

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 2584
 SPONSOR: Senator Lawson
 SUBJECT: Enterprise Zones
 DATE: April 11, 2003 REVISED: 4/15/03 _____

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

I. Summary:

This bill authorizes the governing body of Gadsden County to apply to the Office of Tourism, Trade, and Economic Development to amend the boundaries of the Gadsden County enterprise zone to replace areas not suitable for development with areas suitable for development.

This bill substantially amends section 290.00693, 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.

Gadsden County Enterprise Zone

The Gadsden County Enterprise Zone is 18.77 square miles. The zone was created under s. 290.00693, F.S.

III. Effect of Proposed Changes:

This bill authorizes the governing body of Gadsden County to apply before December 31, 2003, to the Office of Tourism, Trade, and Economic Development (OTTED) to amend the boundaries of the Gadsden County enterprise zone to replace areas not suitable for development with areas suitable for development. Because the bill requires Gadsden County to apply to OTTED to amend its enterprise zone boundary, Gadsden County’s application to OTTED must follow the application procedures in s. 290.0055, F.S. Under s. 290.0055(4), F.S., areas nominated by a county, including Gadsden County, for designation as an enterprise zone must suffer from pervasive poverty, unemployment, and general distress. As such, areas replacing portions of the Gadsden County enterprise zone that are unsuitable for economic development must suffer from pervasive poverty, unemployment, and general distress.

This bill takes 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 determined that this bill will have an insignificant negative fiscal impact.

<u>Fiscal Year 2003-2004</u>								
Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
SB 2584	\$ (*)	\$ (*)	\$ (*)	\$ (*)	\$ (*)	\$ (*)	\$ (*)	\$ (*)

* Insignificant (less than \$50,000)

B. Private Sector Impact:

Businesses located in areas not previously within the Gadsden County enterprise zone will have access to multiple economic development and tax incentives.

C. Government Sector Impact:

This bill 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 bill 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.
