



A Primer on the Tourist Development Tax

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Orange County Mayor, Rich Crotty, will be making some pivotal decisions concerning the tourist development tax over the next few months. The tourist development tax – popularly referred to as the bed tax – is a 5 percent levy on all overnight accommodations. Orange County uses bed tax revenues primarily to pay for the Orange County Convention Center and to support tourist promotion activities, which generate huge economic benefits to the area's economy.

Conventions and tourism benefit the economy by bringing million of people to the community who would not otherwise be here, and these folks bring billions of dollars with them. These activities in turn create huge new flows of investments. Convention businesses spring to life, hotels and attractions are supported, and people buy second homes here. So we all have a huge stake in decisions concerning the bed tax.

The bed tax can be used for other things beyond convention centers and tourism promotion. For example, bed taxes can be used to fund sports arenas, and in fact were used to finance the "O"rena where the Magic now play. The bed tax can also be used for cultural facilities. As a result, there is strong competition for using the revenues. For example, the Magic want a new or dramatically renovated arena. Without it the Magic claim that they cannot make money and may leave Orlando. In addition, there is great pressure to use bed tax money to fund a multi-million dollar performing arts center in downtown Orlando. Furthermore, the Citrus Bowl is in dire need of renovation, and supporters want to use bed tax money.

While each of these options is meritorious, some will make more direct contributions to our economy than others. The key question to ask is whether or not the investment of bed taxes will bring new money into our economy. Consider first the Magic. Very few people travel to Orlando to see the Magic play, so there is very little direct payoff to the economy by using bed taxes to

renovate the “O”rena. By contrast, the Citrus Bowl serves as sponsor to a major college football bowl game that brings thousands of fans to our community who would not otherwise be here. The performing arts center falls somewhere in between; it will primarily serve the local marketplace, so its impacts are muted to the degree it serves our local community.

There is no doubt that having a professional sports franchise confers some benefit on the wider community. And renowned performing arts centers make their communities more attractive for economic development and higher quality job growth. But in the end it really does matter how bed taxes are spent, so great care is needed in ensuring that we continue to improve and expand the convention center and to promote tourism, our most important industry.

This is Hank Fishkind for 90.7 FM, WMFE News.

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