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Heads in Beds: The Politics of Hotel Taxes

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You get a print out of your bill as you check out of your hotel and you do a double take. You had carefully researched the room charges, but this bill is higher than expected. Maybe 5% higher, maybe even 10%, maybe more.

That extra bit added on? States and cities often add a hotel tax (otherwise known as a transient tax, occupancy tax, bed tax, or room tax) to the cost of your stay. In some states, like Florida, your hotel tax comes on top of other state and local sales taxes. In other states, like Nevada, sales taxes are not levied on hotel stays, but hotel taxes in those states tend to be higher. For example, the highest hotel tax rate in Florida, which is charged in our largest counties, is 6%. In Las Vegas, the highest hotel levies are over 13%.

For the most part, hotel taxes are among the least contested local taxes. After all, they are paid by the people—visitors—who are least likely to have much political clout in your city or county. But there are nonetheless some points of tension regarding these taxes. For hospitality industry interests, this is a revenue stream, that, although collected by local government, should be used to promote the industry that generated it. To others, most notably local officials and in some cases other community stakeholders, these bed taxes are just like any consumption tax, and the proceeds should be available to support municipal services.

Florida's "Tourist Development Tax"

Florida created a local option hotel tax called the Tourist Development Tax (TDT) in 1977, and over the years the state has raised the highest possible levy to 6%. It's actually a series of 1-2% taxes that counties are allowed to adopt, with pieces of that levy tied to convention center and professional sports facility development, among other things.

Initially adopted to build convention centers and support local tourism marketing efforts, the TDT's uses have been expanded, although tourism promotion and management remains its focus. Maintaining and improving beaches and waterways is now a permitted and popular use. Smaller counties can use funds to support aquariums and nature centers. While counties have some discretion over spending, they must stick to the limitations imposed by the legislature.

There are occasional efforts to allow funds to be used for more common public services, with local interests arguing either that these services also benefit tourists, or that tourism makes these services necessary. For example, Monroe County, home of the Florida Keys, has hoped to use tourism taxes to address the chronic affordable housing shortage that makes it difficult for businesses to recruit service industry workers. Some beach communities, especially those popular among a rowdy spring break crowd, want to use TDT to augment public safety efforts.

Tourism industry lobbying groups such as the statewide **Florida Restaurant and Lodging Association** and other regional groups, use their influence with state legislators (as well as their seats on the county Tourist Development Councils, which set spending priorities) to push back against what they see as encroachments on funds that, to them, should be earmarked for clear tourism promotion purposes. In recent years we've seen legislative compromises that allow hospitality industry representatives to maintain a hold on these dedicated tourist dollars while permitting exceptions important to local legislators. A 2016 bill, for example, allows three Florida Panhandle counties to use TDT funds for public safety, something not approved for any other county. In 2018, the TDT legislation was amended to permit its use for lagoon clean up (the condition of the Indian River Lagoon was a special concern of Representative Randy Fine of Brevard County) and certain tourism related infrastructure (of interest to Senator Jeff Brandes, whose Pinellas beach communities needed sewer upgrades).

Hotel Taxes in the Tampa Bay Area

In our region, a large percentage of the revenue funds go to destination marketing organizations such as **Visit St. Pete-Clearwater** or **Visit Tampa Bay**. In counties with convention centers, their debt service is a key budget item as well. The legislation has also permitted the use of TDT's for professional sports facilities, so Amalie Arena, Legends Field (Hillsborough), and Tropicana Field, as well as minor league/spring training parks in Dunedin and Clearwater (Pinellas), have all received TDT grants for construction and/or renovation. This is not always popular with hotel interests, who note that regular season baseball or hockey games are not really tourist draws.

Counties also have grant programs to support organizations and events likely to draw tourists. The Outback Bowl, for example, gets promotion grants from Hillsborough County (where the annual football game takes place) and Pinellas County (because the week leading up to the bowl game includes a beach event). Cultural institutions like the Dali Museum and events like the Clearwater Jazz Holiday can apply for grants as well. In many cases grants go to organizations that are enjoyed by residents as well as tourists, but applicants are judged mostly on their ability to draw out of town guests—they must show that funded activities will generat "room nights"—that is, an estimate of how many hotel or vacation rental rooms will be rented by those in town for this event. TDT grant money is generated by hotel guests and is supposed to be used in ways to create ever greater demand for those hotels.

TDT spending decisions in most Florida communities have been relatively low profile, but this could be changing. County governments find themselves in an ongoing fiscal squeeze, struggling to pay for services while state transfers decrease, mandates and property tax limits increase, and voters continue to have little appetite for higher taxes. They may start looking more eagerly at those TDT coffers as a potential funding source. Orange County, by far the state's largest tourist magnet, took in $277 million in tourist tax revenue in the last fiscal year. Tampa Bay area counties don't come close to Orange County but they are still lucrative tourist magnets. Last year, Hillsborough County collected about $33 million; Sarasota County over $22 million; and Pinellas County just over $60 million, almost double what it brought in as recently as 2014. That sort of revenue stream can be very tempting.

As **Jason Garcia notes**, when the TDT was passed over 40 years ago, it was anticipated to bring in about $30 million statewide. In the current fiscal year, that total will likely be close to $1 billion. While tourism industry leaders warn about "killing the goose that lays the golden egg" (an expression used often in this context) by failing to reinvest that money into industry promotion, it's fair to ask whether at some point ever greater marketing efforts may bring diminishing returns. Ultimately nice places to visit need to be nice places to live as well, and hotel tax dollars could help improve local quality of life in ways that benefit tourists and residents alike.