

STORAGE NAME: h0635a.tu.doc
DATE: January 23, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
TOURISM
ANALYSIS**

BILL #: HB 635
RELATING TO: Tourism Industry Recovery
SPONSOR(S): Representative(s) Johnson
TIED BILL(S): None

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) TOURISM YEAS 5 NAYS 0
- (2) FISCAL POLICY & RESOURCES
- (3) COUNCIL FOR COMPETITIVE COMMERCE
- (4)
- (5)

I. SUMMARY:

HB 635, the "Tourism Industry Recovery Act of 2002", amends s. 125.0104(3)(l), F.S., to provide that the additional local option tourist development tax presently authorized to pay the debt service on bonds to finance the construction, reconstruction, or renovation of a professional sports franchise facility, a retained spring training franchise facility or a convention center and to pay for the planning and design costs incurred prior to the issuance of the bonds, may also be used to promote and advertise tourism. The tax is levied pursuant to an ordinance adopted by a majority vote of the county's governing body. As of February 2001, there were only 13 counties levying the tax out of 47 counties that levy local option tourist development taxes.

The bill also amends s. 125.0104(3)(n), F.S., to provide that the additional tax authorized under this paragraph for bonds for facilities for a new professional sports franchise or a retained spring training franchise may also be used to promote and advertise tourism. In order for a county to levy this tax, it must have first levied the tax authorized under s. 125.0104(3)(l), F.S. The tax is levied pursuant to an ordinance adopted by a majority plus one of the county's governing body. As of February 2001, there were only three counties levying the tax out of 12 counties eligible to levy the tax.

The additional authorized uses of the funds collected under s. 125.0104(3)(l) and (n), F.S., are sunset on July 1, 2004, two years from the July 1, 2002 effective date of the bill.

Although the exact impact on local governments cannot be determined at this time, there is a possible positive impact on the county revenues by increased tourism activity generated by the increased tourism promotion and marketing afforded by the legislation. This impacts not only local businesses but all programs and services of the county which would benefit from increased sales tax, tourist tax, and fuel tax to the area that would be generated by such tourists. Although there is no quantifiable impact on the state, there is a possibility of increased revenues if sales taxes increase because of increased tourist activity to a county and the state.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

The initial concept for levying a local option tourist development tax or “bed tax” was to generate a dedicated source of funds to advertise and otherwise promote the growth of tourism in a specific area in order to fill more hotel and motel beds. The majority of substantive amendments to the original tourist-related tax statutes have been directed at the percentage of taxation and authorized uses of tax revenues.

The primary base on which these taxes are levied is the transient rental trade. A transient rental transaction is described in s. 212.0305, F.S., and s. 125.0104, F.S., as “any payment made by any person to rent, lease, or use for a period of six months or less any living quarters or accommodations in a hotel, apartment hotel, motel, resort motel, apartment, apartment motel, rooming house, tourist or trailer camp, mobile home park, recreational vehicle park, or condominium.”

Counties are authorized to levy five separate tourist development taxes on transient rental transactions pursuant to s. 125.0104, F.S., known as the Local Option Tourist Development Act. Depending on the particular tax, the levy may be authorized by vote of the governing body or referendum approval. Tax rates vary by county depending on a county’s eligibility to levy particular taxes; however, the absolute maximum rate permitted is 6 percent. Generally, the revenues may be used for capital construction of tourist-related facilities, tourist promotion, and beach and shoreline maintenance; however, the authorized uses vary according to the particular levy.

This act authorizes counties by referendum to levy a tourist development tax of 1 or 2 percent. As of February 2001, 47 counties levied the tax and all at the 2 percent rate. After three years of collecting the initial tax, s. 125.0104(3)(d), F.S., provides for an additional 1 percent tourist development tax by the extraordinary vote of the governing board of the county or by referendum approval by the registered electors within the county or subcounty special district. Of the 39 counties eligible to collect the tax on February 2001 only 27 collected the tax.

Each of paragraphs (l) and (n) of s. 125.0104(3), F.S., conditionally provides for the levy of an additional 1 percent tourist development tax. Paragraph (l) authorizes any county to levy an additional 1 percent tax for the purpose of paying the debt service on bonds issued to finance capital costs of professional sports franchise facilities, retained spring training franchise facilities, and convention centers. The tax can also be used to pay the operation and maintenance costs of a

convention center for a period of 10 years or for the life of the bond depending upon when the levy was authorized to pay debt service on bonds for a convention center. The levy of this tax is pursuant to an ordinance adopted by a majority vote of the county's governing body. Currently 13 counties levy the tax under paragraph (l): Brevard, Broward, Duval, Escambia, Hillsborough, Miami-Dade, Okaloosa, Orange, Osceola, Palm Beach, Pinellas, Polk, and St. Lucie.

With the exception of Miami-Dade and Volusia counties, if a county has levied the tax under paragraph (l), then it may levy an additional 1 percent tax. The tax must be levied pursuant to an ordinance adopted by a majority plus one vote of the county's governing body. The proceeds are to pay the debt service on bonds issued to finance professional sports franchise facilities or retained spring training franchise facilities. Of the 12 eligible counties, only three levy the tax (Broward, Duval, and Hillsborough).

C. EFFECT OF PROPOSED CHANGES:

HB 635 amends s. 124.0104(3)(l) and (n), F.S., to expand the options for use of revenues generated under those provisions for counties choosing to levy this local option tourist development tax. Currently, those revenues can only be used for payment of debt service on bonds for professional sports franchise facilities, retained spring training franchise facilities, or convention centers, or for the maintenance and operation of a convention center under certain circumstances. The bill provides that a county can choose to use those funds levied for tourism promotion and marketing as well.

The bill provides counties currently levying the tax that have revenues that have not been bonded to be able to use those resources to assist in tourism marketing and promotion. It also provides other counties not currently levying the tax because of its restricted use to be able to choose to levy the tax because of its expanded revenue use.

The bill sunsets the changes to s. 124.0104(3)(l) and (n), F.S., on July 1, 2004, which is two years from the July 1, 2002 effective date of the bill.

D. SECTION-BY-SECTION ANALYSIS:

See "Effect of Proposed Changes".

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Local governments choosing to impose the local option tourist development taxes under s. 125.0104(3)(l) and (n), F.S., will be able to use this existing revenue source for the promotion and marketing of tourism in their respective areas.

2. Expenditures:

Local governments choosing to impose the local option tourist development taxes under s. 125.0104(3)(l) and (n), F.S., will be able to use this revenue source for funding promotion and marketing of tourism rather than other county funds.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

By increasing tourism promotion and marketing for a county, the private sector will potentially gain additional revenue from increased visitors to an area. This would involve not only tourist attractions, hotels and motels, and restaurants but also retail establishments.

D. FISCAL COMMENTS:

Although the exact impact on local governments cannot be determined at this time, there is a possible positive impact on the county revenues by increased tourism activity generated by the increased tourism promotion and marketing afforded by the legislation. This impacts not only local businesses but all programs and services of the county which would benefit from increased sales tax, tourist tax, and fuel tax to the area that would be generated by such tourists. Although there is no quantifiable impact on the state, there is a possibility of increased revenues if sales taxes increase because of increased tourist activity to a county and the state.

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 or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

STORAGE NAME: h0635a.tu.doc

DATE: January 23, 2002

PAGE: 5

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On January 23, 2002, the Committee on Tourism reported the bill favorably with one amendment which removed the sunset provision of the bill.

VII. SIGNATURES:

COMMITTEE ON TOURISM:

Prepared by:

Staff Director:

Judy C. McDonald

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