

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: CS/SB 2582

SPONSOR: Commerce, Economic Opportunities, and Consumer Services Committee and
Senator Bullard

SUBJECT: Enterprise Zones

DATE: April 16, 2003

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Cibula	Maclure	CM	Favorable/CS
2.	_____	_____	CP	_____
3.	_____	_____	FT	_____
4.	_____	_____	ATD	_____
5.	_____	_____	AP	_____
6.	_____	_____	_____	_____

I. Summary:

This committee substitute authorizes Miami-Dade County to apply to the Office of Tourism, Trade, and Economic Development to replace 75 acres of land within its enterprise zone with 75 acres of land suitable for development contiguous to the Miami Metrozoo.

This committee substitute substantially amends section 290.0065, Florida Statutes.

II. Present Situation:

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. According to the Office of Tourism, Trade, and Economic Development (OTTED), there are 47 enterprise zones. Certain state and local incentives are authorized to induce private businesses to invest in these enterprise zones.

State Incentives

- *Enterprise zone jobs credit against corporate income taxes:* Businesses located in an enterprise zone which 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 which 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 or county authorize the governing body of the municipality or board of county commissioners to grant such exemptions. Section 196.1995, F.S.

- *Occupational license tax exemption:* By ordinance the governing body of a municipality or a board of county commissioners 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.

The total impact of the Enterprise Zone Program is summarized in the table below.

YEAR	NEW OR RELOCATED BUSINESSES	JOB'S CREATED	NUMBER OF ZONES	STATE INCENTIVES	LOCAL INCENTIVES
2001-2002	1,244	5,630	47	\$6,739,551	\$5,847,694
2000-2001	654	6,394	34	\$4,746,396	\$16,202,894
1999-2000	766	5,141	34	\$5,458,835	\$10,135,657
1998-1999	776	5,305	32	\$5,170,899	\$18,839,076
1997-1998	151	3,572	31	\$4,495,218	\$8,583,197
1996-1997	434	4,573	N/A	\$4,449,941	\$6,803,474
1995-1996	128	2,188	N/A	\$3,437,344	\$817,422

Source: Compilation of data from the Office of Tourism, Trade, and Economic Development, *Florida Enterprise Zone Program Annual Report October 1, 2001 - September 30, 2002*, pp. 5 and 6, March 1, 2003.

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.

Determination of Poverty, Unemployment, and General Distress

The Office of Tourism, Trade, and Economic Development may designate a 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 for each census block within the nominated area is at least 20 percent. The poverty rate must also exceed 30 percent in at least 50 percent of the census geographic block groups within the nominated area. Section 290.0058(2), F.S. 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 severe economic conditions for the area. 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 290.0058(4), F.S.

Miami-Dade County Enterprise Zone

The current size of the Miami-Dade County enterprise zone is 44.4 square miles.

III. Effect of Proposed Changes:

This committee substitute authorizes Miami-Dade County to apply to the Office of Tourism, Trade, and Economic Development to replace 75 acres of land within its enterprise zone with 75 acres of land suitable for development contiguous to the Miami Metrozoo. The expanded area must meet the following criteria:

- be contiguous to the existing enterprise zone;
- be part of a revitalization area targeted for assistance by the county;
- be contiguous to a zoo;
- be included in a county master plan for the development of the area; and
- have pervasive poverty, unemployment, and general distress.

The expanded boundary of the Miami-Dade County enterprise zone will be effective January 1, 2004.

The committee substitute takes effect July 1, 2003.

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 (RIC) has not reviewed this committee substitute. However, the RIC reviewed an amendment to SB 2164 providing for an 8.7-square-mile expansion of the Miami-Dade County Enterprise Zone. Because this committee substitute authorizes the exchange of 75 acres, the RIC may find that the fiscal impact of this committee substitute is less than the \$300,000 recurring negative fiscal impact of the 8.7-square-mile expansion to the Miami-Dade County enterprise zone.

B. Private Sector Impact:

Businesses located in the newly designated area of the Miami-Dade County enterprise zone will have access to multiple economic development and tax incentives.

C. Government Sector Impact:

This committee substitute may result in higher costs for the Office of Tourism, Trade, and Economic Development (OTTED) in carrying out activities related to the review and approval of an amendment to an enterprise zone boundary. In addition, the committee substitute may result in increased costs for the Department of Revenue to review and approve applications for tax incentives granted to businesses in the expanded area.

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.
