

# RESEARCH REPORT

Florida  
TaxWatch

April 1996

1114 Thomasville Road ■ P.O. Box 10209 ■ Tallahassee, FL 32302 ■ Phone: (904) 222-5052 ■ Fax: (904) 222-7476

## Florida's Tourism Promotion Effort Could "Eat the State's Seedcorn" That Attracts Visitors

Many Florida legislators and at least one of Florida's largest industries are concerned that local-option tourism taxes are not being used in the most effective way to draw tourists and stimulate tourism within the state of Florida. Currently, local governments are limited by Florida law in how they are able to use these taxes. However, these limitations are not widely understood and interpretations vary.

TaxWatch examined the original statutory law and local government spending practices to determine whether local governments were spending these revenues within the prescribed uses of the law. The research compared the spending patterns of tourism development tax revenues in 1993 against revenues in the same counties in 1989.

The findings show that promotional expenditures of tourism tax revenues are declining in proportion to other uses. The following is an explanation of the principle purpose of the taxes, the different forms of the taxes, their rates and the results of a survey illustrating the declining share of promotional and advertising expenditures.

There are currently four tourism-related local option taxes. They are:

### TOURIST DEVELOPMENT TAX

Section 125.0104 Florida Statutes

Introduced in 1977, the tourist development tax is the most common of the local option tourism taxes and is the primary focus of this study. It may be levied on transient rental transactions in any county and on the sale of food and beverages in hotels and motels in certain charter counties. The tax rate is set by Florida law through the adoption of local referendums at 1% or 2%, but counties may increase the tax by county commission action, without a county-wide referendum, up to an additional .05¢ for a total of .07¢ per dollar. The revenue from additional taxes is designated for specific uses, i.e. a county must designate these extra "pennies" toward specific uses. The maximum tax rate under this section is 7%. Rate restrictions are applied to tourist development taxes for those counties that also levy a convention development tax. Revenues from this tax are authorized to be used for capital construction of tourism related facilities (convention centers, etc.),

Table 1

### COUNTY AND RATE OF LEVY

Alachua	3%	Duval*	4%	Nassau* **	2%	St. Lucie*	3%
Bay*	2%	Escambia*	3%	Okaloosa*	2%	Santa Rosa*	2%
Bradford	2%	Flagler	2%	Okeechobee	2%	Sarasota*	2%
Brevard*	3%	Hernando*	2%	Orange*	5%	Seminole*	3%
Broward*	3%	Hillsborough*	5%	Osceola*	4%	Suwannee	2%
Charlotte*	3%	Indian River	3%	Palm Beach*	4%	Volusia*	2%
Citrus*	2%	Lake	2%	Pasco	2%	Wakulla	2%
Clay*	2%	Lee*	3%	Pinellas*#	4%	Walton*	2%
Collier*#	3%	Leon*	3%	Polk*	3%		
Columbia	2%	Manatee*	3%	Putnam	2%		
Dade*	3%	Monroe*	3%	St. Johns*	3%		

\*Self-administering the tax. \*\* Amelia Island only. # 1% increase in tax rate effective 1/1/96.  
Source: 1996 Florida Tax Handbook, Florida Legislature

*"Improving taxpayer value, citizen understanding and government accountability"*

tourism promotion, beach and shoreline maintenance and for athletic and museum facilities.

### MUNICIPAL RESORT TAX

C.67-930, 82-142, 83-363, 93-286, 93-233 L.O.F.

The municipal resort tax was the first of the tourism related, local-option taxes. Authorized by the Florida Legislature in 1967, the municipal resort tax has a initial levy of 2% and is assessed on transient rental transactions and the sale of food and beverages. Additional increases up to a maximum of 4% are possible through a referendum. The tax is currently levied by the three South Florida cities that match the population criteria specified in Chapter law. Miami Beach and Surfside each levy the municipal resort tax at 2% and Bal Harbour at 3%. Tax revenues are designated for tourism promotion activities, capital construction and maintenance of convention and cultural facilities.

### CONVENTION DEVELOPMENT TAXES

Section 212.0305 Florida Statutes

The convention development tax was authorized by the Florida Legislature in 1983. There are three types of convention development taxes. Consolidated county and charter county convention development tax revenues are used for convention center construction and maintenance. The special district sub-county convention development tax is used for funding convention and tourist bureaus and their tourism promotion activities. This tax is levied on transient rental transactions and the rates vary, with 3% being the highest allowed. In addition, cities with a municipal resort tax are precluded from assessing the convention development taxes authorized by this section of Florida Statutes. Currently, only Dade, Duval and Volusia counties

levy the convention development tax – Duval and Volusia at 2% and Dade County at 3%.

### TOURIST IMPACT TAX

Section 125.0108 Florida Statutes

The tourist impact tax was authorized by the Florida Legislature in 1986. It is levied at a rate of 1% on transient rental transactions. Fifty percent of the revenue from the tourist impact tax is used to purchase property in areas of critical state concern (i.e. the Everglades) with the remainder used to offset ad-valorem taxes lost because of such purchases. Monroe County currently is the only area where this tax is assessed.

### TOURISM TAXES AROUND THE NATION

Table 2 shows the tourism tax rates in several of the nation's well known tourist destinations. The percentage rate includes the state and local sales tax plus any local option tourist taxes, indicating the actual sales tax rate that would appear on visitors' hotel bills. A few cities, including New York and New Orleans, assess an additional surcharge in addition to the sales tax. In September 1994, New York City repealed a 5% tax on hotel rooms. Prior to the repeal, the city had a 19.25% rate, as well as the \$2.00 surcharge, the highest in the nation.

Table 2 shows only the sales tax paid on lodging. But there are several other taxes affecting tourists as well such as a \$2 surcharge on car rentals in Florida. It is important to remember that many states, counties and cities levy varying forms of automobile rental sales taxes and surcharges, in addition to various food and beverage taxes. All of these taxes must be taken into consideration when calculating the effective tax burden borne by tourists.

Table 2

#### **TOURISM TAX RATES FOR SELECTED CITIES, 1994**

<b>CITY</b>	<b>HOTEL/LODGING TAX (%)</b>	<b>CITY</b>	<b>HOTEL/LODGING TAX (%)</b>
Seattle	15.2	Tampa	11.5
Chicago	14.86	New Orleans**	11
New York*	14.25	Orlando***	11
Los Angeles	14	Phoenix	10.35
Atlanta	13	Boston	9.7
Dallas	13	Ft. Lauderdale	9
Miami	12.5	San Diego	9
San Francisco	12	Las Vegas	8

Includes state and local sales taxes.

\*New York charges an additional \$2 hotel fee. \*\*New Orleans charges an additional \$1 to \$3 surcharge fee. \*\*\*Orlando added an additional penny in 1995.  
(Source: 1996 Florida Tax Handbook, Florida Legislature; Campaign to Keep Travel Competitive, 1994)

## ADMINISTRATING FLORIDA'S TOURIST-RELATED LOCAL OPTION TAXES

Because these taxes are initiated by local option, decisions about how and where the revenues from tourist taxes are to be spent are made by local county commissions. These decisions must be made in accordance with statutorily defined rules and with the advice of statutorily authorized advisory councils. A different entity oversees each tax. The municipal resort tax is managed by a tourist development authority; the tourist impact tax by a land development authority; and the tourist development tax by a tourist development council. The various convention development taxes are governed by several different convention authority governing boards.

Tourist development and convention development taxes may be administered either by the Department of Revenue (DOR) or local taxing authorities. If administered by the DOR, the agency will return proceeds, minus any authorized administrative costs<sup>1</sup>, to the county levying the tax. Local taxing authorities have the option of administering and collecting the tax themselves, provided they follow guidelines outlined in Florida Statutes. At present, 30 out of 41 counties self administer the tourist development tax.

## TOURIST DEVELOPMENT TAX SURVEY

TaxWatch surveyed 21 of the 40 Florida counties levying the tourist development tax. These counties were selected because they reported to the Department of Revenue (DOR) more than \$1 million in collections. The counties were asked to report their tourist development tax expenditure. The tourist development tax is the most widely levied of all the tourism taxes. Spending practices of the 21 counties then were compared for 1993 and 1989. Two counties -- Collier and Okaloosa -- did not participate in these taxes in 1989 and are not included in those figures. Table 3 shows the change in the expenditures as a percentage of the total revenues. Table 4 (page 4) gives a breakdown of expenditures for the 21 counties included in the survey for 1989 and 1993.

In 1993, the 21 counties collected \$154,165,948. The largest expenditure from these taxes was for civic centers, auditoriums and sports facilities. This accounted for \$66,775,663 (43.31%) of the taxes collected. These funds were used for construction, maintenance and operations of various facilities and to retire bond debts on civic centers and auditoriums. This was the second largest area in 1989, comprising \$32,271,610 (34.51%) of expenditures.

Table 3

### FIVE YEAR COMPARISON OF SURVEYED COUNTIES FOR THE FOUR LARGEST SPENDING CATEGORIES

	Convention*	Advertising**	Beach	Arts	TOTAL
<b>1989</b>	\$32,271,610	\$39,305,618	\$6,221,456	\$3,138,140	\$80,936,823
<b>% of Total</b>	34.5%	42.0%	6.7%	3.4%	
<b>1993</b>	\$66,775,663	\$59,781,100	\$10,959,260	\$9,471,631	\$146,964,654
<b>% of Total</b>	43.3%	38.8%	7.1%	6.1%	
<b>% Point Increase/ (Decrease)</b>	<b>8.8%</b>	<b>(3.3%)</b>	<b>0.005</b>	<b>0.028</b>	

\* "Convention" includes convention and civic centers, sports facilities and their operations.

\*\* "Advertising" includes advertising and promotion, administration, personnel, convention and visitor bureaus and tourism centers.

Source: Florida TaxWatch, October 1994

<sup>1</sup> Currently, no administrative costs are charged by the Florida Department of Revenue.

Table 4  
TOURISM TAX SURVEY - 1989

	RANKED TOTAL	C B D	ADVERTISING	ARTS	SPORTS	C O	ADMIN	PERSONNEL	CVB	COUNTY FEES	OTHER	BEACH	SPEC EVENTS	DISC GRANTS	TOURISM CENTERS	RESERVE
1 Orange	\$27,136,638	\$15,740,362	\$0	\$0	\$0	\$0	\$0	\$0	\$2,945,238	\$0	\$0	\$0	\$0	\$0	\$0	\$0,412,947
2 Broward	\$10,276,045	\$5,132,090	\$3,101,900	\$957,010	\$0	\$0	\$0	\$0	\$1,324,286	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3 Pinellas	\$7,023,250	\$2,111,548	\$2,094,106	\$0	\$0	\$0	\$0	\$0	\$403,293	\$0	\$0	\$0	\$0	\$0	\$0	\$1,468,178
4 Dade	\$7,046,457	\$1,909,291	\$0	\$0	\$0	\$0	\$0	\$0	\$3,727,874	\$0	\$1,400,231	\$0	\$0	\$0	\$0	\$0
5 Okaloosa	\$6,585,784	\$0	\$2,768,033	\$0	\$2,041,596	\$0	\$0	\$0	\$1,422,532	\$0	\$0	\$0	\$0	\$355,833	\$0	\$0
6 Palm Beach	\$6,074,302	\$0	\$4,865,588	\$0	\$200,455	\$0	\$0	\$0	\$0	\$0	\$0	\$1,000,348	\$0	\$0	\$0	\$0
7 Lee	\$5,198,009	\$684,714	\$2,738,858	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,088,237	\$0	\$0	\$0	\$0
8 Monroe	\$4,203,822	\$0	\$2,270,118	\$1,705,647	\$0	\$0	\$0	\$0	\$168,157	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Hillsborough	\$3,996,000	\$0	\$1,909,349	\$320,845	\$916,514	\$476,587	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$368,008
10 Volusia	\$3,238,267	\$0	\$0	\$0	\$0	\$0	\$242,122	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11 Bay	\$1,729,442	\$0	\$949,408	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$519,833	\$0	\$0	\$0	\$0
12 Duval	\$1,678,538	\$0	\$1,678,538	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
13 Brevard	\$1,599,401	\$119,730	\$788,201	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
14 Sarasota	\$1,542,153	\$0	\$385,538	\$385,538	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$558,740	\$0	\$0	\$119,730	\$0
15 Escambia	\$1,411,143	\$1,270,028	\$141,114	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$771,077	\$0	\$0	\$0	\$0
16 Polk	\$1,169,534	\$176,430	\$98,874	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17 Manatee	\$1,090,000	\$163,500	\$446,900	\$0	\$0	\$0	\$0	\$0	\$175,430	\$0	\$0	\$0	\$22,700	\$0	\$67,200	\$0
18 Saint Johns	\$1,012,656	\$0	\$448,895	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$21,270	\$303,857	\$0	\$0	\$238,034
19 Walton	\$702,128	\$0	\$351,214	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$351,214	\$0	\$0	\$0	\$0
20 Collier	\$702,128	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21 Chloosee	N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22 Chloosee	N/A	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
% OF TOTAL	\$93,625,988	\$28,838,468	\$20,849,765	\$7,138,140	\$3,168,565	\$476,607	\$242,122	\$0	\$10,208,811	\$0	\$1,408,201	\$9,221,458	\$338,657	\$355,833	\$208,830	\$10,488,765
		30.62%	22.43%	7.63%	3.38%	0.51%	0.26%	0.00%	10.91%	0.00%	1.51%	9.85%	0.36%	0.38%	0.22%	11.21%

TOURISM TAX SURVEY - 1993

	RANKED TOTAL	C B D	ADVERTISING	ARTS	SPORTS	C O	ADMIN	PERSONNEL	CVB	COUNTY FEES	OTHER	BEACH	SPEC EVENTS	DISC GRANTS	TOURISM CENTERS	RESERVE
1 Orange	\$50,470,644	\$40,378,515	\$6,561,184	\$0	\$0	\$3,532,945	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2 Dade	\$17,445,397	\$0	\$10,407,238	\$3,489,078	\$3,489,078	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3 Broward	\$12,205,128	\$8,102,594	\$2,959,000	\$0	\$0	\$0	\$1,037,438	\$1,598,872	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
4 Okaloosa	\$11,378,448	\$0	\$5,187,600	\$0	\$2,161,525	\$0	\$0	\$0	\$2,912,771	\$318,541	\$790,351	\$0	\$0	\$0	\$0	\$0
6 Pinellas	\$9,960,061	\$2,610,480	\$4,871,629	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,478,542	\$0	\$0	\$0	\$0
6 Palm Beach	\$9,686,088	\$0	\$4,777,587	\$2,171,622	\$289,260	\$0	\$0	\$0	\$0	\$0	\$0	\$1,448,037	\$2,060,458	\$0	\$0	\$368,747
7 Monroe	\$7,374,031	\$0	\$2,765,257	\$0	\$0	\$0	\$365,148	\$0	\$0	\$0	\$0	\$2,223,043	\$0	\$0	\$0	\$0
8 Lee	\$6,736,493	\$902,690	\$3,610,760	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9 Hillsborough	\$6,450,413	\$1,012,603	\$193,512	\$1,789,900	\$0	\$0	\$0	\$0	\$2,515,661	\$0	\$1,165,320	\$2,223,043	\$0	\$0	\$0	\$0
10 Volusia	\$3,517,528	\$3,517,528	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$338,647	\$0	\$0	\$0
11 Brevard	\$2,686,458	\$0	\$1,207,408	\$433,084	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
12 Sarasota	\$2,300,381	\$0	\$575,095	\$575,095	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$17,004	\$0	\$0	\$127,000	\$0
13 Bay	\$2,227,311	\$0	\$1,202,748	\$0	\$0	\$0	\$334,087	\$0	\$0	\$0	\$0	\$1,150,191	\$155,912	\$0	\$0	\$0
14 Collier	\$2,168,681	\$0	\$541,685	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$534,655	\$324,998	\$0	\$0	\$0
15 Saint Johns	\$2,032,862	\$0	\$1,227,903	\$402,524	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$402,524	\$0	\$0	\$0	\$0
16 Duval	\$1,879,645	\$0	\$939,823	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17 Escambia	\$1,827,822	\$1,289,628	\$475,041	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
18 Manatee	\$1,741,152	\$1,044,489	\$699,403	\$0	\$0	\$313,407	\$0	\$0	\$0	\$0	\$53,163	\$0	\$0	\$0	\$121,981	\$17,412
19 Polk	\$1,543,202	\$0	\$878,625	\$0	\$462,981	\$0	\$200,016	\$0	\$0	\$0	\$0	\$574,690	\$0	\$0	\$0	\$0
20 Okaloosa	\$1,438,661	\$0	\$719,331	\$0	\$0	\$0	\$215,789	\$0	\$0	\$0	\$0	\$431,598	\$0	\$0	\$0	\$71,833
21 Walton	\$1,198,378	\$0	\$599,189	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$599,189	\$0	\$0	\$0	\$0
% OF TOTAL	\$154,166,948	\$56,528,488	\$50,298,239	\$9,471,631	\$8,402,825	\$3,848,352	\$2,183,087	\$1,588,872	\$5,428,032	\$318,541	\$2,004,824	\$10,950,250	\$3,480,016	\$938,823	\$249,861	\$458,081
		36.67%	32.63%	6.14%	5.45%	2.49%	1.42%	1.04%	3.52%	0.21%	1.30%	7.11%	2.26%	0.61%	0.16%	0.30%

Volusia County uses TD Tax for Civic Center Bond Debt and CD Tax for tourism promotion and CVB operations  
 Duval County has since added a fourth penny for the NFL Jacksonville Jaguars  
 Brevard County has since added a fourth penny for construction of a professional sports facility.

CBD - CONVENTION CENTER BOND PAYMENT (Tampa Stadium included in this)  
 CO - CONVENTION CENTER OPERATIONS  
 CVB - CONVENTION AND VISITORS BUREAU

Source: House Tourism and Economic Development Committee and Florida TaxWatch, April 1995

From the \$154.1 million collected by the 21 counties, \$59,758,100 was spent on advertising and promotional purposes, accounting for 38.76% of their collections – the second largest spending category. This category included tourism centers, overhead and personnel costs for the counties' convention and visitors bureaus. Of the \$93,525,069 in revenue collected by the 19 counties in 1989, the advertising and promotion categories spent the most. These areas accounted for \$39,305,618 (42.03%) of the total collections. Expenditures for advertising and promotion dropped 3.27% from 1989 to 1993.

The next highest expenditures went for beach renourishment. Cultural arts placed third. Included in beach renourishment was landscaping and sand dune protection. This amounted to 7.11% or \$10,959,260 for beach renourishment. Beach renourishment increased from \$6,221,456 or 6.65% of the total revenues reported in 1989.

The total tourist development taxes collected for the arts was \$9,471,631 or 6.14%. Under the arts category, tax dollars were used for promoting art

festivals, dramatic and musical productions and for awarding grants. Between 1989 and 1993, spending in this category grew faster than in the others. In the five years evaluated, expenditures increased 201% from the \$3,138,140 that was reported in 1989. While this might be within the limit of the law, is it really within the spirit of the Legislature's original intent? It appears that the Legislature should specifically define allowable tourism tax uses.

Volusia County uses its tourist development tax solely to retire civic center bond debt. The County uses revenues collected from the convention development tax to fund advertising, promotion and convention and visitors bureau operations.

Since 1993, Duval and Brevard Counties have added a fourth penny to their tourist development tax in order to fund sports related activities (Duval County for the NFL Jacksonville Jaguars and Brevard County for the construction of a professional sports facility). Although the tax was supposed to be used to attract increased leisure visitors, critics believe that spending it for such activities and promotions serves only the interests of permanent residents.

## ISSUES IN THE TOURISM TAX DEBATE

---

### Tax Rates

Many in the tourism industry are concerned about the rising tourism related tax rates. They point to New York City as an example of what can happen if these rates are set too high. New York reduced its tax by 5% in response to New York City hoteliers whose business had declined considerably as the tax rate had increased. Although Florida's tourism tax rates are not as high as those in New York, it is possible that further rate increases could have a negative impact on tourism.

### Authorized uses

As the tax survey illustrates, tourism promotion and advertising are just two of the many uses of tourism tax revenues. Other uses include payments for civic centers, auditoriums and sports arenas; funding for cultural events; beach renourishment and funding for administrative costs of convention and visitors bureau operations. All of these expenditures are in accordance with the Florida Statutes. However, there is a growing concern that the statutes, as currently written, are too ambiguous and that too many items fall under the loosely defined term "tourism - related." Still others think many expenditures have violated the original spirit and intent of the tax, which was to advertise and promote tourism.

Not surprisingly, the issue of local option tourist taxes and their uses is a controversial one. Local governments increasingly look to these taxes as a source of revenue for local projects that otherwise might not be funded. The fact that the burden falls on visitors makes these taxes even more attractive to local governments, especially when the alternative is raising taxes for residents who vote and may become vocal opponents.

But tourism industry officials believe some items and events funded by the tax should be paid for with general revenue, or not paid for at all. In addition, it is argued, some of the events funded are primarily local events and do not draw many visitors from outside the immediate area (i.e. promotion of local art festivals and

surfing contests). They question the tourism-related value of many of these special events and projects, and believe the money would be better spent on tourism promotion and advertising. It is indeed specious to promote a tax as an economic development vehicle while using it for purposes other than those pledged.

Currently, no set percentages dictate expenditures of these tax dollars. As a result, local governments are free to divide these funds with wide or unlimited discretion. For example, a county may spend 100% of the revenues from tourist development taxes on promotion and advertising. Likewise, it is free to spend all of the revenue on convention centers and none on advertising. To do so, however, probably would be seen as contrary to the expressed intent of the use of tourism tax revenues.

Adding to the debate is the problem of determining the value of an event or attraction as a tourist "magnet". Calculating the return on various types of tourism expenditures is a difficult task. As a result, the argument which asserts that funds could be put to better use by spending more on advertising is hard to prove.

Does increased advertising bring in more tourists than funding a local seafood festival? Which is more valuable to Florida tourism -- international advertising or beach renourishment? Without specific guidelines on how tourism tax revenues are to be used, the controversy over expenditures will be difficult to resolve. But, a concerted and valid effort should be made to measure the relationship of the tax to its proposed economic purpose.

During the 1993 General Legislative Session, a bill was introduced that would have made some changes in the current system. As the bill was written, it would combine the convention development tax with the tourist development tax and set a cap at 6%. Existing tourist development taxes and convention development taxes would be grandfathered (as currently authorized), although any new increases would require a referendum vote as well as county commission and tourist development council approval. The tourist impact tax would remain intact.

The first three cents of each tax revenue dollar would be committed to "promotion," which would be defined as "marketing and advertising designed to increase tourist-related activities." Any use relating to the development of tourist-related entities and activities would have to be funded from the 4th, 5th or 6th cent. The bill would grandfather any existing commitments where money has been pledged for payment of bond debt, but any new project would have to meet definitional requirements and require voter approval if the funding was not previously levied.

The bill would not change the composition of the tourist development councils. However, it would require the councils to submit plans for use of tax revenues to their county commissions at least every two years. This would increase the accountability of both the county commissions and the tourist development councils.

---

**After an initial framework has been established, the Legislature should authorize a periodic review of tourism spending priorities, perhaps through a sunset review.**

---

This was a good effort toward increased taxpayer/government accountability. The Florida Legislature should continue to revisit the issue in an attempt to clarify the statutes authorizing local option tourism taxes. They should examine this source of revenue and, after proper debate, specifically define and outline the authorized uses of the tax revenue and the

clear parameters and guidelines by which these tax dollars should be spent. After an initial framework has been established, the Legislature should authorize a periodic review of tourism spending priorities, perhaps through a sunset review. Counties and tourist development councils should be held accountable for spending

decisions and should be able to justify these decisions to the Legislature, as well as to their local taxpayers. In addition, this review should evaluate the effectiveness of past tourism tax expenditures. Finally, new spending decisions should be based on the state's needs and priorities, while promoting the thoughtful expansion of the tourism industry -- an industry which has greatly benefitted our state and its taxpaying citizens.

## 1996 LEGISLATIVE SESSION ACTIVITY

*As it has for the past few years, the Florida Legislature is debating proposed legislation relating to local option tourist development taxes. Several of the bills attempt to address some issues and concerns presented in this report, primarily the debate over the authorized uses of tourism tax revenues and intent of the statutes. Among other things, the legislation would further clarify the statutes relating to these taxes by providing definitions and other parameters regarding the administration and expenditure of tourist development taxes.*

*As recommended in the report, any legislation addressing the use of these tax revenues should clarify the statutes to reflect the Legislature's original intent, which was promoting Florida tourism. In addition, greater accountability for expenditures should also be a goal. One way to do this would be to periodically evaluate the effectiveness of spending decisions with regard to tourism promotion. The value of tourism to Florida's economy demands wise decisions that ensure these tax revenues are used in a way that will best promote tourism and ensure the continued good health of Florida's largest industry.*

This report was researched and written by Taylor Pollock and Daniel E. Sprague, Research Analysts, under the direction of Dr. Neil S. Crispo, Senior Vice President, Research and Operations. Catherine M. Haagenson, Communications Director; Gable Abblett, Publications Assistant

David McIntosh, Chairman; Dominic M. Calabro, President and Publisher.  
Copyright Florida TaxWatch, April 1996

## About Florida TaxWatch

Florida TaxWatch is the only statewide organization entirely devoted to protecting and promoting the political and economic freedoms of Floridians as well as the economic prosperity of our state. Since its inception in 1979, Florida TaxWatch has become widely recognized as the watchdog of citizens' hard-earned tax dollars. The nationally distributed *City and State* magazine (purchased by *Governing* magazine) in 1989 published a poll of the nation's statewide taxpayer research centers. Based on this poll, the publication cited Florida TaxWatch as one of the six most influential and respected government watchdogs and taxpayer research institutes in the nation.

In recent years, news stories about Florida TaxWatch have run in all Florida newspapers, *The Wall Street Journal*, *The New York Times* and *The Washington Post*. In addition, Florida TaxWatch has been featured on the prestigious *MacNeil/Lehrer Newshour* and several times in *The Wall Street Journal*.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported entirely by voluntary, tax-deductible membership contributions and philanthropic foundation grants. Membership 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 to 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, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations – representing a wide spectrum of Florida's citizens.

Florida TaxWatch's empirically sound research products recommend productivity enhancements and explain statewide impact of economic and tax and spend policies and practices. Without lobbying, Florida TaxWatch has worked diligently and effectively to build government efficiency and promote responsible, cost-effective improvements that add value and benefit taxpayers. This diligence has yielded impressive results: through the years, three-fourths of TaxWatch's cost-saving recommendations have been implemented, saving taxpayers over \$3 billion. That translates to approximately \$525 in added value for every Florida family.

With your help, we will continue our 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 that government agencies are more responsive and productive in the use of your hard-earned tax dollars.

*The Florida TaxWatch Board of Trustees is responsible for the general direction and oversight of the research institute and safeguarding the independence of the organization's work. In his capacity as chief executive officer, the president is responsible for formulating and coordinating policies, projects, publications and selecting the professional staff. As an independent research institute and taxpayer watchdog, the research findings, conclusions and recommendations of Florida TaxWatch do not necessarily reflect the view of its members, staff or distinguished Board of Trustees.*



NON-PROFIT ORG.  
U.S. POSTAGE  
PAID  
TALLAHASSEE, FL  
Permit No. 409