A FLORIDA TAXWATCH BRIEFING

Florida TaxWatch

Diverting Tourist Development Tax Revenue

Florida Shouldn't "Eat Our Seed Corn" by Diverting Tourist Development Tax Revenue

Locally imposed tourist development taxes (TDTs) play a vital role in Florida counties' promotion of tourism in their areas. Over the years, the Legislature has added more and more authorized uses of this revenue, diluting the funding available for tourism promotion and advertising. During the 2020 session, efforts to further expanded the authorized uses are continuing. The "slippery slope" warning raised by the tourism industry and Florida TaxWatch in the past has become a reality.

In 1977, the Legislature passed the Local Option Tourist Development Act, which allowed counties to levy a one or two percent sales tax on "transient rentals"–hotels, motels, resorts, or any other living accommodation for a term of six months or less. The proceeds could be used:

1) to promote and advertise tourism in Florida, nationally, and internationally;
2) to acquire, construct, improve, operate and maintain publicly owned convention centers, sports stadiums and arenas, coliseums, or auditoriums; and
3) to fund convention bureaus, tourist bureaus, and tourist information centers.

Since then, four other levies have been enacted: an additional one percent TDT, two separate one percent Professional Sports Franchise Facility Taxes, and a one percent High Tourism Impact Tax. There are now five TDTs that raise just over $1 billion for local tourism promotion. Depending on a county's eligibility, tax rates vary from a minimum of three percent to a maximum of six percent. Sixty-three of Florida's 67 counties levy some combination of TDTs.

The authorized uses of TDT revenue have also expanded. In addition to the original three uses, TDTs can now be used for: zoos; beach park facilities; beach, channel, estuary, or lagoon improvements; erosion control; restoration of lakes and rivers; fishing piers; nature centers; auditoriums operated by non-profits; emergency medical and law enforcement services (coastal counties); and professional sports franchise and spring training facilities.

Counties may also use TDTs for major capital improvements, including land acquisition, for public facilities including transportation, sewer, solid waste, drainage, potable water, and pedestrian facilities, if they are "needed to increase tourist-related business activities." Not all the above uses are available to all counties.

In the last few years, the following new uses have been authorized:

- 2018 – channel, estuary, or lagoon improvements, beach groins, and public facilities including transportation, sewer, solid waste, drainage, potable water, and pedestrian facilities
- 2017 - auditoriums operated by non-profits

- 2016 - emergency medical and law enforcement services (certain coastal counties)
- 2012 – aquariums

EXPANSION OF TOURIST DEVELOPMENT TAX USES COULD CONTINUE THIS SESSION

The House tax package (HB 7097), along with its many good provisions, would add additional uses for TDT revenue. Parks or trails that are publicly owned and operated or owned and operated by not-for-profit organizations would be authorized. The bill also adds a significant, and expensive, use: water quality improvements.

This includes (but is not limited to): flood mitigation; seagrass or seaweed removal; algae control, cleanup, or prevention measures; waterway network restoration; and septic-to-sewer conversion projects. The bill would also raise the maximum population of a county from 750,000 to 900,000 to be able to use TDTs for zoos, fishing piers, or nature centers. The Senate also has a bill (SB 334) that would authorize TDT revenue to be used promote or incentivize film or television production in Florida.

The increasing expansion of the authorized uses of tourist development taxes is troubling. The "slippery slope" argument against adding uses is still relevant, but it has already borne out to the be true. TDTs were created to fund a relatively narrow set of tourism related uses with a focus on promotion and advertising. As more and more uses are allowed, the dollars available for advertising and promotion dwindle. The expansion being considered during the 2020 session is substantial.

It could be argued that at least most of the added uses have some relationship to keeping Florida attractive to visitors. The same is true about the current proposals. Florida TaxWatch recently released a report detailing the many benefits of restoring and protecting our water resources, including its impact on tourism.

But core government functions with wide-ranging benefits lend themselves more to general government revenue than designated tourism dollars. It is akin to raiding state trust funds to balance other parts of the budget. The Legislature is also poised to make historic state investments in water quality for the second year in a row and Governor DeSantis is committed to continue these investments, including water quality funding assistance to local governments.

The potential loss of state tourism promotion funding further makes this a risky time to divert local promotion dollars. VISIT FLORDA—the state's tourism marketing arm—is set to sunset July 1, 2020. The House appears steadfast in its opposition to continuing VISIT FLORIDA. Hopefully, the Senate and the Governor can convince the House to continue this important effort.

The significant economic activity tourism provides is vital to the success and growth of Florida. And the taxes tourist pay means less has to be taken from Florida citizens and businesses.

Any business will tell you the importance of advertising to increase brand awareness and sales. This is true in tourism, as Florida competes nationally and globally for visitors. Risks to our tourism industry can arise at any time, whether it be hurricanes, recessions, or the current growing problem of the coronavirus. It would be wise to "not eat our tourism seed corn" by diverting tourist development taxes to more uses.

ABOUT FLORIDA TAXWATCH

As an independent, nonpartisan, nonprofit taxpayer research institute and government watchdog, it is the mission of Florida TaxWatch to provide the citizens of Florida and public officials with high quality, independent research and analysis of issues related to state and local government taxation, expenditures, policies, and programs. Florida TaxWatch works to improve the productivity and accountability of Florida government. Its research recommends productivity enhancements and explains the statewide impact of fiscal and economic policies and practices on citizens and businesses.

Florida TaxWatch is supported by voluntary, tax-deductible donations and private grants, and does not accept government funding. Donations provide a solid, lasting foundation that has enabled Florida TaxWatch to bring about a more effective, responsive government that is accountable to the citizens it serves since 1979.

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