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DATE: April 10, 1998

HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE AND TAXATION
BILL RESEARCH & ECONOMIC IMPACT STATEMENT

BILL #: CS/HBs 3691 and 3441

RELATING TO: Local Option Tourist Development Tax

SPONSOR(S): Representatives Merchant and Melvin

COMPANION BILL(S): SB 884 (S) and SB 1392 (S)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) TOURISM YEAS 7 NAYS 0
(2) FINANCE AND TAXATION
(3) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(4)
(5)

SUMMARY:

Committee Substitute for House Bills 3691 and 3441 amends s. 125.0104(3)(l), F.S., which authorizes any county to levy an additional 1 percent of local option tourist development tax for the purpose of financing a professional sports facility or a convention center. This bill eliminates the caveat that only those counties that have elected to levy the additional penny for planning and financing the capital costs of a professional sports franchise facility may subsequently use the proceeds of that levy for planning or financing the capitol costs of a convention center. The bill then authorizes those counties that have elected to levy the additional penny for the purpose of planning and financing a convention center to use the tax for the payment of operation and maintenance costs of a convention center for a period of up to ten years. Although the provisions of this bill do not create a new category of additional taxing, it does have the effect of creating more widespread use of this tax levy option.

There is no fiscal impact on state government. Regarding local government impact, local option tax revenues used to pay the operation and maintenance costs of a public convention center for a period of ten years will free the counties from using general funds to support a convention center operating at a deficit.

I. SUBSTANTIVE RESEARCH:

A. PRESENT SITUATION:

Section 125.0104, F.S., 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, roominghouse, 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., 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, 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), and to promote public zoos;

- 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 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., for counties to levy additional taxes on transient rentals for other purposes.

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 a professional sports franchise facility and to pay the planning and design costs of such a facility. The facility must be publicly owned and operated or publicly owned and operated by the sports franchise or other lessee. If a county initially levies the tax for such purposes, it is then authorized to use the tax proceeds to pay the debt service on bonds issued to finance construction, reconstruction, or renovation of a convention center and to pay the planning and design costs of such a facility. Ten of the 41 counties have opted to levy the additional penny authorized under paragraph (l).

Of the ten counties which have opted to levy the additional penny authorized under paragraph (l), six of those counties have convention centers in operation. Five of the six responding county convention centers contacted through committee research have reported operating at a deficit since their existence. These convention centers have been in operation for periods ranging from eight to twelve years.

If certain counties (except specific counties which have levied convention development taxes under s. 212.0305, F.S.) have exercised their authority to levy the tax in paragraph (l), they may then levy an additional 1 percent tax under paragraph (n) for the purpose of paying the debt service on bonds issued to finance construction, reconstruction, or renovation costs of a professional sports franchise facility and to pay the planning and design costs of such a facility.

B. EFFECT OF PROPOSED CHANGES:

Committee Substitute for House Bills 3691 and 3441 amends s. 125.0104(3)(l), F.S., which authorizes any county to levy an additional 1 percent of local option tourist development tax for the purpose of financing a professional sports facility or a convention center. This bill eliminates the caveat that only those counties that have elected to levy the additional penny for planning and financing the capital costs of a professional sports franchise facility may subsequently use the proceeds of that levy for planning or financing the capitol costs of a convention center. The bill then authorizes those counties that have elected to levy the additional penny for the purpose of planning and financing a convention center to use the tax for the payment of operation and maintenance costs of a convention center for a period of up to ten years. Although the provisions of this bill do not create a new category of additional taxing, it does have the effect of creating more widespread use of this tax levy option.

C. APPLICATION OF PRINCIPLES:

1. <u>Less Government:</u>

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

N/A

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

N/A

(3) any entitlement to a government service or benefit?

N/A

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?

No

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?

No

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?

N/A

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

N/A

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. STATUTE(S) AFFECTED:

Section 125.0104(3)(l), F.S.

E. SECTION-BY-SECTION RESEARCH:

A section-by-section analysis is not required.

II. FISCAL RESEARCH & 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:

   Local option tax revenues used to pay the operation and maintenance costs of a public convention center for a period of ten years will free the counties from using general funds to support a convention center operating at a deficit.

3. Long Run Effects Other Than Normal Growth:

   None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   Florida residents and guests who stay in transient lodgings will not experience a change in sales taxes in those counties which have previously elected to levy an additional 1 percent local option tax.

2. Direct Private Sector Benefits:

   None

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

   None

D. FISCAL COMMENTS:

   N/A

III. 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.

IV. COMMENTS:

None

V. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

The Committee on Tourism adopted an amendment to HB 3691 adding the provision of HB 3441 which removes the caveat under s. 125.0104(3)(l), F.S., of having to levy the additional 1 percent of local option tourist development tax for a professional sports facility before the tax revenues can be used for a convention center. Then, the Committee voted to combine both bills into a committee substitute.

VI. SIGNATURES:

COMMITTEE ON TOURISM:

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AS REVISED BY THE COMMITTEE ON FINANCE AND TAXATION:

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