



## FTA-PP-08: TOURIST DEVELOPMENT TAX FOR ECONOMIC DEVELOPMENT

### COMMITTEE RECOMMENDATION: DEFER TO LEGISLATIVE CONFERENCE

**PROPOSED POLICY: SUPPORT** expanding the authorized uses of Tourist Development Tax by the Florida Legislature to include economic development programs for expanding high-wage business jobs in **fiscally constrained** counties.

**BACKGROUND:** The 21st century is ushering in what some are calling the “fourth industrial revolution.” Driven by technology, industrial sectors which embrace technology will grow and expand. Creating a 21st century economic development infrastructure will be necessary in order for communities to meet the needs of most existing primary enterprises, but also to attract new companies to the area. Doing so is very expensive.

Many rural Florida communities have lagged behind their counterparts in the southern United States in creating comprehensive economic development programs. One of the principal reasons is the absence of a consistent means to fund the program.

A possible source of funding the help pay for the costs of creating a 21st century economic development infrastructure is the hotel “Bed Tax” currently levied by most counties in Florida since a majority of hotel occupancy in the state is by commercial traveler.

The authorized uses of the “Bed Tax” should be expanded by the Florida Legislature to include economic development programs which are for expanding high-wage business jobs in **fiscally constrained** counties in the State of Florida.

In 1977, the local option tourist development tax (F.S. 125.0104), also known as the “bed tax,” was enacted which enabled a county at its option to levy a tax on hotel room revenues to generate funds to promote tourism in its county. At the time the bed tax was first created in 1977, “tourism” was touted as the most important industry in the state of Florida. However, in 1977 manufacturing was the most important contributory industry in the state.

In 2019, the “retirement industry” was the largest importer of wealth to the state followed closely by manufacturing. Several other industrial sectors, such as finance and insurance, and corporate headquarters have a greater impact than tourism in Florida.

In most of the counties examined, the commercial traveler accounted for a majority of hotel occupancy. Only in orange and Osceola counties could tourism be considered the most dominant industry. The analysis of the thirteen counties demonstrates that recreational tourists account for less than half of the revenues created by the bed tax in most counties, yet 100% of the revenues are directed to maintaining or expanding the recreational tourist sector. In a vast majority of counties in Florida, tourism accounts for less than 35% of hotel occupancy. In a vast majority of counties in



Florida, tourism accounts for less than 35% of hotel occupancy. Among the thirteen counties in 2018, \$771 million was collected by local governments to promote the formation of low-wage service and retail jobs associated with recreational tourism. Since a large portion of hotel occupancy is the business traveler who is visiting a business in the area and since economic development jobs pay a much higher wage than a recreational tourist job, it is appropriate to use some of the bed tax money to fund the economic development program.

The authorized uses of the “bed tax” should be expanded by the Florida legislature to include economic development programs which are for expanding high-wage business jobs in Florida. The following are two suggested uses.

1. The acquisition, development, and marketing of community owed industrial real estate which is reserved for the use of primary businesses and/or specific infrastructure improvements such as broadband, which enable the expansion or recruitment of primary enterprises.
2. The operating costs of the economic development organization which is recognized as the county contact organization by the Florida department of economic opportunity.

**ANALYSIS:** See linked document - [Case for Using “Bed-Tax” Money for Economic Development in Florida](#) by William H. Fruth.

#### **FAC STAFF NOTES:**

- FAC 2022 Policy Conference
  - The Committee recommended to defer FTA-PP-08 for further discussion at Legislative Conference
  - Previously FTA-PP-11
- Statutes:
  - [s. 125.0104](#), F.S. - *Tourist development tax; procedure for levying; authorized uses; referendum; enforcement.*
  - The tax is levied based on hotel/short-term occupancy—1 percent or 2 percent, as decided by the governing body of the county, of the consideration charged for lease or rental of a short-term accommodation
  - Subsection (5) provides the authorized uses of revenue from the tourist development tax:
    - Construction, acquisition, maintenance, operation, or promotion of the following publicly owned and operated facilities within the county:
      - Convention centers
      - Sports stadiums or arenas
      - Auditoriums
      - Aquariums (may be operated by a not-for-profit organization)
      - Museums (may be operated by a not-for-profit organization)
      - Zoological parks (may be operated by a not-for-profit organization)
    - To promote and advertise tourism in this state nationally and internationally



- To fund convention bureaus, tourist bureaus, tourist information centers, and news bureaus as county agencies or by contract with the local chamber of commerce or comparable organization
- To finance maintenance, restoration, enhancement, or cleanup of beaches, beach parks, inland lakes and rivers
- Construction, acquisition, maintenance, operation, or promotion of additional public facilities as recommended by a local tourist development council

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**ASSIGNED COMMITTEE:** FTA

**BOARD SUPPORT:** Yes

**UNFUNDED MANDATE:** No

**PROTECTIVE OF HOME RULE:** N/A