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A Primer on the Tourist Tax

The 'citrus tax' and 'bed tax' have supported the growth and health of two of Florida's most important industries.

By **KERRY KIRSCHNER**

As one of the original proponents of the tourist tax in the 1980s, I find it frustrating when people debate its use for the building of a new baseball stadium, arguing that the money is being misappropriated by locally elected officials and should be used for more pressing needs in the community. Even candidates for County Commission do not know where the money can be spent.

It is difficult to dispel the belief that anything given the name "tax" is money that can be used for any purpose. But in truth understanding the history of this "tax" is as important as understanding how the funds may be used.

All state and local taxation in Florida must be authorized by the Legislature, which in turn sets the rules of how any tax is collected and how it can be used.

How the citrus tax helps growers

For this discussion, let's focus on two taxes that came about specifically to help two of the state's most important industries, citrus growing and tourism.

After World War II, Florida citrus growers recognized their economic importance but were faced with a marketing challenge from California growers who were advertising heavily to promote their products. To compete, growers, processors and packers petitioned the governor and Legislature to impose a tax on every box of fruit picked in the state so they collectively could compete in advertising their products.

This advertising was financed not through general tax revenues but by a tax paid by citrus growers on all fruit that moves through commercial channels. This money funded not only the administrative costs of running the Florida Department of Citrus but also pay for advertising and promotion.

To this day, 80% of the \$58 million annual budget is spent on advertising and promotional activities for Florida citrus. Many naysayers would point out that Floridians would be better off taking that money and spending it some place else, while ignoring the fact that the growing, packing, processing and selling of citrus generates a \$9 billion-per-year impact

FLORIDA'S TOURISM ECONOMY

Visitors in millions; dollars in billions

	Visitors		Tourism Sales		Employment
	% Chg.	% Chg.	% Chg.	% Chg.	
2003	74.6		\$51.5		874,700
2004	79.7	+6.8	\$57.1	+10.8	920,700
2005	83.6	+4.9	\$62.0	+8.5	948,700
2006	83.9	+0.3	\$65.0	+4.8	964,700
2007	84.5	+0.7	\$65.5	+0.7	991,300

Source: Visit Florida

on Florida's economy, employs 90,000 Floridians and generates close to \$1 billion in tax revenues.

How the bed tax helps tourism

Following the lead of the citrus growers, and as tourism lodging matured as an industry, hoteliers found many communities outside of Florida promoting and advertising destinations by imposing a tax on short-term hotel stays.

Just as citrus saw itself as a critical industry to the economy of Florida, tourism saw that its collective revenues made it the number one industry in Florida.

To maintain and sustain a tourism-dependent economy, in 1967 the Legislature authorized tourist taxes as a means to generate revenue for tourism promotion to bring in more overnight guests to keep hotel rooms full.

Like the citrus "tax," the "bed tax" has been amended more than 90 times, mostly to redefine the authorized use of the revenue. Florida statutes authorize the use, but local officials and their appointed Tourist Development Councils decide how they spend the money within the authorized uses.

As the law now stands, a maximum of 4% tax on transient rentals and a 2% tax on food and beverage are allowed. (Sarasota County has not authorized the tax on food and beverage). According to state statutes, the revenue collected may be used for "tourism promotion activities, capital construction and maintenance of convention and cultural facilities and for ad valorem tax relief for property tax dollars used for these purposes."

You may ask about the wisdom of allowing private industry to control the use of "tax" dollars for their benefit. But consider this:

In 2007, Florida had 84.5 million visitors with an economic impact of \$57 billion on Florida's economy, making us the top travel destination in the world. Visit Florida research shows that 77.3 million Americans visited Florida last year, while total sales tax revenues from tourism totaled \$3.9 billion, not to mention that 991,300 of our friends and neighbors were directly employed because of the tourism industry.

Establishing the fact that this "tax" in truth is a collective effort by Florida's number one industry to promote its efforts, let's now address the second criticism of building a new stadium in Sarasota for the Red Sox. The criticism is often that "Sarasota has plenty of tourists here in the spring, and we don't need any more."

In defense of those promoting the stadium effort, Visit Florida research points out why we should do this. The perception is that the "tourist season" is when the majority of people visit Florida. Wrong. From January to March and April to June each period only accounts for a little more than 27% of our total annual visitors. Second, the three top origin markets for those traveling by air to visit Florida are New York, Boston and Philadelphia. It would stand to reason why Boston is so important to Sarasota's tourist-based industry, not just for spring training baseball, but year round.

Bed tax use is legally correct

In the cases of the citrus and tourism industry, you could make the case that imposing a tax on themselves was not the best business model for promoting their products, nor did it endear either to the majority of the taxpaying public. To be sure, these taxes have caused controversy over the years as to the use of our tax dollars.

Our way of living is made up of many threads, many of which we do not agree with or understand. Regardless of where you might fall on this issue, our hope is that this explanation has strengthened your understanding of what the tourist "tax" is, how it can be used and how it came about.

Agree with it or not, our local officials are obeying the letter of the law.

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Tell us what you think. Email us at argus@earthlink.net and let your voice be heard.

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About Argus: Founded in 1983, The Argus Foundation is a non-profit, non-partisan organization of area leaders who have come together to address community matters. Membership represents major economic, business and professional interests in the community. The Argus concern is to understand the underlying nature of problems and apply private-sector experience to public problems. We attempt to keep a broad community perspective for effective community building. The Argus Foundation can be contacted at: 2033 Main Street, Suite 405, Sarasota, 34237; 365-4886; www.argusfoundation.org.