

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1894

SPONSOR: Senator Grant and others

SUBJECT: Qualified Target Industry Tax Refund Program

DATE: March 22, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Joseph	Maclure	CM	Favorable
2.			CA	
3.			FR	
4.				
5.				

I. Summary:

This bill makes a number of significant changes to the Qualified Target Industry (QTI) Tax Refund Program. The bill revises procedures under which the Office of Tourism, Trade, and Economic Development (OTTED) approves applications for tax refunds. The bill caps the state share of tax refunds for a fiscal year at \$35 million. The bill allows exceptions to current standards. The bill revises the amount of per-job refund and provides for an additional refund when created jobs exceed local pay scales by 150 percent or more. The bill extends program exemptions from match requirements to additional counties.

This bill substantially amends the following sections of the Florid Statutes: 288.095 and 288.106.

II. Present Situation:

The Qualified Target Industry (QTI) Tax Refund Program, s. 288.106, F.S., is a performance-based incentive to encourage businesses to locate or expand in Florida. Certification for the program is based on a number of criteria specified in statute, including the number of new Florida jobs created, proposed average wages, total capital investment, the importance of the incentive in the business' location/expansion decision, local economic conditions, community support for the project, and the expected return on the public investment. To be considered for QTI, a business must, at a minimum, create 10 new Florida jobs; pay an average wage equal to 115 percent of either the area average wage, the county average wage, or the state average wage; and receive a pledge of local financial support by resolution.

Applications are submitted to Enterprise Florida, Inc., (EFI) for review, evaluation, and recommendation. Final certification decisions, based on EFI evaluations and recommendations, are made by the Office of Tourism, Trade, and Economic Development (OTTED). Certified QTI businesses enter an agreement with OTTED allowing them to claim refunds up to a specified amount of eligible taxes paid after the first year of the agreement. A qualified target industry business may not receive refund payments of more than 25 percent of the total tax refunds

specified in the agreement. The agreement cannot specify an amount above \$5,000 per-job or \$7,500 per-job in an enterprise zone, times the total number of jobs created. The agreement indicates the businesses will receive refunds if they create and maintain the new Florida jobs and pay at least the average wage indicated in their original application for certification, they pay eligible taxes, the state actually receives the required 20 percent local match, and the Legislature appropriates funds for the tax refund.

Certified businesses submit tax refund claims each year for OTTED's review. At that time the business must send a copy of all receipts pertaining to the payment of taxes for which the refund is sought and data related to achievement of each performance item specified in the tax refund agreement.¹

III. Effect of Proposed Changes:

This bill substantially amends ss. 288.095 and 288.106, F.S., relating to the Qualified Target Industry Tax Refund Program.

This bill includes the following changes:

- Provides a program cap for the state share at \$35 million. Since local share is 20 percent (or up to \$7 million in this case), the total program cap is \$42 million in this bill. The language for this cap replaces original program language that limited approval of tax refunds (state and local share) to appropriated amounts.
- Clarifies the meaning of "expansion of an existing business," by changing the definition from one that describes expanding the existing site, to a definition open to any site in Florida but owned by the existing Florida business.
- Expands the meaning of "local financial support exemption option" to include a county with a population of 100,000 or fewer which is contiguous to a county with a population of 75,000 or fewer. This adds counties with larger populations to the 20 percent local match exemption.
- Adds a definition of "authorized local economic development agency" to aid in keeping negotiations confidential and to allow a local economic development agency to pledge local financial match in advance of a local governing board's resolution.
- Lowers the basic per-job refund from up to \$5,000, to \$3,000, and provides for a \$6,000 per-job refund if the project is located in a rural county or an enterprise zone. Under current law, projects in an enterprise zone are eligible for a per-job refund of \$7,500. The bill also provides an additional \$1,000 per-job or \$2,000 per-job if the jobs pay 150 percent or 200 percent of the average private-sector wage in the area (defined as the lower of metropolitan, county, or state).

¹ Note: Since the Qualified Defense Contractor (QDC) program is similar to QTI, the two programs are appropriated and managed together. Unused appropriations are put into the Defense Grant Program, s. 288.980, F.S. QDC does not require newly created jobs, and can be given to any defense contractor who needs to reduce costs to stay in business.

- Breaks up the eligible tax refund list into two groups, such that one group of taxes remains refundable beginning with the first taxable year and the other begins immediately. This allows the company to begin using certain tax refunds immediately after the agreement is reached.
- Deletes some application information requirements related to how much future taxes the company expects to pay.
- Exempts the minimum 10 job requirement if the expanding business exists in a rural area or an enterprise zone. The local governing body and Enterprise Florida, Inc., must make the request for the exemption.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

This bill provides for \$3,000 per job created or higher (up to \$8,000) depending on the location of the business and if it is paying more than a state, county, or local average (whichever is lower). This bill changes existing refund rules and allows a business to use certain refunds as soon as they enter into an agreement with the state.

C. Government Sector Impact:

The cost of this program in FY 1998-99 was \$10.8 million state share (General Revenue) and \$2.7 million local share. This bill proposes a total program cap at \$42 million, with the state share capped at \$35 million and the local share (if at 20 percent) capped at \$7 million. This bill expands the number of counties that can waive the required match, increasing the likelihood that the \$7 million effective local cap will not be reached.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
