

5. Family Empowerment:

   a. If the bill purports to provide services to families or children:

      (1) Who evaluates the family's needs?

          N/A

      (2) Who makes the decisions?

          N/A

      (3) Are private alternatives permitted?

          N/A

      (4) Are families required to participate in a program?

          N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION ANALYSIS:

Does not require section by section analysis.

III. <u>FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT</u>:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. <u>Non-recurring Effects</u>:

None.

2. <u>Recurring Effects</u>:

None.

3. <u>Long Run Effects Other Than Normal Growth</u>:

None.

4. Total Revenues and Expenditures:

   none.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

   None.

2. Recurring Effects:

   Local county governments that are currently committing general fund county revenues to beach-related expenditures could free such funds for other uses if tourist development tax revenues are used for beach-related expenditures.

3. Long Run Effects Other Than Normal Growth:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   None.

2. Direct Private Sector Benefits:

   None.

3. Effects on Competition, Private Enterprise and Employment Markets:

   Luring tourists and their dollars to an area is a highly competitive activity. Counties which reallocate tourist development tax revenues from advertising and promotion to beach-related expenditures, although enhancing their product, could experience a loss of tourist market share due to lack of exposure for their area.

D. FISCAL COMMENTS:

   None.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

   This bill does not require counties or municipalities to expend funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority of counties or municipalities to raise revenue.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties and municipalities.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON TOURISM:

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