HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1203 Tourist Development Taxes
SPONSOR(S): Economic Development & Tourism Subcommittee; Drake
TIED BILLS: **IDEN./SIM. BILLS:** SB 1520

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee	9 Y, 4 N	White	Duncan
2) Finance & Tax Committee			
3) Economic Affairs Committee			

SUMMARY ANALYSIS

The Local Option Tourist Development Act authorizes counties to levy tourist development taxes on transient rentals of living quarters or accommodations, such as hotel stays. The bill authorizes the use of up to ten percent of revenues from existing tourist development taxes to fund public safety services, in coastal counties that:

- Have at least three municipalities.
- Have an estimated population of less than 225,000.
- Generate a minimum of $10 million in annual proceeds from the taxes authorized in 125.0104, F.S.
- Have not received revenues from taxes levied pursuant to s. 125.0108, F.S.

Three counties: Bay, Okaloosa, and Walton meet the requirements of the bill.

The bill specifies that public safety services include emergency medical services or law enforcement services. Reimbursement for these services must be approved by the board of county commissioners (Board). The Board is required to establish requirements for requests for reimbursement and specify procedures for the approval or denial of such requests.

The bill has no fiscal impact on state or local government revenues.

The bill provides an effective date of July 1, 2016.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current Situation

The Local Option Tourist Development Act[1] authorizes counties to levy five separate tourist development taxes on transient rental transactions. Depending on a county's eligibility to levy, the tax rate varies from a minimum of three percent to a maximum of six percent. The levies may be authorized by vote of the county's governing authority or referendum approval. The revenues generated by the tax may be used in various ways to promote tourism, including capital construction of tourism-related facilities. The authorized uses of each local option tax vary according to the particular levy. These taxes are:

- The tourist development tax may be levied at the rate of 1 or 2 percent.[2]
- An additional tourist development tax of 1 percent may be levied by counties who have previously levied a tourist development tax at the 1 or 2 percent rate for at least three years.[3]
- A professional sports franchise facility tax may be levied up to an additional 1 percent.[4]
- An additional professional sports franchise facility tax no greater than 1 percent may be imposed by a county that has already levied the professional sports franchise facility tax.[5]
- A high tourism impact tax may be levied at an additional 1 percent.[6]

Revenues received by a county from a tax levied under s. 125.0104(3)(c) and (d), F.S., must be used for purposes listed in s. 125.0104(5), F.S. These purposes are:

- The acquisition, construction, extension, enlargement, remodeling, repair, or improvement of a publicly owned and operated convention center, sports stadium, sports arena, coliseum, auditorium, aquarium, or a museum that is publicly owned and operated or owned and operated by a not-for-profit organization, or promotion of a zoo.
- Promotion and advertising of tourism in the state.
- Funding of convention bureaus, tourist bureaus, tourist information centers, and news bureaus as county agencies, or by contract with chambers of commerce or similar associations in the county.
- In counties with populations less than 100,000, up to 10 percent of tourist development tax revenues may be used for financing beach park facilities or beach improvement, maintenance, renourishment, restoration, and erosion control.
- In counties with populations less than 750,000, tourist development tax revenue may be used for the acquisition, construction, extension, enlargement, remodeling, repair, or improvement, maintenance, operation, or promotion of zoos, fishing piers, or nature centers which are publicly owned and operated or owned and operated by a not-for-profit organization and open to the public.

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[1] Section 125.0104, F.S.

[2] Section 125.0104(3)(c), F.S. Sixty-two counties levy this tax, all at a rate of 2 percent. Office of Economic & Demographic Research (EDR), Local Option Tourist / Food & Beverage Tax Rates, *available at* http://edr.state.fl.us/Content/local-government/data/county-municipal/ (last visited Jan. 16, 2016).

[3] Section 125.0104(3)(d), F.S. Forty-eight of the 59 eligible counties levy this tax. Florida Revenue Estimating Conference, 2016 Florida Tax Handbook, p. 268.

[4] Section 125.0104(3)(l), F.S. Revenue can be used to pay debt service on bonds for the construction or renovation of professional sports franchise facilities, spring training facilities of professional sports franchises, and convention centers and to promote and advertise tourism. Thirty-nine of the 67 eligible counties levy this additional tax. *Id*.

[5] Section 125.0104(3)(n) F.S. Twenty-four of the 65 eligible counties levy the additional professional sports franchise facility tax. *Id*.

[6] Section 125.0104(3)(m), F.S. Of the seven counties eligible to levy this tax, only Monroe, Orange, Osceola, and Palm Beach levy it. Revenue from this tax may be bonded to finance certain facilities and projects, including financing revenue bonds.

- Securing revenue bonds issued by the county for the acquisition, construction, extension, enlargement, remodeling, repair, or improvement of a publicly owned and operated convention center, sports stadium, sports arena, coliseum, auditorium, aquarium, or a museum or financing beach park facilities or beach improvement, maintenance, renourishment, restoration, and erosion control.

The use of tourist development tax revenue for any purpose not expressly authorized in statute is prohibited.[7]

Section 125.0104(10), F.S., authorizes a county levying taxes on transient rentals to self-administer the tax, if the county adopts an ordinance providing for the local collection and administration of the tax. A county that chooses to self-administer the tax must choose whether to assume all responsibility for auditing the records and accounts of dealers and assessing, collecting, and enforcing payments of delinquent taxes, or to delegate this authority to the Department of Revenue.

Local option tourist taxes are significant revenue sources to Florida's county governments and represent important funding mechanisms for a variety of tourism-related expenditures such as beach and shoreline maintenance, construction of convention centers and professional sports franchise facilities, and tourism promotion.[8]

Proposed Changes

The bill creates s. 125.0104(5)(c), F.S., authorizing certain coastal counties to use up to ten percent of revenues from existing tourist development taxes to fund public safety services, including emergency medical services, as defined in s. 401.107(2), F.S., and law enforcement services as these services are needed to address the impacts related to increased tourism and visitors to an area.

In order to qualify, a coastal county must have a population of less than 225,000; have at least 3 municipalities; and generate a minimum of $10 million in annual proceeds from tourist development taxes. Additionally, the bill prohibits a county from qualifying if it receives revenues from taxes levied from the tourist impact tax found in s. 125.0108, F.S.[9]

Currently, three counties, Bay, and Okaloosa, and Walton, meet the requirements of the bill.[10] The three counties have chosen local administration of the tourist development taxes.[11] Bay and Okaloosa counties impose the tourist development taxes in s. 125.0104, F.S at a total rate of five percent, each, while Walton County imposes tourist development taxes at a total rate of four percent.[12]

For Fiscal Year 2015-2016,[13] the Florida Office of Economic & Demographic Research (EDR) estimates the total taxable sales reported by transient rental facilities to be $355.1 million for Bay County, $304.1 million for Okaloosa County, and $435.9 million for Walton County.

The bill authorizes a board of county commissioners to reimburse expenditures on public safety services, upon the approval of a request for reimbursement, according to the requirements and procedures the Board develops.

B. SECTION DIRECTORY:

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[7] Section 125.0104(5)(d), F.S.

[8] Florida Legislative Committee on Intergovernmental Relations, Issue Brief: Utilization of Local Option Tourist Taxes by Florida Counties in Fiscal Year 2009-10 (December 2009), available at http://edr.state.fl.us/Content/local-government/reports/localopttourist09.pdf (last visited Jan. 16, 2016).

[9] Currently, Monroe county receives revenues from this one percent tax on transient rentals in areas of critical state concern. DOR, Tourist Impact Tax, available at http://dor.myflorida.com/dor/taxes/local_option.html#tourist_impact (last visited Jan. 25, 2016).

[10] EDR, Florida Population by County, *available at* http://edr.state.fl.us/Content/population-demographics/data/ (last visited Jan. 16, 2016). See also, Florida Association of Counties, Florida Cities by County, *available at* http://www.fl-counties.com/about-floridas-counties/florida-cities-by-county (last visited Jan 16, 2016).

[11] EDR, 2015 Local Government Financial Information Handbook, at 242, available at http://edr.state.fl.us/Content/local-government/reports/lgfih15.pdf (last visited Jan. 19, 2016).

[12] *Id*., at 245-246.

[13] The State fiscal year ends June 30. *Id*., at 244.

Section 1: Amends s. 125.0104, F.S., to allow certain coastal counties to use tourist development tax revenue to fund public safety services, including emergency medical services and law enforcement services.

Section 2: Provides an effective date of July 1, 2016.

II. 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:

   None.

2. Expenditures:

   The bill authorizes affected counties to use an existing source of revenue to fund expenditures for public safety services. In the alternative, these services likely would continue to be funded by county general revenue funds.[14]

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

2. Other:

   None

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

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[14] Ad valorem property taxes are a significant source for a county's general revenue fund.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On January 25, 2016, the Economic Development and Tourism Subcommittee adopted one amendment to the bill. The amendment:

- Clarifies that a board of county commissioners of a qualifying county is authorized to approve reimbursements for expenditures on public safety services, including emergency medical services and law enforcement services.
- Limits reimbursements for public safety services to ten percent of the total tourist development tax revenues that are received.
- Directs a board of county commissioners to establish requirements for requests for reimbursement and establish procedures for the approval or denial of such requests.
- Extends applicability to Walton County. The original bill applied to Okaloosa and Bay counties.

This analysis has been updated to reflect the amendment.