

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: SB 1194

SPONSOR: Senator Posey

SUBJECT: Enterprise Zones

DATE: February 28, 2002

REVISED: 3/07/02

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cibula</u>	<u>Maclure</u>	<u>CM</u>	<u>Favorable</u>
2.	<u>Cooper</u>	<u>Yeatman</u>	<u>CA</u>	<u>Favorable</u>
3.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable</u>
4.	<u>                    </u>	<u>                    </u>	<u>AGG</u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>AP</u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

## I. Summary:

The bill authorizes Brevard County, Cocoa, or Brevard County and Cocoa to apply to the Office of Tourism, Trade, and Economic Development (OTTED) for the designation of an enterprise zone encompassing three community redevelopment areas established under part III of chapter 163, F.S. OTTED may approve the application if it satisfies s. 290.0055, F.S., requiring the adoption of an appropriate resolution by the governing body of an applicant for an enterprise zone; nomination of an area for designation as an enterprise zone; creation of an enterprise zone development agency; creation and adoption of an enterprise zone development plan; compliance with enterprise zone size limitations; and a finding by OTTED that the designated area suffers from pervasive poverty, unemployment, and general distress.

This bill creates section 290.00686, Florida Statutes.

## II. Present Situation:

### Enterprise Zones

The Florida Enterprise Zone Act of 1994 (act), codified in ss. 290.001-290.016, F.S., was created

to assist local communities, their residents, and the private sector in creating the proper economic and social environment to induce the investment of private resources in productive business enterprises located in severely distressed areas and to provide jobs for residents of such areas.

Section 290.003, F.S. Under the act, areas of the state meeting specified criteria including suffering from pervasive poverty, unemployment, and general distress have been

designated as enterprise zones. To induce private business to invest in these enterprise zones, the use of state and local incentives is authorized.

#### *State Incentives*

- *Enterprise zone jobs credit against corporate income taxes:* Businesses located in an enterprise zone who pay Florida corporate income taxes are authorized to receive a tax credit against their corporate income tax based on the amount of wages paid to new employees who are either residents of an enterprise zone or participants in a welfare transition program. Section 220.181, F.S.
- *Enterprise zone jobs credit against sales tax:* Businesses located within an enterprise zone who collect and pay Florida sales and use tax are allowed a credit against their sales tax due based on the amount of wages paid to new employees who are either residents of an enterprise zone or participants in a welfare transition program. Section 212.096, F.S.
- *Enterprise zone property tax credit:* New, expanded, or rebuilt businesses located within an enterprise zone are allowed a credit on their Florida corporate income tax based on the amount of property taxes paid. Section 220.182, F.S.
- *Sales tax refund for building materials:* A refund is available for sales taxes paid on the purchase of building materials used in the rehabilitation of real property used in an enterprise zone. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone, the lesser of 97 percent of the sales taxes paid or \$10,000. Section 212.08(5)(g), F.S.
- *Sales tax refund for business property used in an enterprise zone:* A refund is available for sales taxes paid on the purchase of business property with a purchase price of \$5,000 or more purchased by and for use in a business located in an enterprise zone. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone, the lesser of 97 percent of the sales taxes paid or \$10,000. Section 212.08(5)(h), F.S.

#### *Local Incentives*

- *Sales tax exemption for electrical energy used in an enterprise zone:* A sales tax exemption is available to qualified businesses located in an enterprise zone on the purchase of electrical energy. The amount of the exemption is equal to 50 percent of the sales taxes otherwise due or 100 percent of the sales taxes otherwise due if 20 percent or more of the business's employees reside in an enterprise zone. This exemption is only available if the municipality in which the business is located has passed an ordinance to exempt the municipal utility taxes on such business. Sections 212.08(15) and 166.231(8), F.S.
- *Economic development ad valorem tax exemption:* Up to 100 percent of the assessed value of improvements to real or tangible property of a new or expanded business located in an enterprise zone may be exempted from property taxes if the

voters of a municipality authorize the governing body of the municipality to grant such exemptions. Section 196.1995, F.S.

- *Occupational license tax exemption:* By ordinance the governing body of a municipality may exempt 50 percent of the occupational license tax for businesses located in an enterprise zone. Section 205.054, F.S.
- *Local impact fee abatement or reduction, or low-interest or interest-free loans or grants to businesses.* Section 290.0057(1)(e), F.S.,

In FY 1996-97, local and state incentives approved under the Enterprise Zone Program totaled \$11.2 million; in FY 1997-98, local and state incentives totaled \$13 million; in 1998-99, local and state incentives totaled \$15.6 million. Following are enterprise zone statistics for FY 1999-00 and FY 2000-01. Office of Tourism, Trade, and Economic Development, *Florida Enterprise Zone Program Annual Report*, p. 5, March 4, 2002.

CATEGORY	2000/2001	1999/2000	DIFFERENCE
New Businesses in a Zone	654	766	- 112
New Jobs Created in a Zone	6,394	5,141	- 1,253
State Incentives Approved	\$4,746,396	\$5,458,835	-\$712,439
Local Incentives Provided	\$16,202,894	\$10,135,65	+6,067,237
Total State and Local Incentives Approved	\$20,949,290	\$15,594,492	+5,345,798

The Florida Enterprise Zone Act of 1994 is scheduled for repeal on December 31, 2005, as provided by s. 37, ch. 94-136, L.O.F.

**Designation as an Enterprise Zone**

Section 290.0065, F.S., limits the total number of enterprise zones that may be designated by the state to 20. However, the Legislature has waived that limit for specific areas. (See, e.g., s. 290.0067, 290.00693, and 290.00694, F.S.) Thirty-four enterprise zones currently exist. For most of the additional enterprise zones, the Legislature has required a county and/or a municipality to comply with the requirements of s. 290.0055, F.S., as follows:

The governing bodies or body must adopt a resolution which:

1. Finds that an area exists in such a county or municipality, or in both the county and one or more municipalities, which chronically exhibits extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
2. Determines that the rehabilitation, conservation, or redevelopment, or a combination thereof, of such area is necessary in the interest of the public health, safety, and welfare of the residents of such county or municipality, or such county and one or more municipalities; and
3. Determines that the revitalization of such area can occur only if the private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area.

The governing body or bodies of a nominated area must also create an enterprise zone development agency and create and adopt an enterprise zone strategic plan prior to the submission of an application to OTTED. Section 290.0055(1)(b) and (c), F.S. The enterprise zone development agency is responsible for assisting with the development and implementation of the enterprise zone strategic plan. Section 290.0056(8), F.S. The enterprise zone strategic plan is the community's plan for revitalizing the nominated area and contains commitments to enact and maintain local fiscal and regulatory incentives if the nominated area receives an enterprise zone designation. Section 290.0057, F.S. The area nominated for designation as an enterprise zone by the governing body of an applicant may contain three noncontiguous areas and the total area may range between three to 20 square miles depending upon the number of residents in the selected area. Section 290.0055(4), F.S.

OTTED will designate the nominated area as an enterprise zone if the selected area suffers from pervasive poverty, unemployment, and general distress. Section 290.0055(4)(d), F.S. To determine whether an area suffers from pervasive poverty, census data must show that the poverty rate in each census block group within the nominated area is at least 20 percent. Section 290.0058(2), F.S. In at least 50 percent of the census block groups within the nominated area the poverty rate must be at least 30 percent. *Id.* If a census block group within a nominated area has no population, it is considered to have a 20-percent poverty rate. Section 290.0058(2)(c), F.S. Unemployment is evidenced by data indicating that the unemployment rate is equal to or greater than the state's unemployment rate or by evidence indicating especially severe economic conditions for the area causing significant job dislocation. Section 290.0058(3), F.S. General distress is evidenced by such factors as a high crime rate, abandoned structures, and deteriorated infrastructure or substantial population decline. Section 288.0055(4), F.S.

### III. Effect of Proposed Changes:

**Section 1** of the bill authorizes Brevard County, Cocoa, or Brevard County and Cocoa to apply to the Office of Tourism, Trade, and Economic Development (OTTED) for the designation of an enterprise zone encompassing three community redevelopment areas established under part III of chapter 163, F.S. OTTED may approve the application if it satisfies s. 290.0055, F.S., requiring the adoption of an appropriate resolution by the governing body of an applicant for an enterprise zone; nomination of an area for designation as an enterprise zone; creation of an enterprise zone development agency; creation and adoption of an enterprise zone development plan; compliance with enterprise zone size limitations; and a finding by OTTED that the designated area suffers from pervasive poverty, unemployment, and general distress.

The application for the designation of an enterprise zone must be submitted by December 31, 2002. OTTED shall establish the effective date of the zone.

**Section 2** provides that the bill will take effect upon becoming a law.

### 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:**

The Revenue Impact Conference considered the cost of the designation of an enterprise zone in Brevard County to be \$300,000 on a recurring basis.

<u>Fiscal Year 2002-2003</u>								
Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
SB 1088	\$ (0.3)	\$ (0.3)	(*)	(*)	\$ (*)	\$ (*)	\$ (0.3)	\$ (0.3)

\* Insignificant (less than \$50,000)

**B. Private Sector Impact:**

If an application to designate an enterprise zone in Brevard County is approved by the Office of Tourism, Trade, and Economic Development (OTTED), businesses located in the designated area should have access to many of the economic development incentives available to businesses located in an enterprise zone.

**C. Government Sector Impact:**

The bill may result in increased costs for the Department of Revenue to review and approve tax incentives granted to businesses in the designated area. OTTED has represented that its existing resources are sufficient to fulfill any additional responsibilities that may be imposed upon it as the result of this bill.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.