

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1956

SPONSOR: Comprehensive Planning, Local and Military Affairs and Senator Constantine

SUBJECT: Tax on Sales, Use, and Other Transactions

DATE: February 19, 2002      REVISED: \_\_\_\_\_

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION       |
|----|---------|----------------|-----------|--------------|
| 1. | Cooper  | Yeatman        | CA        | Favorable/CS |
| 2. | _____   | _____          | CM        | _____        |
| 3. | _____   | _____          | FT        | _____        |
| 4. | _____   | _____          | AGG       | _____        |
| 5. | _____   | _____          | AP        | _____        |
| 6. | _____   | _____          | _____     | _____        |

## I. Summary:

This CS provides that one-half of the sales tax collections generated by the use and operations of eligible convention centers will be remitted back to the unit of local government owning the convention center. Tax proceeds must be used to encourage and provide economic development for the attraction, recruiting and retention of high-technology, manufacturing, and tourism industries.

This CS amends s. 212.20 of the Florida Statutes and creates s. 288.1171 of the Florida Statutes.

## II. Present Situation:

### Distribution of Sales Tax Proceeds

Chapter 212, F.S., imposes a state sales and use tax of 6 percent on retail sales of most tangible personal property, admissions, transient lodgings, commercial rentals, and motor vehicles. The tax is also imposed on certain services, to include nonresidential telecommunication and electric services. Tax collections are deposited by Department of Revenue (DOR) in the General Revenue Fund of the state and into a variety of trust funds benefiting state agencies and local governments. In addition, s. 212.20(6)(b)7.b.-d., F.S., requires DOR monthly to forward set amounts of sales tax collections to the following qualified private entities:

- Professional sports franchises;
- The Professional Golf Hall of Fame; and
- The International Game Fish Association World Center.

### Sales Tax Distributions to Private Entities

Chapter 88-226, L.O.F., established a funding mechanism for state support of the construction of professional sports facilities within Florida. (s. 288.1162, F.S.) Amended eight times since 1988, s. 288.1162, F.S., requires the Governor's Office of Tourism, Trade, and Economic Development (OTTED) to screen facilities applying for state funding and certify the eligibility of an applicant under one of three categories: "facility for a new professional sports franchise," "facility for a retained professional sports franchise," or "facility for a retained spring training franchise." Current law caps the number of professional sports franchise facilities eligible for certification at eight and requires OTTED to certify at least five retained spring training franchises. To date, there are seven certified professional sports franchise facilities (six "new" facilities, one "retained" facility) and five certified spring training franchise facilities.

In 1993, the Legislature authorized the same type of funding mechanism for the Professional Golf Hall of Fame facility (s. 288.1168, F.S.) and, in 1996, for the International Game Fish Association World Center facility (s. 288.1169, F.S.). Applicants seeking designation as either of these facilities are also to be certified by OTTED.

Section 212.20(6)(b)7., F.S., authorizes \$166,667 of general sales tax revenues to be distributed monthly (for up to 300 months) to a certified professional golf hall of fame. This same section authorizes \$83,333 of general sales tax revenues to be distributed monthly to the certified International Game Fish Association facility for up to 168 months. The monthly distribution for each applicant that has been certified as a "facility for a new professional sports franchise" or a "facility for a retained professional sports franchise" pursuant to s. 288.1162, F.S., is \$166,667, while up to \$41,667 is distributed monthly to each applicant that has been certified as a "retained spring training franchise facility."<sup>1</sup> Distributions to these facilities are to continue for not more than 30 years.

### **Definition of Local Government**

Section 218.369, F.S., for the purposes of specific provisions in chapter 218, F.S., defines the term "unit of local government," as:

“...a county, municipality, special district, local agency, authority, or consolidated city-county government or any other local governmental body or public body corporate and politic authorized or created by general or special law and granted the power to issue general obligation or revenue bonds; and the words "general obligation or revenue bonds" shall be interpreted to include within their scope general obligation bonds, revenue bonds, special assessment bonds, limited revenue bonds, special obligation bonds, debentures, and other similar instruments, but not bond anticipation notes.”

### **III. Effect of Proposed Changes:**

**Section 1** creates s. 212.20(6)(d)7.e., F.S., to require DOR to distribute monthly to qualified units of local government one-half of the sales tax proceeds received and collected in the previous month which are generated by eligible convention centers and remitted on the sales and use tax returns. (Section 2 of the bill establishes qualifying criteria and procedures.) Total

<sup>1</sup> No more than \$208,335 may be distributed monthly in the aggregate to all certified retained spring training franchise facilities.

distributions may not exceed \$3 million per year, and are limited to 30 years. Distributions must begin 60 days following notification of certification by OTTED. Distributions may only be used to “encourage and provide economic development for the attraction, recruitment, and retention of high-technology, manufacturing, research and development, and tourism industries as designated by the unit of local government by resolution of its governing body.”

**Section 2** creates s. 288.1171, F.S., to provide procedures and criteria for certifying applicants for state funding under s. 212.70(6)(d)7.e., F.S., which is created in Section 1 of this bill. OTTED is designated as the state agency for screening applicants for state funding and for certifying applicants as owning an eligible convention center. OTTED is directed to adopt rules for the receipt and processing of such applications. An “eligible convention center” is a publicly owned facility having exhibition space in excess of 75,000 square feet, the primary function of which is to host meetings, conventions, or trade shows.

Prior to certifying an applicant as owning an eligible convention center, OTTED must determine that:

- A unit of local government, as defined in s. 218.369, F.S., owns an eligible convention center;
- The convention center contains more than 75,000 square feet of exhibit space;
- The unit of local government in which the convention center is located has certified by resolution after a public hearing that the application serves a public purpose; and
- The convention center is located in a county that is levying a tourist development tax pursuant to s. 125.0104, F.S.

When a local government is certified, OTTED must notify DOR of the certification. DOR must not begin distributing tax proceeds until 60 days after OTTED has noticed that a unit of local government has been certified as owning an eligible convention center. No applicant previously certified who has received proceeds may be eligible for an additional certification. Proceeds may only be used to “encourage and provide economic development for the attraction, recruitment, and retention of high-technology, manufacturing, research and development, and tourism industries as designated by the unit of local government by resolution of its governing body.” DOR may audit the local government to verify that the distributions have been expended as required. Tax proceeds may be recovered, and certification may be revoked, if DOR determines that the distributions have not been expended as required.

According to staff of the Orange County Commission, the following seven publicly owned convention centers in Florida have more than 75,000 square feet of exhibit space:

- Orange County Convention Center,
- Tampa Convention Center,
- Coconut Grove Convention Center,
- Lakeland Center,
- Prime F. Osborne III Center,
- Miami Beach Convention Center, and
- Greater Fort Lauderdale/Broward County Convention Center.

All of these facilities are located in counties currently levying the tourist development tax pursuant to s. 125.0104, F.S.

**Section 3** provides that this act shall take effect October 1, 2002.

**IV. Constitutional Issues:**

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

**V. Economic Impact and Fiscal Note:**

A. Tax/Fee Issues:

Section 1 provides that one-half of the sales tax collections generated by the use and operations of eligible convention centers will be remitted back to the unit of local government owning the convention center. There will be a corresponding decrease in tax revenues deposited in the General Revenue Fund of the state.

Preliminary estimates indicate that if the seven publicly owned convention centers in Florida with more than 75,000 square feet of exhibit space were rebated one-half of sales tax collections generated by the use and operations of eligible convention centers, the fiscal impact would be approximately \$2 million in FY 2002/3.

B. Private Sector Impact:

If the tax proceeds are successfully used to “encourage and provide economic development for the attraction and recruiting, and retention of high-technology, manufacturing, and tourism industries,” there is likely to be a positive economic impact on all aspects of Florida’s economy, including the private sector.

C. Government Sector Impact:

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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