



What is the Best Use for the Tourist Development Tax?

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What is the best use for the tourist development tax? The tax is a local option levy of up to 6 percent imposed on hotels, motels, and campgrounds; it is popularly referred to as the “bed tax”. Under Florida law, proceeds from the tourist tax may be used only to acquire, construct, enlarge, maintain, improve, or promote, publicly owned and operated convention centers, sports stadiums, auditoriums, zoological parks, or museums. The tax can also be used to promote and advertise tourism.

All across Florida communities struggle with how best to use the tourist tax, and with over \$100 million at stake each year, Orange County is at the center of the debate. Orange County levies a 5 percent tax and uses most of the money to fund the convention center. By any standard the convention center is a huge engine of economic growth, bringing in millions of conventioners. The challenge is what to do with the tourist taxes that are not needed to support the convention center. Some want to spend the money on renovating the citrus bowl, others argue for a cultural and arts center, and another group advocates for a new arena for the Magic. But what is best for the area’s economy?

The most reliable way to figure this out is to focus on which activities bring money into the community’s economy from outside. For example, the convention center largely caters to meetings and shows that bring people to our area who otherwise would not be here. They stay in hotels, spend money at our attractions and commercial establishments, and create the need for convention services. All of this drives our local economy.

By contrast, constructing a new arena for the Orlando Magic will enhance the prospects for retaining the team. However, very little new money is brought into the economy by the Magic. Most tickets are sold to people who already live here and who would have spent that money on dinner and a movie in the local

marketplace anyway. Many of the players don't even live in town. Spending on museums and cultural facilities also tends to serve a local marketplace, providing little additional stimulation.

Now, there is value to having a national sports franchise in the community, and cultural facilities certainly add to the attractiveness of the community – and our local citizenry enjoys both sports and culture. However, these activities cannot create the same direct economic benefit that tourism and conventions produce. Importantly, this is the year to invest excess tourist tax monies in tourism promotion to protect the most important segment of our economy, especially after the summer hurricane season that has damaged our area's reputation.

So what is the best way to spend tourist taxes this year? On tourism.

This is Hank Fishkind for 90.7 FM, WMFE News.

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