STORAGE NAME: h0657.bdt
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HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: HB 657

RELATING TO: The tax refund program for qualified target industry businesses

SPONSOR(S): Rep. Boyd

STATUTE(S) AFFECTED: Section 288.106, F. S.

COMPANION BILL(S): SB 708

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE
(2) FINANCE AND TAXATION
(3)
(4)
(5)

I. SUMMARY:

The Qualified Target Industry Tax Credit program authorizes the award of tax credits to qualified target industry businesses. Section 288.106, F. S. provides the criteria which must be met by a business to be designated as a qualified target industry business. One of the criteria is that the jobs created the business must pay an average wage of at least 115 percent of the existing average wage in the area where the business is to be located.

This bill amends section 288.106, F. S. by specifying that the calculation of the average wage be based on the average “private sector” wage in the area where the business is to be located. Further, it adds a provision for the average wage requirement to be waived altogether if the project is located in a county designated by the Rural Economic Development Initiative (REDI) or in an enterprise zone, and only when the merits of the project or the circumstances in the community warrant such action.

This bill may have a positive fiscal impact on certain local governments, and has no fiscal impact on state agencies or funds.

This bill does not create or otherwise increase rulemaking authority for any state agency.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

The Qualified Target Industry (QTI) Tax Refund Program authorizes the Office of Tourism, Trade, and Economic Development (OTTED), upon a recommendation from Enterprise Florida (EFI), to award tax refunds to new or expanding businesses in selected targeted industries that pay at least 115 percent of the average wage in the area.

Section 288.106, F. S. provides the criteria which must be met by a business to be designated as a qualified target industry business. One of the criteria is that the jobs created the business must pay an average wage of at least 115 percent of the existing average wage in the area where the business is to be located.

In some rural areas, this "average wage requirement" is thought to be burdensome because one large employer can skew the average wage for the area. The employer can be a government entity such as a prison or a private sector organization. Because the average wage can be skewed in some areas, potential businesses in those areas are unable to access the qualified target industry tax credit program because they do not meet the average wage requirement of 115 percent.

B. EFFECT OF PROPOSED CHANGES:

This bill changes the calculation average wage requirement to 115 percent of the average "private sector" wage in the area where the business is to be located. Further, it adds a provision for the average wage requirement to be waived altogether if the project is located in a county designated by the Rural Economic Development Initiative (REDI) or in an enterprise zone and only when the merits of the project or the circumstances in the community warrant such action.

The effects of this bill should alleviate the problems with accessing the Qualified Target Industry tax credits in certain rural areas.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

No.

(3) any entitlement to a government service or benefit?

No.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

N/A

(2) what is the cost of such responsibility at the new level/agency?

N/A

(3) how is the new agency accountable to the people governed?

N/A

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No.

b. Does the bill require or authorize an increase in any fees?

No.

c. Does the bill reduce total taxes, both rates and revenues?

No.

d. Does the bill reduce total fees, both rates and revenues?

No.

e. Does the bill authorize any fee or tax increase by any local government?

No.

3. Personal Responsibility:

   a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

      N/A

   b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

      N/A

4. Individual Freedom:

   a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

      N/A

   b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

      N/A

5. Family Empowerment:

   a. If the bill purports to provide services to families or children:

      (1) Who evaluates the family's needs?

          N/A

      (2) Who makes the decisions?

          N/A

      (3) Are private alternatives permitted?

          N/A

      (4) Are families required to participate in a program?

          N/A

(5) Are families penalized for not participating in a program?

N/A

b. Does the bill directly affect the legal rights and obligations between family members?

N/A

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

(1) parents and guardians?

N/A

(2) service providers?

N/A

(3) government employees/agencies?

N/A

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends section 288.106, F. S. to insert the words “private sector” between “average” and “wage”. This section also adds language which allows for the average wage requirement to be waived if so requested by the local governing body recommending the project and Enterprise Florida, Inc.

The average wage requirement may only be waived if the project is located in a county designated by the Rural Economic Development Initiative (REDI) or in an enterprise zone and only when the merits of the project or the circumstances in the community warrant such action.

Both the recommendation and the approval of the waiver must be transmitted in writing with a specific justification explained.

Section 2. Provides that the bill take effect upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

None.

2. Recurring Effects:

None.

3. Long Run Effects Other Than Normal Growth:

None.

4. Total Revenues and Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None.

2. Recurring Effects:

The approval of Qualified Target Industry Tax Credits for certain projects which have not previously been eligible may have a positive recurring fiscal impact on the localities in which these projects are located.

3. Long Run Effects Other Than Normal Growth:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

None.

2. Direct Private Sector Benefits:

The change in the calculation of the average wage requirement and the waiver of the average wage requirement in some cases may increase the number of projects eligible for the Qualified Target Industry tax credit program.

3. Effects on Competition, Private Enterprise and Employment Markets:

   The provisions of this bill may have a positive impact on employment markets particularly in rural areas.

D. FISCAL COMMENTS:

Both Enterprise Florida, Inc. and the Office of Tourism, Trade, and Economic Development report that the changes in this bill will not affect the costs of administering the Qualified Target Industry (QTI) Tax Credit program. This bill may allow more projects to be eligible for the QTI tax credits, but the program as a whole, operates under a cap of the lessor of $10 million or the amount appropriated for that fiscal year. Therefore, there will be no impact, recurring or non-recurring, on state funds due to the potential increase in eligible QTI projects.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

This bill provides for a waiver of the average wage requirement if, among other things, the project is located in a “county designated by the Rural Economic Development Initiative” (REDI). There is no official list of REDI designated counties.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT AND INTERNATIONAL TRADE:

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