

STORAGE NAME: h0179.tu

DATE: February 27, 1997

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

BILL #: HB 179

RELATING TO: Local Option Tourist Development Taxes

SPONSOR(S): Representative Bronson

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

COMPANION BILL(S): SB 64 (S)

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

- (1) TOURISM
- (2) FINANCE AND TAXATION
- (3)
- (4)
- (5)

I. SUMMARY:

This bill amends s. 125.0104(3)(m), F.S., to provide certain "high tourism impact" counties the authority to levy another, additional 1 percent local option tourist development tax (TDT) on transient rentals. To qualify, a county must meet a specific one of the sets of criteria currently used to designate a "high tourism impact" county. Also, the county must already be levying the initial TDT and the additional 1 percent of levy authority currently available to "high tourism impact" counties. The county governing boards of qualifying counties may levy this additional 1 percent tax by the adoption of an ordinance. The revenues collected from this second additional 1 percent tax may only be used for financing aquisition, capital construction, operational, maintenance, marketing and other costs of a convention center. Tax revenues collected from the second additional 1 percent levy may not be used for a professional sports franchise facility.

There are three counties, Orange, Osceola, and Monroe, that meet the criteria required for designation as "high tourism impact" county. Currently, only Orange and Osceola have elected to levy the additional 1 percent tax authorized under s. 125.0104(3)(m), F.S., 1996 Supplement. Osceola and Monroe specifically meet the financial set of high tourism impact criteria prescribed by this bill as a qualifier for authority to levy the second additional 1 percent tax. However, the bill precludes a county which may levy the tourist related tax under s. 125.0108, F.S. Monroe County levies such a tax. An additional 1 percent TDT in Osceola County would raise approximately \$3.59 million annually.

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.

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

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. Several opportunities (tied to certain conditions) exist within s. 125.0104, F.S., 1996 Supplement, for counties to levy additional taxes on transient rentals. Paragraph (m) of this section authorizes high tourism impact counties to levy an additional 1 percent tax for the uses enumerated above.

To qualify for the high tourism impact county designation, a county must have had the Department of Revenue certify to it that it meets either one standard of qualifying criteria or the other. The first standard requires that a county's sales subject to the tourist development tax must have exceeded \$600 million during the previous calendar year. The alternative standard requires that at least 18 percent of the county's total taxable sales are attributable to transient rentals and the minimum amount collected for such sales is \$200 million. Additionally, counties levying convention development taxes are prohibited from levying this additional percentage of local option tourist development tax.

When s. 125.0104(3), F.S., 1996 Supplement, was amended to add paragraph (m) (Chapter 89-356, L.O.F.), the paragraph only included the standard of qualifying criteria requiring transient rental sales taxes to annually exceed \$600 million. When Chapter 89-356, L.O.F., became law, Orange County was the only county to qualify. Subsequently, Chapter 90-107, L.O.F., added the alternative standard of qualifying criteria now found in paragraph (m) of s. 125.0104(3), F.S., 1996 Supplement. Osceola County then qualified to levy the tax. Since that time, Monroe County has also met the "at least 18 percent" threshold. Currently, only Orange and Osceola have elected to levy the additional 1 percent tax authorized under s. 125.0104(3)(m), F.S., 1996 Supplement.

B. EFFECT OF PROPOSED CHANGES:

This bill provides that certain "high tourism impact" counties may levy another, additional 1 percent local option tourist development tax (TDT) on transient rentals provided they meet certain criteria. To qualify, a county must meet a specific set of criteria currently used to designate a "high tourism impact" county. Also, the county must already be levying the initial TDT and the additional 1 percent of levy authority currently available to "high tourism impact" counties. The county governing boards of qualifying counties may levy this additional 1 percent tax by the adoption of an ordinance. The revenues collected from this second additional 1 percent tax may only be used for financing aquisition, capital construction, operational, maintenance, marketing and other costs of a convention center. Tax revenues collected from the second additional 1 percent levy may not be used for a professional sports franchise facility.

There are three counties, Orange, Osceola, and Monroe, that meet the criteria required for designation as "high tourism impact" county. Currently, only Orange and Osceola have elected to levy the additional 1 percent tax authorized under s. 125.0104(3)(m), F.S., 1996 Supplement. Osceola and Monroe specifically meet the financial set of high tourism impact criteria prescribed by this bill as a qualifier for authority to levy the second additional 1 percent tax. However, the bill precludes a county which may levy the tourist related tax under s. 125.0108, F.S. Monroe County levies such a tax. An additional 1 percent TDT in Osceola County would raise \$3.59 million annually.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

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?

N/A

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

N/A

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

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

Yes. This bill authorizes the levy of an additional 1 percent local option tax on transient rental clients.

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?

Yes. This bill would authorize certain counties to levy an additional 1 percent local option tourist development tax.

3. Personal Responsibility:

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

N/A

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

N/A

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:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

Should Osceola County adopt an ordinance levying the additional tax authorized by this bill it would raise its local option tourist tax collections by \$3.59 million annually.

3. Long Run Effects Other Than Normal Growth:

Other counties could eventually qualify to levy the tax authorized by this bill.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

Transient rental establishments required to charge this sales tax who opt not to pass it on to their customers could have their costs rise.

2. Direct Private Sector Benefits:

Any benefits accruing to the private sector would depend on the county's use of tax revenues.

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

Transient rental establishments whose costs rise due to the imposition of this tax or whose client base diminishes because of it could lose varying degrees of competitiveness.

D. FISCAL COMMENTS:

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:

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VII. SIGNATURES:

COMMITTEE ON TOURISM:

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