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HOUSE OF REPRESENTATIVES
COMMITTEE ON
ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE
ANALYSIS

BILL #: HB 779

RELATING TO: Economic Stimulus

SPONSOR(S): Representative Kilmer

TIED BILL(S):

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

(1) COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE
(2) COMMITTEE ON FISCAL POLICY AND RESOURCES
(3) COUNCIL FOR COMPETITIVE COMMERCE
(4)
(5)

I. SUMMARY:

HB 779 provides a series of measures designed to stimulate the state's economy through a revision of economic development incentives programs.

Major provisions of the bill amend:

- section 220.191, F.S., **Capital Investment Tax Credit Program (CITC)**, temporarily broadening the eligibility criteria to include qualified target industries and lowering the capital investment and jobs thresholds;

- section 288.095, F.S., **Economic Development Trust Fund**, changing how, when, and by whom the annual economic development incentives report is published;

- section 288.1045, F.S., **Qualified Defense Contractor Tax Refund Program (QDC)**, expanding the program to include the aviation industry, temporarily allowing companies to continue in the program when targets are not met, and providing prorated tax refunds to QDC businesses; and

- section 288.106, F.S., **Qualified Target Industry Tax Refund Program (QTI)**, temporarily allowing companies to continue in the program when targets are not met and providing more prorated tax refunds to QTI businesses.

Please see 1.D. Section-by-Section Analysis for more detail.

The Revenue Impact Conference estimates the bill would have an annualized negative $18.8 million effect on General Revenue for Fiscal Year 2002-2003.

The bill takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [x]
2.	Lower Taxes	Yes [x]	No []	N/A []
3.	Individual Freedom	Yes []	No []	N/A [x]
4.	Personal Responsibility	Yes []	No []	N/A [x]
5.	Family Empowerment	Yes []	No []	N/A [x]

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

B. PRESENT SITUATION:

Background -- National and Florida Economies

National Economy

Following a severe slowdown in the national economy, recent statistics indicate that consumer and commercial demand is consistent with or even slightly larger that the modest levels exhibited over the last couple of months. As restraining market forces continue to diminish, and long-term prospects for productivity growth remain favorable with an accommodating monetary policy, the economic outlook for the nation suggests that a modest recovery has begun. The Federal Reserve believes in this favorable long-term outlook despite predicted weakness in the economy for the very near future.[1]

The Bureau of Labor Statistics, United States Department of Labor, recently reported that the nation’s unemployment has fallen by .2 percent to 5.6 percent, while the economy overall managed a .2 percent growth increase in the final three months of 2001, despite the terrorist attacks on September 11th, and the pre-existing recession. The weakest employment segments of the nation’s economy included air transportation and manufacturing. Retailing, the housing market, and financial and insurance services all reported positive employment figures relative to the overall economy. Employment data, however, historically lags the general economy and analysts expect employment to remain weak well into the summer.

In the State of the Union address, President Bush reiterated his call for an economic stimulus package, which includes business tax breaks, acceleration of existing income tax cuts, and unemployment assistance. The President believes that despite the recent positive economic news, a stimulus package is desirable to alleviate continued sluggishness in the economy. Federal Reserve Chairman Alan Greenspan recently testified before the Senate Budget Committee that the economic recovery continues to progress regardless of economic stimulus and that any stimulus would affect the timing, rather than the presence, of an economic recovery.[2]

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[1] “The Fed Holds Off,” *The Economist*, January 31, 2002; “Fed Holds Steady on Interest Rates as Economy Firms,” *New York Times*, January 31, 2002; Statement of Alan Greenspan, Chairman, Board of Governors, Federal Reserve System, before Senate Budget Committee, January 24, 2002.
[2] *Id*.

Florida's Economy

Even before the September 11th terrorist attacks, Florida's tourism and hospitality sector was slowing in parts of the state, reflecting a reduction of business travel and some softness in leisure travel. Attendance at Central Florida theme parks was down from the previous year. The terrorist attack severely affected Florida's service-oriented economy, which was remaining strong despite tourism's weakness. Tourism's sharp decline eradicated prospects for a positive fiscal situation for 2001.[3] The outlook for 2002 is a reasonably quick increase in the service industry as leisure traveler confidence grows.[4] The confidence growth in the air industry is particularly important for markets that largely depend on visitors arriving by air.

Florida's December, 2001, unemployment rate jumped to 5.7 percent, the highest it has been since January, 1995, when it was 5.8 percent. The December unemployment rate increased by 0.5 percent from November's revised rate of 5.2 percent, and was 2.1 percent higher than the year-ago rate of 3.6 percent. The U.S. jobless rate edged up 0.2 percent to 5.8 percent in December, 0.1 percent above Florida's rate. Florida's unemployment rate has been at or below the national average since March, 1995. Although the national recession continues to negatively impact Florida's job market, the December jobless rate of 5.7 percent was still lower than the rates Florida experienced during the 1990-1991 recession.[5]

Aviation Industry

Enterprise Florida, Inc., the state's principal economic development organization, estimates that Florida has 1,485 aviation companies, employing approximately 91,000 direct employees. These companies generate an estimated $16.7 billion in sales annually.[6] Demand in the aviation industry nationwide has held steady or increased over the last few months, but losses for the industry at year's end were large. United Airlines reported a loss of $2.1 billion while Delta Airlines lost $800 million, consistent with similar losses in the industry. The number of passengers declined 14.7 percent in December domestically and declined 9.9 percent internationally. Domestic Revenue Passenger Miles (RPMs) declined 13.2 percent, while international RPMs decreased 14.5 percent.[7] Air transportation overall recorded an increase of 8,000 jobs because of reduced hiring in air-freight during the holidays, but the airline industry continues to cut employment.

Economic Development Incentives

Capital Investment Tax Credit Program (CITC)

Section 220.191, F.S., authorizes the Capital Investment Tax Credit Program (CITC). The CITC is an economic development tax incentive program which currently targets high-impact business as defined in s. 288.108(2)(a), F.S. Credits against the corporate income tax liability under chapter 220, F.S., or insurance premium tax liability under chapter 694, F.S., are awarded to qualifying businesses based on capital investment and jobs criteria.

To qualify for the CITC program, a business must establish a "qualifying project" in Florida. The term "qualifying project" means a new or expanding facility which creates at least 100 new jobs in this state and is in one of the high-impact sectors identified by Enterprise Florida, Inc., and certified

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[3] "Nation and Southeast Set For Modest Recovery in 2002," Federal Reserve Bank of Atlanta.
[4] Id.
[5] Florida Agency for Workforce Innovation, press release, January 17, 2002
[6] Enterprise Florida, Inc., and various Florida Aviation Trade Associations, *Impacts on Florida's Aviation Industry as a Result of September 11 Terrorists' Attacks*, September 25, 2001, p. 4.
[7] One RPM equals one fare-paying passenger transported one mile.

to the Office of Tourism, Trade, and Economic Development pursuant to s. 288.108(6), F.S. [8] Eligible industries include silicon technology, automotive, aviation, and aerospace.

The CITC program grants an annual credit in an amount equal to 5 percent of the eligible capital costs generated by a qualifying project for a period not to exceed 20 years beginning with commencement of operations. The term "eligible capital costs" is defined as all expenses incurred by a qualifying business in connection with the acquisition, construction, installation, and equipping of a qualifying project from the beginning of construction to the commencement of operations. Eligible capital costs do not include the cost of any property previously owned or leased by a qualifying business. The sum of all tax credits provided for a qualifying project cannot exceed 100 percent of the eligible capital costs of the project. Tax credits cannot be carried forward or backward by any qualifying business with respect to a subsequent or prior year.

The annual tax credit allowed under the CITC Program cannot exceed the following percentages of the annual corporate income tax liability or the insurance premium tax liability:

- one hundred percent for a qualifying project that results in a cumulative capital investment of at least $100 million.
- seventy-five percent for a qualifying project that results in a cumulative capital investment of at least $50 million but less than $100 million.
- fifty percent for a qualifying project that results in a cumulative capital investment of at least $25 million but less than $50 million.

A qualifying project resulting in a cumulative capital investment of less than $25 million is not eligible for the capital investment tax credit.

The Office of Tourism, Trade, and Economic Development reports that since its creation by the Legislature in 1998, through December 31, 2001, the CITC program resulted in 7 projects, accounted for $1.4 billion in capital investment, and created 4,556 direct jobs and 1,418 indirect jobs, which paid on average $51,690 annually. To date, none of the qualified CITC companies has claimed a credit against this incentive.[9]

Economic Development Trust Fund

Section 288.095, F.S., creates the Economic Development Trust Fund within OTTED and establishes the Economic Development Incentives Account within the trust fund. The Economic Development Incentives Account consists of moneys appropriated to the account for purposes of the Qualified Defense Contractor (QDC) Tax Refund Program (s. 288.1045, F.S.) and the Qualified Target Industry (QTI) Tax Refund Program (s. 288.106, F.S.), and the Brownfield Redevelopment Bonus Refunds (s. 288.107, F.S.).

Section 288.095(3), F.S., imposes a cap on the total share of QDC and QTI tax refund payments scheduled in all active certifications for a fiscal year. For fiscal year 2001-2002, the cap is $30 million. During the 2001 regular session, the Legislature raised the cap for subsequent fiscal years to $35 million. The total amount of tax refund claims approved for payment by OTTED based on actual project performance may not exceed the amount appropriated to the Economic Development Incentives Account for such purposes for the fiscal year. In the event the Legislature does not appropriate an amount sufficient to satisfy OTTED's tax refund projects for the QTI and QDC programs in any fiscal year, OTTED must prorate the refunds. Section 288.095(3), F.S., also requires OTTED to submit to the board of directors of Enterprise Florida, Inc., by September 30 of

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[8] The High-Impact Business Performance Incentive Grants (HIPI) Program is an economic development incentive used to attract and grow major high impact facilities in Florida. Eligible businesses in designated sectors may receive a business performance grant based on investment and employment goals.
[9] The Office of Tourism, Trade, and Economic Development, statistics released February, 2002.

each year, a complete and detailed report of all programs funded from the Economic Development Trust Fund.

Qualified Defense Contractor Tax Refund Program (QDC)

Finding that high technology jobs in the state were threatened by downsizing in the national defense budget, the Legislature in 1993 created a tax refund program to encourage defense contractors to employ Florida citizens. The Qualified Defense Contractor Tax Refund Program (QDC) authorizes refunds to a certified contractor that: 1) secured a new Department of Defense contract in Florida, 2) consolidated an existing DOD contract in Florida, 3) converted defense production jobs to non-defense production jobs, or 4) contracted for the reuse of a defense-related facility (s. 288.104, F.S., 1994 Supp.). The program was repealed effective December 1, 1994.[10] In 1996, the QDC program was recreated and codified at s. 288.1045, F.S. The next scheduled repeal is June 30, 2004.

The QDC program features a local financial support component. An applicant must secure a resolution from the county government recommending the project and indicating the necessary commitment of financial support. Local financial support means funding from local sources, public or private, which is equal to 20 percent of the annual tax refund for a qualified business. A qualified applicant may not contribute, directly or indirectly, more than 5 percent of local support funding, nor can state funds appropriated from the General Revenue Fund be used to satisfy the local financial support requirement.[11] Section 288.1045(5)(c), F.S., provides a mechanism for prorating tax refunds in years when the local financial support falls below 20 percent. Section 288.1045(1)(q), F.S. provides a mechanism for an applicant which is located in a county designated under the Rural Economic Development Initiative to apply for a local financial support exemption option. An applicant exercising this option may not receive more than 80 percent of the total tax refunds allowed under the QDC program.

Upon entering a tax refund agreement with OTTED, a qualified applicant may receive refunds from the Economic Development Trust Fund for the following taxes paid beginning with the first taxable year after the agreement is negotiated:

- taxes on sales, use, and other transactions paid under chapter 212, F.S.
- corporate income taxes paid under chapter 220, F.S.
- intangible personal property taxes paid under chapter 199, F.S.
- emergency excise taxes paid under chapter 201, F.S.
- excise taxes paid on documents under chapter 201, F.S.
- ad valorem taxes paid, as defined in s. 220.03(1)(a), F.S., on June 1, 1996.

A qualified QDC applicant may not receive more than $5,000 times the number of jobs provided in the tax refund agreement with OTTED and may not receive refunds of more than 25 percent of the total tax refunds provided in the tax refund agreement for any fiscal year. A qualified applicant may not receive more than $2.5 million in tax refunds annually and no more than $7.5 million in total tax refunds for all years. For the first 6 months of each fiscal year, the director of OTTED must set aside 30 percent of the amount appropriated for the QDC program for paying tax refunds to qualified applicants who employ 500 or fewer full-time Florida employees. Unencumbered funds remaining after the six-month set-aside period may be used to pay other qualified applicants.

[10] The Legislature had specified that the program would be repealed effective December 1, 1994, if no qualified applicant had entered into a valid new DOD contract or begun consolidation of an existing DOD contract, which was expected to result in the employment of at least 1,000 full-time employees. Because this condition was not satisfied by a single qualified applicant, the statute stood repealed.
[11] Excluding tax revenues shared with local governments pursuant to law.

Section 288.1045(5)(g), F.S., provides a prorated tax refund less a 5 percent penalty for a qualified QDC applicant that has satisfied all QDC requirements but has only achieved 80 percent or more of its projected employment goals.

The Office of Tourism, Trade, and Economic Development reports that beginning with operations through December 31, 2001, the QDC program has resulted in 4 projects (active or complete) and 740 direct jobs and 718 indirect jobs which paid on average $40,321 annually. The 4 projects accounted for $14.2 million in capital investment and received $3.6 million in QDC incentives.[12]

Qualified Target Industry Tax Refund Program (QTI)

The Qualified Target Industry Tax Refund Program (QTI), authorized in s. 288.106, F.S., is one of the state's most widely used economic development incentives. The Office of Tourism, Trade, and Economic Development refers to the QTI program as "a significant tool available to Florida communities to encourage quality job growth in targeted, high-value-added businesses."[13]

Section 288.106, F.S., authorizes eligible businesses to receive refunds for previously paid taxes based upon the creation of jobs at a certain salary level. A QTI applicant must enter an agreement with OTTED, outlining its goals for jobs and salaries under the program. Compliance with the terms and conditions of a tax refund agreement is a condition precedent for the receipt of a tax refund each year. Failure to comply with the terms and conditions of the agreement results in the loss of eligibility for receipt of all tax refunds previously authorized and the revocation by the director of OTTED of the business' QTI certification.

Upon entering a tax refund agreement with OTTED, a qualified applicant may receive refunds from the Economic Development Trust Fund for the following taxes paid beginning with the first taxable year after the agreement is negotiated:

- taxes on sales, use, and other transactions paid under chapter 212, F.S.
- corporate income taxes paid under chapter 220, F.S.
- intangible personal property taxes paid under chapter 199, F.S.
- emergency excise taxes paid under chapter 201, F.S.
- excise taxes paid on documents under chapter 201, F.S.
- ad valorem taxes paid, as defined in s. 220.03(1)(a), F.S., on June 1, 1996.

Section 288.106(5)(d), F.S., provides for a prorated tax refund, less a 5 percent penalty, for a QTI business that proves it has achieved at least 80 percent of its job creation goal and has met all other requirements.

The QTI program features a local financial support component similar to the one under the Qualified Defense Contractor (QDC) program. Local financial support means funding from local sources, public or private, which is equal to 20 percent of the annual tax refund for a qualified business. A qualified applicant may not contribute, directly or indirectly, more than 5 percent of local support funding, nor can state funds appropriated from the General Revenue Fund (excluding tax revenues shared with local governments) be used to satisfy the local financial support requirement. A QTI business, which is located in a county with a population of 75,000 or fewer or a county with a population of 100,000 or fewer that is contiguous to a county with a population of 75,000 or fewer, may apply for a local financial support exemption option. An applicant exercising this option may not receive more than 80 percent of the total tax refunds allowed under the QTI program.

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[12] Office of Tourism, Trade, and Economic Development, statistics released February, 2002.
[13] *Programs Funded From the Economic Development Trust Incentives Accoun*t, Office of Tourism, Trade, and Economic Development, 2001.

The Office of Tourism, Trade, and Economic Development reports that since the beginning of operations through December 31, 2001, the QTI program has resulted in 247 projects (active or complete) and 58,219 direct jobs and 64,001 indirect jobs, which paid on average $36,702 annually. The 247 projects received $220 million in QTI incentives and accounted for $5.4 billion in capital investment.[14]

The Office of Tourism, Trade, and Economic Development contends that current economic conditions have compelled many QTI businesses to slow down expansion plans, causing them to fall short of employment goals. Rather than lose their QTI designation and incentives, these companies have asked for a grace period to allow them time to meet their job creation commitments as the economy improves.

C. EFFECT OF PROPOSED CHANGES:

Capital Investment Tax Credit Program (CITC)

Under current law, a qualifying CITC project must create at least 100 jobs, result in at least $25 million in cumulative capital investment, and be in one of Florida's high impact sectors, which include aviation, aerospace, automotive, and silicon technology. The bill temporarily relaxes the CITC program's eligibility and award structure, allowing qualified target industries to participate and lowering the threshold to $15 million in capital investment and 50 new jobs. Newly created "economic stimulus businesses" must apply to OTTED by April 1, 2002, for projects on which construction must begin by December 31, 2002. The bill also expands the program's method of pro-rating tax refunds, thereby allowing businesses which otherwise would be excluded to qualify for tax credits.

Economic Development Trust Fund

The bill helps improve the efficiency of the budgeting process for the Qualified Defense Contractor (QDC) and the Qualified Target Industry (QTI) tax refund programs. It requires Enterprise Florida, Inc., rather than OTTED, to submit an incentives program report to the Governor, the leadership of both houses, and to OTTED by December 31 each year. Enterprise Florida, Inc., must include in the report a separate analysis of the impact of tax refunds on brownfield areas, rural communities, and distressed urban communities.

Qualified Defense Contractor Tax Refund Program (QDC)

The bill makes the QDC tax refund incentive available to the aviation industry. The bill allows QDC businesses that are unable to meet performance measures due to the economic downturn to request an economic stimulus exemption, allowing them to maintain QDC certification and apply for future tax refunds when the economy improves and they are able to meet previously agreed upon performance measures. The bill also expands the conditions for prorating QDC tax refunds.

Qualified Target Industry Tax Refund Program (QTI)

HB 779 allows QTI businesses that are unable to meet performance conditions due to the economic downturn to request an economic stimulus exemption. The exemption allows the businesses to maintain their QTI certification and apply for future tax refunds when the economy improves and they are able to meet their QTI contract goals. The bill changes the timeline for submittal and approval of QTI tax refund claims in order to improve the budgetary process, and it expands the conditions for prorating QTI tax refunds.

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[14] Office of Tourism, Trade, and Economic Development, statistics released February, 2002.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 – *Capital Investment Tax Credit Program (CITC)*

Amends s. 220.191, F.S., to temporarily broaden the eligibility criteria and award structure for the Capital Investment Tax Credit (CITC) Program. Creates a new category for eligibility under the program and defines “qualifying economic stimulus business,” as a business that establishes a “qualifying economic stimulus project” and that is certified by the Office of Tourism, Trade, and Economic Development on or before April 1, 2002, to receive tax credits under s. 220.191., F.S. Defines “qualifying economic stimulus project” as a new or expanding facility in this state which creates at least 50 new jobs in this state and is in one of the target industries identified under s. 288.106(1)(o), F.S. Stipulates that construction on a qualifying economic stimulus package, or on a qualifying project with a cumulative capital investment of at least $15 million but less than $25 million, must begin on or before December 31, 2002.

Provides that the annual tax credit granted under s. 220.191, F.S., shall not exceed the following percentages of the annual corporate income tax liability (chapter 220, F.S.) or the insurance premium tax liability (chapter 694, F.S.) generated by or arising out of a qualifying economic stimulus project:

- ninety percent if the qualifying economic stimulus project results in a cumulative capital investment of at least $100 million.
- sixty-five percent if the qualifying economic stimulus project results in a cumulative capital investment of at least $50 million but less than $100 million.
- forty percent if the qualifying economic stimulus project results in a cumulative capital investment of at least $25 million but less than $50 million.
- thirty percent if the qualifying economic stimulus project results in a cumulative capital investment of at least $15 million but less than $25 million.

Creates a lower award tier for “qualifying projects” (not “qualifying economic stimulus projects”). For a project generating at least $15 million, but less than $25 million, in cumulative capital investment, the business may receive 40 percent of its annual corporate income tax liability or insurance premium tax liability.

Reduces the minimum cumulative capital investment for qualifying projects from $25 million to $15 million, and applies the new $15 million minimum capital investment to qualifying economic stimulus projects.

Section 2 – *Economic Development Trust Fund*

Amends s. 288.095, F.S., by conforming certain terminology to changes made in the timeline for approval of QDC and QTI tax refunds elsewhere in the bill. Amends s. 288.095, F.S., to revise the content and reassign the responsibility from OTTED to Enterprise Florida, Inc., for completing and submitting the annual incentives report and changes the due date of the report from September 30 to December 31 of each year. Requires Enterprise Florida, Inc., to include a separate analysis of the impact of tax refunds on rural communities, brownfield areas, and distressed urban communities. Instructs OTTED to assist Enterprise Florida, Inc., in the collection of data related to business performance and incentive payments.

Section 3 – *Qualified Defense Contractor and Aviation-Industry Businesses Tax Refund Program*

Amends s. 288.1045, F.S., the Qualified Defense Contractor (QDC) Tax Refund Program to create a comparable tax refund program for qualified aviation-industry businesses.

Provides QDC tax incentives to eligible aviation-industry businesses.[15]

Defines “aviation-industry business” as a business engaged in activities that support general or commercial aviation, including the construction, repair, or maintenance of aircraft, aircraft power plants, aircraft parts, or aircraft accessories. The term does not include businesses engaged in flight instruction and related ground activities.

Adds to the definition of QDC “project” under s. 288.1045(1)(i), F.S., to include any business undertaking in this state which results in the:

- retention or creation of jobs in Florida and which occurs through a new multistate, competitive aviation-industry contract;
- consolidation of multistate operations;
- conversion of jobs in aviation-industry operations to nonaviation-industry operations; or
- expansion of aviation-industry operations resulting in an increase of at least 10 percent in the number of jobs in the business unit in Florida.

Specifies that an aviation-industry business may not apply to OTTED for certification under the QDC Tax Refund Program after it has:

- submitted a final bid or proposal for a multistate competitive aviation-industry contract;
- made the decision to consolidate multistate operations in this state;
- made the decision to convert jobs in aviation-industry operations to nonaviation-industry operations; or
- made the decision to expand aviation-industry operations in Florida.

Requires a qualified applicant (both aviation and nonaviation companies) to include in its application to OTTED the number of *net new* full-time equivalent *Florida* jobs per project as of December 31 of each year.

Provides that aviation-industry businesses would be eligible for refunds equaling $5,000 per job created or retained of taxes previously paid. Requires an aviation-industry business to create or retain at least 5 jobs in the state paying at least 100 percent of the statewide or area private sector wage to be eligible. In the case of an application based on the retention of jobs in Florida, requires the qualified aviation-business applicant to demonstrate that the jobs on which tax refunds are to be based are in imminent risk of being lost to another state and that certification under this section is a significant factor in the retention of those jobs.

Provides for the payment of prorated refunds if the QDC or aviation-industry business meets 80 percent of its agreed upon job targets and 90 percent of its agreed upon wage levels. Authorizes a business that is in breach of its tax refund agreement with OTTED to request from the office an economic stimulus exemption. With respect to an economic stimulus business, requires the business to establish that negative economic conditions in the industry prevented it from complying with the terms and conditions of its contract with OTTED.

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[15] QDC refunds apply to taxes paid by a business under: chapter 220, F.S., corporate income tax; chapter 212, F.S., sales and use tax; chapter 199, F.S., intangibles tax; chapter 221, F.S., emergency excise tax; chapter 201, F.S., excise tax on documents; and ad valorem taxes.

Requires aviation-industry applications to OTTED for qualified defense contractor certification to be submitted by June 30, 2003. Specifies that claims for tax refunds must be submitted by January 31 for payment from the legislative appropriation for the following fiscal year.

Section 4 – *Qualified Target Industry Tax Refund Program (QTI)*

Amends s. 288.106(3), F.S., the QTI approval and application process, by altering the timeline for approval of QTI tax refunds. Requires new QTI projects, or existing projects that request any modification of their agreement with OTTED, to submit tax refund claims by January 31 of each fiscal year for the jobs created by December 31 of the same fiscal year. Requires OTTED to pay refunds based on those claims from appropriations for the following fiscal year.

Amends s. 288.106(4)(b), F.S., to provide that a QTI program business that does not fulfill its agreement with OTTED may request an "economic stimulus exemption" in lieu of any tax refund claim scheduled to be submitted after June 30, 2001, but before July 1, 2003. Requires OTTED to consider the extent to which negative economic conditions in the industry prevented the business from complying with the terms and conditions of its tax refund agreement. Requires the business to renegotiate the terms of its tax refund agreement with OTTED. Authorizes OTTED to extend the duration of the amended agreement for no more than one year. Prohibits a QTI business that receives an economic stimulus exemption from receiving a tax refund for the period covered by the exemption.

Amends s. 288.106(5)(d), F.S., expanding conditions for approving a prorated tax refund. Authorizes businesses to receive a prorated tax refund for achieving at least 90 percent of the average wage specified in the tax refund agreement with OTTED, but in no case less than 115 percent of the average private-sector wage in the area available at the time of the claim, or 150 percent or 200 percent of the average private-sector wage if the business requested the additional per job tax refund authorized in paragraph (2)(b) for wages above those levels. Prescribes a method of calculating the prorated tax refund.

Creates s. 288.106(6)(c), F.S., which expressly states that funds specifically appropriated for the QTI tax refund program may not be used for any purpose other than the payment of tax refunds authorized by s. 288.106, F.S.

Section 5 – OTTED Duties

Amends s. 14.2015, F.S., to add aviation-industry businesses to OTTED's responsibilities.

Section 6 – Conforming Language

Amends s. 213.053(7)(k), F.S., to include aviation-industry businesses in the list of sectors the Department of Revenue may release information about to OTTED for its administration of the QDC and QTI tax refund programs.

Section 7 – *Effective Date*

Provides that the act shall take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   The Revenue Impact Conference estimated HB 779 would have an annualized negative impact on the General Revenue Fund of $18.8 million in Fiscal Year 2002-2003.

2. Expenditures:

   N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   N/A

2. Expenditures:

   N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

HB 779 temporarily expands the Capital Investment Tax Credit Program (CITC) to include industries previously excluded from participation. In addition, the bill lowers the CITC threshold with respect to the minimum capital investment and the number of new jobs required, making it easier for businesses to participate

Businesses participating in the state's QDC and QTI tax refund programs may benefit by being allowed to remain in the programs though employment and salary goals cannot be currently met.

The bill may also help Florida's aviation industry recover from the economic downturn by creating within the Qualified Defense Contractor program a comparable tax incentives program for that sector.

D. FISCAL COMMENTS:

The ($18.8 million) fiscal impact attributed to HB 779 could be mitigated by changing certain dates relating to the administration of the Capital Investment Tax Credit Program.

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 of counties and municipalities to raise total aggregate revenues.

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

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

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

VI. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VII. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VIII. SIGNATURES:

COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

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