

STORAGE NAME: h0743.ccc.doc
DATE: February 28, 2002

**HOUSE OF REPRESENTATIVES
AS FURTHER REVISED BY
COUNCIL FOR COMPETITIVE COMMERCE
ANALYSIS**

BILL #: HB 743
RELATING TO: Rural Economic Development
SPONSOR(S): Representative Kilmer

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 6 NAYS 0
- (2) FISCAL POLICY & RESOURCES YEAS 14 NAYS 0
- (3) COUNCIL FOR COMPETITIVE COMMERCE
- (4)
- (5)

I. SUMMARY:

HB 743:

- reduces from \$5,000 to \$500 the minimum sales price of an item of business property used in an enterprise zone that is eligible for a state sales tax exemption under chapter 212, F.S.;
- clarifies the use of money in the Rural Infrastructure Fund; and
- creates the Rural Economic Development Account within the Economic Development Trust Fund, while specifying the use of account funds, and that money appropriated to the account shall not be subject to reversion under chapter 216, F.S.

The Revenue Impact Conference estimated that HB 743 would have a total state and local government impact of negative \$1.2 million on a recurring basis, and a \$.1 million cash effect during the first year.

The bill takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

Section 212.08(5)(h), F.S., provides a sales tax exemption for purchasing certain business property used exclusively in an enterprise zone. Since July 1, 2001, \$5,000 is the minimum sales price per unit necessary for property to qualify for the sales tax exemption.¹ According to the Office of Tourism, Trade, and Economic Development (OTTED), the \$5,000 minimum per unit price does not provide businesses with a viable incentive to enhance their business equipment.

The Rural Infrastructure Fund, codified in s. 288.0655, F.S., was designed to, “facilitate the planning, preparing, and financing of infrastructure projects in rural communities,” to encourage job creation, capital investment, and diversification of the state’s rural economy.² Money appropriated to the fund is distributed by OTTED through a grant program. Rural infrastructure grants are used to facilitate access by rural communities to federal infrastructure funding, and enable local governments to access resources available pursuant to s. 403.973(18), F.S., which allows expedited permitting and amendments to comprehensive plans for projects promoting economic development.

Section 288.095, F.S., creates and governs the Economic Development Trust Fund. Subsection (2) of s. 288.095, F.S., establishes the Economic Development Incentives Account within the Economic Development Trust Fund and directs that money’s use for various economic development tax incentive programs. Money in the Economic Development Incentives Account is subject to s. 216.301(1)(a), F.S., relating to the reversion of unspent appropriations. Current law does not provide for other segregated accounts within the Economic Development Trust Fund.

C. EFFECT OF PROPOSED CHANGES:

HB 743 amends s. 212.08(5)(h), F.S., to codify sales tax exemptions for business property used in an enterprise zone, by lowering the minimum per unit price from \$5,000 to \$500.

The bill amends s. 288.0655(2)(b), F.S., the Rural Infrastructure Fund, to include as eligible infrastructure projects those federal, state, local, or private projects that create or retain jobs or remove regulatory prohibitions to economic growth through infrastructure improvement.

¹ s. 212.08(5)(h)9.a. – d., F.S.

² ch. 99-251, Laws of Florida.

The bill creates the Rural Economic Development Account within the Economic Development Trust Fund to be used for the purposes and repayment of the Regional Rural Development Grant Program,³ the Rural Community Development Revolving Loan Fund,⁴ the Rural Infrastructure Fund,⁵ and the repayment of income associated with the account. The Rural Economic Development Account would not be subject to the appropriations reversion requirements of s. 216.301, F.S.

D. SECTION-BY-SECTION ANALYSIS:

Section 1. Amends s. 212.08(5)(h) d., F.S., relating to the sales tax exemption for business property used in an enterprise zone. Reduces the minimum sales price per unit of business property from \$5,000 to \$500.

Section 2. Amends s. 288.0655, F.S., the Rural Infrastructure Fund, to expand the list of eligible projects to include state programs and programs facilitating local government or private infrastructure funding efforts. Additionally includes improving any inadequate infrastructure, negatively affected by regulatory action, as an eligible project.

Section 3. Creates the Rural Economic Development Account within the Economic Development Trust Fund. The Rural Economic Development Account shall consist of moneys appropriated for:

- Section 288.018, F.S., Regional Rural Development Grants Program;
- Section 288.065, F.S., Rural Community Development Revolving Loan Fund;
- Section 288.0655, F.S., Rural Infrastructure Fund;
- Repayments under ss. 288.108, 288.065, and 288.0065, F.S.; and
- Any income associated with the proposed Rural Economic Development Account.

Prohibits funds in the Rural Economic Development Account from reverting under s. 216.301, F.S., which governs the distribution of undisbursed appropriations.

Section 4. Provides that the act shall take effect upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Impact Conference estimated that HB 743 would have a negative \$1 million impact on General Revenue on a recurring basis, and a negative \$.5 million cash effect during the first year.

2. Expenditures:

None

³ ss. 288.018, F.S.

⁴ ss. 288.065, F.S.

⁵ ss. 288.0655, F.S.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Impact Conference estimated that HB 743 would have a negative \$.2 million impact on local governments on a recurring basis, and a negative \$.1 million cash effect during the first year.

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Small businesses will benefit from the lowered sales tax exemption threshold on business property used in an enterprise zone.

D. FISCAL COMMENTS:

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 would not reduce the authority of counties and municipalities to raise total aggregate revenues.

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

This bill is not anticipated to reduce the total aggregate percent of state sales tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

There is no case law addressing the constitutionality of creating two separate accounts within the same trust fund under Article III, s.19(f) of the State Constitution.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

None

VII. SIGNATURES:

COMMITTEE ON COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

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