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CRUISES TO NOWHERE

SUMMARY

Cruises to nowhere are gambling ships that depart from and return to a single port without stopping en route at any other ports of call. These day cruises sail into international waters for the purpose of allowing their patrons to gamble, returning to their home port in a matter of hours. While gambling is the main activity offered on cruises to nowhere, such gambling activities are not regulated by the state nor are gambling revenues subject to state taxation. The cruises to nowhere industry pays sales and use taxes on purchases of tangible personal property, purchases of diesel fuel, and admission charges and collects and remits sales tax on the sale of tangible personal property while in Florida waters. Cruises to nowhere also pay corporate income taxes and prorated alcoholic beverage tax. Cruises which originate in Florida and provide the opportunity for passengers to disembark in another state or country, or multi-day cruises, are considered to be vessels engaged in transportation in interstate or foreign commerce and are not subject to the sales tax on admissions or sales tax on the sale of tangible personal property or diesel fuel. This project looked at the cruises to nowhere industry to determine what type of state and local taxes they pay, the impact the industry has on Florida's economy and whether additional taxes are warranted.

BACKGROUND

Cruises to nowhere are gambling ships that depart from and return to a single port without stopping en route at any other ports of call. These day cruises sail into international waters for the purpose of allowing their patrons to gamble, returning to their home port in a matter of hours. While gambling is the main activity offered on cruises to nowhere, such gambling activities are not regulated by the State nor are gambling revenues subject to state taxation.¹ Section 212.04, Florida Statutes, levies a 6 percent tax on admissions.

Under s. 212.02(1), the term "admissions" includes any place where a charge is made by the sale of tickets for boating or yachting. Pursuant to Rule 12A-1.005, Florida Administrative Code, charges for admission or entrance to "head boats" or "party boats" for the privilege of participating in sightseeing, dinner cruises, sport, recreation, or similar activities, including fishing, and where the crew remains under the direction of the owner, are taxable as admissions. Admission charges made by cruises to nowhere are taxable, however, only four of the cruises to nowhere currently charge an admission fee.² The charge for chartering any boat or vessel, with the crew furnished, solely for the purpose of fishing, is exempt from sales tax.³ In addition to the admissions tax, cruises to nowhere pay sales and use tax on their purchases of tangible personal property and collect sales tax on the sale of tangible personal property made while such vessels are in Florida waters.⁴ In addition, pursuant to s. 212.0501, Florida Statutes, cruises to nowhere pay a 6 percent sales tax on the total cost price of diesel fuel purchased in Florida.

Cruises which originate in Florida and provide the opportunity for passengers to disembark in another state or country, or multi-day cruises, are considered to be vessels engaged in transportation in interstate or foreign commerce and are not subject to the sales tax on admissions or sales tax on the sale of tangible personal property.⁵ Pursuant to Rule 12A-1.0641, Florida Administrative Code, vessels used to transport persons or property for hire in interstate or foreign commerce are subject to the partial sales and use tax exemption provided in s. 212.08(8), Florida Statutes, based on the ratio of Florida mileage to total mileage

² *Description of the Day Cruise Industry in Florida*, Center for Tourism Research & Development, University of Florida.

³ Section 212.08(7)(y), Florida Statutes

⁴ Section 212.05, Florida Statutes

⁵ Section 212.08(8), Florida Statutes, Partial Exemptions; Vessel Engaged in Interstate or Foreign Commerce

¹ Johnson Act of 1992.

traveled by the multi-day cruise vessel. The mileage of such vessels from the territorial limit to port dockside and the return into international waters, foreign or coastwise, in the continuous movement of persons or property in interstate or foreign commerce is not considered to be mileage in Florida. As a result, multi-day cruise ships receive a total exemption from sales and use tax on the purchase of their vessel, the purchase of tangible personal property, and the purchase of diesel fuel. In addition, Section 883 of the Internal Revenue Code provides that if a foreign corporation receives gross income from shipping and the country in which the ship is domiciled grants an exemption from corporate income taxation for U.S. flag ships, then such foreign corporation is also exempt from federal corporate income tax. If a corporation has no federal taxable income, then such corporation also has no taxable state income under chapter 220, Florida Statutes. Most large multi-day cruise ships are exempt under section 883, as well as most foreign owned day cruise ships.⁶

Title 26 of the U.S. Code, Sec. 4471, imposes a tax of \$3 per passenger on a covered voyage. The tax is imposed only once for each passenger on a covered voyage, either at the time of first embarkation or disembarkation in the United States. A covered voyage is defined to mean:

- A commercial passenger vessel which extends over one or more nights, or
- A commercial vessel transporting passengers engaged in gambling aboard the vessel beyond the territorial waters of the United States, during which passengers embark or disembark the vessel in the United States.

Both cruises to nowhere and multi-day cruises pay the \$3 federal “head tax.”

During the spring of 2003, the Alaska Legislature proposed a \$50 tax on each tourist the cruise industry brings into Alaska waters. The so called “head tax” would help pay for the influx of tourist during the summer cruise ship season. (The city of Juneau already imposes a \$5-a-head tax on cruise passengers, raising \$3 million a year.) No action was taken on the proposal.⁷ A citizen’s initiative aimed at taxing the

cruise ship industry in Alaska is moving forward, however. If enough signatures are obtained, Alaskan voters will be deciding on a ballot measure next November that would, among other things, require passengers to pay a \$50 head tax.⁸

In a long line of cases the United States Supreme Court has held that the dormant Commerce Clause of the Constitution (Article I, Section 8, Clause 3) prevents states from discriminating between in-state and out-of-state interests, particularly interstate commerce. In 1849, in Smith v. Turner, 48 U.S. 283, the Supreme Court held unconstitutional a \$1.00 per passenger landing fee collected in the port of New York from all interstate vessels landing there. Similar challenges to a head tax on airline travel were unsuccessful, but in these cases the tax applied both to intrastate and interstate flights. See, e.g. Evansville-Vanderburgh Airport Auth. Dist. v. Delta Airlines, 405 U.S. 707 (1972). That case resulted in the passage of the Anti-Head Tax Act (49 U.S.C. 40116), which is limited to aircraft operators. There has been no similar anti-head tax act for commercial vessels.⁹

Both cruises to nowhere and multi-day cruises collect and remit Florida’s excise taxes on alcoholic beverages¹⁰ and the by-the-drink tax¹¹ to the Division of Alcoholic Beverages and Tobacco, Department of Business and Professional Regulation. These taxes are prorated based on the number of miles traveled in Florida waters.

While the multi-day cruise industry pays little, if any, sales and use tax, corporate income tax, or fuel tax to the State of Florida, the cruises to nowhere industry does pay sales and use taxes on purchases of tangible personal property, purchases of diesel fuel, and admission charges and collects and remits sales tax on the sale of tangible personal property while in Florida waters, as well as corporate income taxes and prorated alcoholic beverage taxes.

Since the adoption of the Johnson Act, the federal law authorizing gambling on cruise ships, there has been much debate in Florida about the day cruise industry.

[CruiseTax000420.html](#) (October 15, 2003).

⁸ Jeffrey Hope, “Cruise Ship Head Tax Initiative May Go to Ballot”, October 9, 2003.

<http://www.msnbc.com/local/KTUUM331042.asp> (October 28, 2003)

⁹ Florida Department of Revenue, Legal Department

¹⁰ Sections 563.05, 564.06, and 565.12, Florida Statutes

¹¹ Section 561.501, Florida Statutes

⁶ Florida Department of Revenue, Legal Department

⁷Paul Queary, The Associated Press, “Alaska Embarks on Cruise Tax,” April 20, 2003.,

<http://www.abcnews.go.com/selections/travel/Daily/News/>

Legislation was introduced during the 1996 Regular Session to prohibit gambling on cruises to nowhere. Senate Bill 1906 and HB 2373 died in committee with no action taken. In 1997, legislation was introduced, but not passed, to impose a surcharge upon the sale of every charge for cruise ship tickets or admissions for each embarkation and debarkation originating at Florida deep water ports. The surcharge would have affected day cruises originating from Florida Ports and all multi-day cruises.

In his address to the National Council of Legislators from Gaming States on June 21, 1999, Ralph Haben, representing the day cruise industry, stated that the day cruise industry would like to see an amendment to the Johnson Act giving states the authority to regulate and tax such gambling ships.¹²

During the 2003 Regular Legislative Session, SB 2800 was introduced to outlaw the day cruise industry in Florida. Senate Bill 2800 was heard in the Senate Regulated Industries Committee where representatives from the day cruise industry indicated that the industry would be willing to pay additional taxes in lieu of an outright ban.¹³

Court Cases on the Taxation of Cruises to Nowhere

The Florida Department of Revenue and the cruises to nowhere industry have met in court several times over the years. The cruises to nowhere industry argues that it is engaged in foreign commerce and thus exempt from state sales and use tax under s. 212.08, Florida Statutes, while the department contends that cruises to nowhere are engaged in intrastate commerce and therefore subject to tax. Following is a summary of relevant case law.

In Deerbrooke Investments, Inc. v. Florida Department of Revenue, 2003 WL 22085422 (4th DCA2003), a Panamanian company that operates cruises to nowhere appealed an order of the Florida Department of Revenue (the department) imposing an assessment of state sales and use taxes. The department assessed sales and use tax on: (1) revenues received from

concessionaires pursuant to their rental agreements; (2) gaming equipment leased; (3) food which was prepared for and consumed by passengers aboard the vessel; and (4) rented real property located in Palm Beach County.

Deerbrooke argued that it was engaged in foreign commerce since the vessel traveled to a point outside of U.S. territorial waters and therefore was exempt under s. 212.08, Florida Statutes, which allows an exemption for vessels exclusively used in foreign commerce. The department argued that Deerbrooke was engaged in purely intrastate commerce and therefore subject to tax under s. 212.05, Florida Statutes.

The court held that Deerbrooke was entitled to a partial exemption on the shipboard concessions and gambling equipment, but the other activities were intrastate and should be taxed. The court stated that U.S. territorial waters extend 12 miles from coast and therefore Deerbrooke, in cruising three miles off the coast, was not engaged in any foreign commerce.¹⁴

In Dream Boat, Inc. v. Department of Revenue, 2003 WL 1560175 (1st DCA 2003), the court upheld an order imposing a use tax plus penalties and interest on slot machines against Dream Boat, Inc., a company operating cruises to nowhere. Dream Boat entered into separate oral license agreements with cruise operators that allowed them to operate the slot machines once the vessels had crossed the three-mile boundary of Florida's territorial waters.

Dream Boat argued that the separate oral license agreements were not subject to any tax because the slot machines were not used in Florida and therefore exempt under s. 212.05, Florida Statutes. The lower court rejected this argument and held that the oral licensing agreements occurred in Florida and the slot machines were used in Florida, and therefore fit the definition of use under s. 212.05, Florida Statutes. The court pointed out that "use" is broadly defined and includes the exercise of any right or power over tangible personal property incident to any interest in the property.

Dream Boat also argued that it was entitled to a partial tax exemption under s. 212.08(8), Florida Statutes, which is permitted when vessels are engaged in interstate or foreign commerce. The court rejected their argument and held that Dream Boat could not show

¹² Audio tape of the June 21, 1999, "Cruises to Nowhere: Where Do We Go From Here?", meeting of the National Council of Legislators from Gaming States.

¹³ Julie Hauserman, "Gambling Ship Operators Offer Tax Deal", St. Petersburg Times, April 23, 2003, <http://www.sttimes.com/2003/04/23/news_pf/State/Gambling_ship_operato.shtml> (September 26, 2003).

¹⁴ Article II, Section 1(a), of the State Constitution, identifies state waters as extending three geographic miles from the coast of Florida.

that it was engaged in interstate or foreign commerce. Dream Boat conceded that it did not engage in interstate commerce and the court determined since the vessel never left U.S. territorial waters, it could not be engaged in foreign commerce.

Sea Escape operates cruises to nowhere in Ft. Lauderdale, Florida and cruises outside Florida's territorial waters. In New Sea Escape Cruises, Ltd. V. Florida Department of Revenue, 823 So. 2d 161 (4th DCA 2002), Sea Escape challenged the application of Florida's sales and use tax on tangible personal property to: (1) proceeds from the gambling concession agreement, (2) the gambling equipment, and (3) proceeds from the food concession agreement.

The court held that the gambling was occurring in international waters not within the state for taxation purposes. It held that the gambling equipment was subject to use tax and the agreement between cruise ship and gambling concession operator was a lease or license subject to taxation. It further held that the agreement between the cruise ship and caterer was not subject to taxation.

In finding that gambling occurring in international waters was nontaxable, the court stated that "within the state" as provided in s. 212.05, Florida Statutes, does not include gambling that occurs outside of Florida's waters. It stated further that when the vessel is cruising outside Florida's waters, those miles cannot constitute "Florida mileage" under s. 212.08(8), Florida Statutes.

In finding that proration was applicable to the taxes imposed on Sea Escape, the court stated that ss. 212.05 and 212.08, Florida Statutes, are not ambiguous and therefore the taxes assessed against cruises to nowhere must be prorated.

In finding the gambling equipment taxable, the court stated that since the equipment was installed and maintained in Florida and the money removed from the slot machines while the vessel was in Florida, then it was used as contemplated by s. 212.05, Florida Statutes, and subject to proration under s. 212.08(8), Florida Statutes.

In finding that the lease or license between Sea Escape and Tropical taxable under s. 212.05, Florida Statutes, the court emphasized that the definition of sale under s. 212.02(15)(a), Florida Statutes, includes a "license" or "lease."

In finding that the sale of food and beverages was

exempt from taxation, the court, citing Warning Safety Lights of Georgia v. Department of Revenue, 678 So. 2d 1377 (4th DCA 1996), stated that since the caterer supplied prepared meals directly to passenger and crew for a charge per person, this would be considered a service agreement and not a lease.

The Florida Supreme Court has granted review of the Florida Department of Revenue's appeal from the 4th DCA opinion in New Sea Escape Cruises, Ltd. v. Florida Department of Revenue. Oral argument was held October 9, 2003.¹⁵

METHODOLOGY

Information was obtained for this project in a number of ways. First, pertinent federal and state statutes were researched. Next, court cases on the taxation of cruises to nowhere were reviewed and summarized. Information and data were obtained from the Florida Ports Council and the Day Cruise Association, as well as the Florida Department of Revenue. Audio tapes of testimony on cruises to nowhere presented before the National Council of Legislators from Gaming States were obtained. In addition, news articles, publications, and relevant statistics on both cruises to nowhere and multi-day cruises were reviewed.

FINDINGS

Cruises to nowhere have been operating out of Florida since 1984. The industry has grown from 1 ship in 1984 to seventeen ships today.¹⁶ Currently, five of the gambling ships operate out of Florida's deep water ports – two from Port Canaveral, one from the Port of Palm Beach and two from Port Everglades. The remaining twelve gambling ships sail from private marinas. Five of the seventeen ships are foreign flag ships - LA Cruise, Ambassador II, Palm Beach Princess, SeaEscape, and San Tropez Casino.

¹⁵ Florida Department of Revenue v. New Sea Escape Cruises, Ltd, No. SC02-2013 (May 15, 2003)

¹⁶ In the Fall/Winter of 2003, four new gambling ships will be coming on line. The *Spirit of St. Petersburg* will begin operation out of the Port of St. Petersburg.

**Day Cruise Ship Locations
(As of September 2003)**



* Opening Fall/Winter 2003
Source: Day Cruise Association

In addition to cruises to nowhere, Florida is the center of the U. S. multi-day cruise line industry. According to the annual study by Business Research and Economic Advisors commissioned by the International Council of Cruise Lines, multi-day cruise lines contributed \$4.5 billion to Florida's economy through direct purchases in 2002 – the largest amount for any state and a 9 percent increase over 2001. Florida ports handled two-thirds of all U.S. cruise embarkations, an estimated 4.4 million passengers at the Port of Miami, Port Canaveral, Port Everglades and the Port of Tampa in 2002 – a nearly 10 percent increase from 2001. All of Florida's ports increased their embarkations during 2002 with Port Canaveral and Port Everglades leading the way in growth.¹⁷ In addition, Florida is home to the majority of cruise line headquarters. Table 1 compares U.S. and Florida embarkations of the North American Cruise Industry by Port.

**Table 1
Comparison of U.S. and Florida Embarkations
of the North American Cruise Industry by Port
(Rounded to the Nearest Thousand)**

Passengers	2002	2001	2000
United States	6,500,000	5,900,000	5,315,000
Florida	4,413,000	4,019,000	3,722,900
Miami	1,821,000	1,700,000	1,682,000
Port Canaveral	1,197,000	1,065,000	1,013,000
Port Everglades	1,105,000	983,000	798,000
Tampa	290,000	271,000	229,900
% Share of World Passengers	2002	2001	2000
United States	70.5%	70.2%	66.4%
Florida	47.9%	47.8%	46.5%
Miami	19.8%	20.2%	21.0%
Port Canaveral	13.0%	12.7%	12.7%
Port Everglades	12.0%	11.7%	10.0%
Tampa	3.1%	3.2%	2.9%

Table 2 shows cruise activities at Florida ports by type of cruise for fiscal year 2000-01 and Table 3 shows the same for fiscal year 2001-02.

**Table 2
Cruise Activities at Florida's Ports
Fiscal Year 2000-01
(Embarkations & Disembarkments)**

Port	One-Day Cruise	Multi-Day Cruise	Total
Canaveral	1,795,058	1,798,366	3,593,424
Everglades	1,106,189	1,966,154	3,072,343
Fernandina	300	-	300
Key West	-	619,493	619,493
Manatee	-	56,622	56,622
Miami	10,317	3,380,774	3,391,091
Palm Beach	497,956	504	498,460
Tampa	-	517,235	517,235
Total	3,409,820	8,339,148	11,748,968

Source: Florida Ports Council Statistics

¹⁷ Business Research & Economic Advisors, The Contribution of the North American Cruise Industry to the U.S. Economy in 2002, August 2003.

Table 3
Cruise Activities at Florida's Ports
Fiscal Year 2001-02
(Embarkations & Disembarkments)

Port	One-Day Cruise	Multi-Day Cruise	Total
Canaveral	1,873,044	1,951,196	3,824,240
Everglades	1,030,395	2,455,462	3,485,857
Fernandina	-	454	454
Key West	-	927,746	927,746
Manatee	-	63,042	63,042
Miami	-	3,642,990	3,642,990
Palm Beach	591,338	141	591,479
Tampa	-	583,130	583,130
Total	3,494,777	9,624,161	13,118,938

Source: Florida Ports Council Statistics

During fiscal year 2001-02, the number of one-day passengers cruising from Florida's ports increased by an average of almost 3 percent, reversing the 7 percent decline in fiscal year 2000-01.¹⁸ The Port of Palm Beach, whose cruise operations are almost exclusively in the one-day market, experienced a 19 percent increase.

Currently, the federal statute that governs gambling on cruise ships is the Johnson Act. The Johnson Act was passed to reverse an act of 1948 that prohibited gambling on U.S. ships.¹⁹ Prior to enactment of the 1992 amendment to the Johnson Act, foreign-flagship passenger vessels hailing from American ports were permitted to offer gambling, but U.S. flagships were not. The 1992 amendment allowed U. S. passenger vessels to offer gambling, thus leveling the playing field between foreign and U.S. flagship vessels. However, the 1992 law allowed states to ban cruises to nowhere. If a state did not have an explicit prohibition on cruises to nowhere prior to 1992, the one-day gambling cruises could operate in that state. If after 1992 a state decided to ban cruises to nowhere, it could.²⁰ Only California has banned cruises to

nowhere.²¹ While the Johnson Act does give states a right of refusal, it does not allow for any state regulation or taxation of the gambling that occurs on these ships.

Gambling in Florida

Pari-mutuel Wagering - Gambling in Florida began in 1931 when pari-mutuel wagering was first authorized. Chapter 550 regulates and taxes the pari-mutuel industry which consists of both live and intertrack wagering on thoroughbred, harness, and quarter horse racing as well as greyhound racing and jai alai. In fiscal year 2001-02, the state collected \$35.2 million in pari-mutuel taxes.

State Lottery - In November 1986, voters approved Article X, Section 15 to the State Constitution, providing for a state operated lottery. The Department of the Lottery was created during the 1987 Regular Session and the state lottery officially began selling tickets on January 12, 1988. Total sales from on-line and instant lottery games in fiscal year 2002-03 were \$2,868.0 billion, with \$966.3 million going to the Education Enhancement Trust Fund.

Indian Gaming - The expansion of tribal casino gaming first appeared following the passage of the Indian Gaming Regulatory Act (IGRA) in 1988. IGRA identifies three classes of gambling on Indian lands:

- Class I includes social games and traditional and ceremonial games. This type of gaming is under the exclusive jurisdiction of tribes.
- Class II excludes house-banked card games but includes bingo, pull tabs, and games similar to bingo, plus non-banking card games (unless prohibited by state law). It is under tribal jurisdiction, but subject to provisions under IGRA and oversight by the National Indian Gaming Commission.
- Class III includes all other types of gambling, including house-banked card games, slot machines, pari-mutuel racing and jai alai. Electronic games of chance, such as video poker, are also considered Class III gaming.

States have no regulatory authority over Indian gaming or the ability to impose taxes. Indian tribes are

¹⁸ Florida Ports Council Statistics, www.flaports.org/statistics.htm

¹⁹ *Gambling Policy and the Role of the State*, Final Report of the Public Sector Gaming Study Commission, March 2000, p.41.

²⁰ H.R. 316, The Cruise to Nowhere Act of 1999. Congressional Hearing, July 28, 1999.

²¹ *Gambling Policy and the Role of the State*, Final Report of the Public Sector Gaming Study Commission, March 2000, p.41.

authorized to conduct any type of gaming that is legal in their state. As a result, Florida Indian tribes conduct several large bingo operations in Florida. According to IGRA, a tribe may legally conduct Class III gambling when it reaches agreement with a state under a state-tribal "compact," or agreement, outlining the legal framework. Florida and its Indian Tribes have not been able to reach an agreement under a state-tribal compact. Instead, the Seminole and Miccosukee Indian tribes are operating what they describe as Class II electronic bingo games. These electronic bingo games are very similar to slot machines. The following Indian casinos are operating in Florida:

- Seminole Gaming Palace/Tampa
- Seminole Casino/Hollywood
- Seminole Casino - Brighton/Okeechobee
- Seminole Casino/Imokalee
- Miccosukee Resort & Gaming/Miami
- Seminole Casino/Coconut Creek

Casino Gambling – Casino gambling is unlawful in Florida. Florida voters have rejected casino gambling proposals in 1979, 1986 and 1994. The federal Johnson Act does authorize casino gambling on both cruises to nowhere and multi-day cruises. As previously noted, the State of Florida has no authority to regulate or tax casino gambling on cruise ships.

Bingo and Card Rooms – Chapter 849, Florida Statutes, authorizes limited bingo games in Florida and the regulation and taxation of card rooms. Card rooms may only be located at a licensed pari-mutuel facility. Card room receipts are taxed at 10 percent of monthly gross receipts and an admission tax equal to 15 percent of the admission charge is imposed.²² Bingo may be played for the benefit of certain charitable, nonprofit and veterans' organizations and by mobile home and condominium associations.²³ There have been several unsuccessful attempts by the Legislature to require state regulation and licensing of bingo operations.

Economic Impact of the Cruises to Nowhere Industry on the State of Florida

As stated earlier in this report, the day cruise industry appears to contribute its fair share of state and local taxes. In addition to contributing to the tax base, the day cruise industry also contributes to Florida's economy by providing jobs and by purchasing goods and services. The Day Cruise Association contracted

with the Center for Tourism Research & Development at the University of Florida to collect economic data from the day cruise industry for this report. Sixteen cruises to nowhere responded to the Center's survey. In 2002, 3.5 million people enjoyed cruises to nowhere. The industry employed 2,854 full-time and 266 part-time employees, with a total payroll of \$63.3 million. The industry spent in excess of \$82 million on goods and services purchased from local vendors. Cruises to nowhere operating out of Florida deep water ports reported paying port fees of \$17.8 million, while the remaining cruises to nowhere paid total fees of \$4.9 million to landlords of marinas. Such marina fees are taxable and subject to both state and local sales taxes. The day cruise industry paid \$6.7 million in vessel leases. State taxes and fees totaled \$5.4 million, local taxes and fees \$1.1 million and federal taxes and fees \$10.9 million. The day cruise industry reported that in calendar year 2002 they paid total federal, state and local taxes in excess of \$17.4 million.

Table 4
Day Cruise Industry
State and Local Taxes and Fees
Calendar Year 2002

Type of Tax	Tax Paid
State Sales and Use Tax on Sale of TPP	730,161
State Sales Tax on Admissions	531,740
State Alcoholic Beverage Tax	130,546
State Corporate Income Tax	175,875
State Professional Licenses	7,305
State Intangible Tax	16,440
State Pilot Fees	3,474,726
State Fuel Taxes	89,502
State Unemployment Compensation Tax	239,688
Local Occupational Tax	50,566
Local Tangible Personal Property Tax	72,538
Local Property Tax	166,150
Local Valet Parking Fees	43,953
City of Miami Parking Surcharge	150,000
Bayfront Park Trust Fees (Miami 1 - vessel)	615,000
Total	\$ 6,494,190

Source: *Description of the Day Cruise Industry in Florida*, Center for Tourism Research & Development, University of Florida.

²² Section 849.086, Florida Statutes

²³ Sections 849.0931 and 849.0935, Florida Statutes

RECOMMENDATIONS

Cruises to nowhere play an important role in Florida's economy. In 2002, they serviced over 3.5 million people, paid almost \$6.5 million in state and local taxes and fees and spent in excess of \$82 million on goods and services purchased from local vendors. The question of whether cruises to nowhere pay their fair share of state and local taxes can be answered by looking at what taxes the multi-day cruise industry does not pay. The multi-day cruise industry pays little, if any, sales and use taxes, corporate income taxes, or fuel taxes, while the cruises to nowhere industry pays sales and use taxes on purchases of tangible personal property, purchases of diesel fuel, admission charges and collects and remits sales tax on the sale of tangible personal property while in Florida waters, as well as prorated alcoholic beverage taxes and corporate income taxes. If the legislature wants to find a way to collect additional taxes from the cruise industry, they could do one of the following: (1) impose a "head tax" on all cruises to nowhere passengers, similar to the federal \$3 per passenger tax; (2) impose a "head tax" on all one-day and multi-day cruise passengers or; (3) impose a surcharge upon the sale of every charge for cruise ship tickets. The surcharge could not be structured in the same manner as the sales tax on admission because multi-day cruises are totally exempt from the admission tax. In addition, since only four cruises to nowhere currently charge an admission fee, the state would not collect the surcharge on the majority of cruises to nowhere.

The real issue seems to be that states do not have the ability to regulate and tax gambling on cruises to nowhere. While the federal government holds the control, the Florida Legislature could encourage Congress to amend the Johnson Act, to the extent permitted by the U.S. Constitution, to allow states to regulate and tax gambling on cruises to nowhere.