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Florida Must Be Careful Not to Regulate or Tax the Hospitality Industry Out of Existence

By

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Florida's restaurant and lodging industry is one of the largest employers in the state. It may not continue to be, however, if overly burdensome regulations or unfair taxes are levied on the hospitality industry.

The Florida Restaurant and Lodging Association (FRLA) represents more than 10,000 restaurants and lodging establishments in the state, and a majority of the FRLA members sell alcoholic beverages. The taxation and regulation of this industry is a major concern of the businesses struggling to survive in these difficult economic times. A review of the news and business media shows you that restaurants and lodging establishments have been hard hit in Florida.

Additionally, the industry has seen insurance and energy costs go up in recent years, while food costs, delivery costs, and labor costs have also skyrocketed.

Current tax revenues of all types relating to the hospitality industry are significantly down. The state's Revenue Estimating Committee and the Department of Revenue can verify tax collections for the hospitality industry are well below expectations.

Simply adding more taxes on top of a struggling and vital Florida industry does not make sense.

Anything done to increase state and local taxes, in turn, increases costs to restaurants and lodging establishments, or their customers, and will have immediate and long-term adverse effects – not just on the FRLA members, but also on our state that depends so mightily on a thriving tourism industry. Simply put, any increase on a product – especially by an increase in taxes, whether

paid directly by the business or passed on to the consumer – will result in fewer purchases, and in these difficult economic times, the state should not add further burdens onto the vital restaurant and lodging industry.

Florida already has one of the highest alcohol excise taxes in the United States. For example, Florida sells significantly less beer than California, but collects millions more in excise tax collections.¹ In fact, Florida collects more in alcoholic beverage taxes than any state but Texas and collects 12% of all such taxes in the nation. Alcoholic beverages are also subject to state and local sales taxes, which are not included in the above data. Increasing taxes on an industry which is dependent upon each of its manufacturing, distribution and retail levels will result in less sales and loss of jobs for Floridians.

In the Senate Finance and Tax Committee's Legislative Analysis of March 26, 2009, it was noted that the beverage tax (General Revenue) revenue forecast would not return to collection levels of Fiscal Year 2007-08, until Fiscal Year 2012-2013, due to declining sales.²

Sometimes a tax, no matter how well intended, has unintended consequences. As such, many businesses will not be able to survive in this economy with an increase in taxes.

A few years ago, a very complex by-the-drink alcohol tax was finally removed from over 23,000 restaurants, retailers and hoteliers.³ The tax (which has been repealed) was known as the Alcoholic Beverage Surcharge, or more simply the "by the drink" tax. The following is a quote from a Senate Staff Analysis and Economic Impact Statement, prepared in 2006, regarding this alcohol tax: "...OPPAGA found that the surcharge is a costly and complicated tax to administer, audit, and enforce, and is burdensome to merchants.....the report found that the surcharge recordkeeping and reporting requirements placed a burden on retailers..."⁴ A series of reports by Florida TaxWatch also urged repealed of the inefficient and counter-productive tax. Considering the reinstatement of similar burdensome, difficult to enforce, and additional new taxes during such hard times just does not make sense for Florida.

During this difficult economic time, Florida's critical restaurant and lodging industry ask that the Legislature not overly regulate or unfairly tax our state's vital hospitality businesses out of existence.

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Florida TaxWatch Research Institute, Inc.

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¹ State & Federal Excise Tax Collections, Beer Institute, 2009

² Senate Finance & Tax Committee Staff Analysis and Economic Statement, March 26, 2009

³ House Bill 7105, Chapter No. 2006-162

⁴ Senate Regulated Industries Committee, Staff Analysis and Economic Impact Statement, March 13, 2006

About Florida TaxWatch

Florida TaxWatch is a statewide, non-profit, non-partisan taxpayer research institute and government watchdog that over its 30-year history has become widely recognized as the watchdog of citizens' hard-earned tax dollars. Its mission is to provide the citizens of Florida and public officials with high quality, independent research and education on government revenues, expenditures, taxation, public policies, and programs, and to increase the productivity and accountability of Florida Government.

Florida TaxWatch's research recommends productivity enhancements and explains the statewide impact of economic and tax and spend policies and practices on citizens and businesses. Florida TaxWatch has worked diligently and effectively to help state government shape responsible fiscal and public policy that adds value and benefit to taxpayers.

This diligence has yielded impressive results: in its first two decades alone, policymakers and government employees implemented three-fourths of Florida TaxWatch's cost-saving recommendations, saving the taxpayers of Florida more than \$6.2 billion -- approximately \$1,067 in added value for every Florida family, according to an independent assessment by Florida State University.

Florida TaxWatch has a historical understanding of state government, public policy issues, and the battles fought in the past necessary to structure effective solutions for today and the future. It is the only statewide organization devoted entirely to Florida taxing and spending issues. Its research and recommendations are reported on regularly by the statewide news media.

Supported by voluntary, tax-deductible memberships and grants, Florida TaxWatch is open to any organization or individual interested in helping to make Florida competitive, healthy and economically prosperous by supporting a credible research effort that promotes constructive taxpayer improvements. Members, through their loyal support, help Florida TaxWatch bring about a more effective, responsive government that is accountable to the citizens it serves.

Florida TaxWatch is supported by all types of taxpayers -- homeowners, small businesses, large corporations, philanthropic foundations, professionals, associations, labor organizations, retirees -- simply stated, the taxpayers of Florida. The officers, Board of Trustees and members of Florida TaxWatch are respected leaders and citizens from across Florida, committed to improving the health and prosperity of Florida.

With your help, Florida TaxWatch will continue its diligence to make certain your tax investments are fair and beneficial to you, the taxpaying customer, who supports Florida's government. Florida TaxWatch is ever present to ensure that taxes are equitable, not excessive, that their public benefits and costs are weighed, and government agencies are more responsive and productive in the use of your hard-earned tax dollars.

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