

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/CS/SB 1358

SPONSOR: Finance and Taxation Committee, Commerce, Economic Opportunities, and Consumer Services Committee and Senator Garcia

SUBJECT: Enterprise Zones

DATE: April 20, 2004 REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------|----------------|-----------|-----------|
| 1. | Maclure | Maclure | CM | Fav/CS |
| 2. | | | GO | Withdrawn |
| 3. | Fournier | Johansen | FT | Fav/CS |
| 4. | | | ATD | |
| 5. | | | AP | |
| 6. | | | RC | Withdrawn |

I. Summary:

Committee Substitute for Senate Bill 1358 authorizes the following communities to apply to the Office of Tourism, Trade, and Economic Development for the designation of new enterprise zones: Osceola County or the county jointly with the City of Kissimmee; City of South Daytona; City of Lake Wales; Walton County; Miami-Dade County jointly with the City of Hialeah; and Miami-Dade County or the county jointly with the City of West Miami.

The committee substitute authorizes the following communities to apply to the Office of Tourism, Trade, and Economic Development to amend the boundaries of existing enterprise zones: Leon County; Miami-Dade County; Jacksonville/Duval County; Orange County; Brooksville/Hernando County; and Sarasota County/City of Sarasota.

The committee substitute amends the following sections of the Florida Statutes: 290.0065, 290.00675, and 290.00688. The committee substitute creates the following sections of the Florida Statutes: 290.00702, 290.00703, and 290.00704, as well as unnumbered sections of the Florida Statutes.

II. Present Situation:

Florida Enterprise Zone Program

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

to provide the necessary means 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.¹ The act established a process for the nomination and designation of a maximum of 20 enterprise zones (ss. 290.0055 and 290.0065, F.S.). Subsequent to the 1994 act, however, the Legislature has authorized additional zones. The Office of Tourism, Trade, and Economic Development (OTTED) reports that today there are 51 enterprise zones.² 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 tax are authorized to receive a credit against their tax liability 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 remit 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 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

¹ Florida's enterprise zone program dates back to 1982. The 1994 legislation significantly revised the program, provided for the expiration in December 1994 of all then-existing zones, and established a process for the designation of up to 20 new zones during the summer of 1995.

² Office of Tourism, Trade, and Economic Development, *Florida Enterprise Zone Program Annual Report October 1, 2002-September 30, 2003*, 1, March 1, 2004.

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

In addition to the incentives provided by the state, some local governments offer incentives as part of their enterprise zone development plans. Examples of the local incentives include:

- *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. This exemption does not apply to school or independent district taxes. 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.

Estimated Program Impact

The estimated economic 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 |
|-----------|-----------------------------|---------------|-----------------|------------------|------------------|
| 2002-2003 | 2,278 | 5,057 | 51 | \$5,401,583 | \$12,486,571 |
| 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 | 30 | \$4,449,941 | \$ 6,803,474 |
| 1995-1996 | 128 | 2,188 | 19 | \$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, 2002-September 30, 2003*, 1 and 5-7, March 1, 2004, as well as prior year's annual reports.

Program Expiration

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. Although most of the statutory authority for the program expires on December 31, 2005, some of the state tax incentives for the program are scheduled to expire on June 30, 2005. (See, for example, ss. 212.08(5)(q) and 220.181(9), F.S.)

III. Effect of Proposed Changes:

This committee substitute provides for the designation of multiple new enterprise zones and authorizes multiple existing enterprise zones to change their geographic boundaries.

New Enterprise Zones

The committee substitute authorizes the following new enterprise zones:

- ***Osceola County/Kissimmee:*** The county, or the county and the city jointly, may apply to the Office of Tourism, Trade, and Economic (OTTED or the office) for designation of one enterprise zone within the county or within the county and the city. The local government or governments must submit the application by December 31, 2004, and must comply with the enterprise zone local nominating procedures and criteria under s. 290.0055, F.S. The office shall establish the effective date of the enterprise zone. (See Section 4.)
- ***City of South Daytona:*** The city may apply to OTTED for the designation of one enterprise zone within the city. The city must submit the application by December 31, 2004, and must comply with the enterprise zone local nominating procedures and criteria under s. 290.0055, F.S. The office shall establish the effective date of the enterprise zone. (See Section 5.)
- ***City of Lake Wales:*** The city may apply to OTTED for the designation of one enterprise zone within the city. The enterprise zone may encompass an area of up to 3 contiguous square miles. The city must submit the application by December 31, 2004, and must comply with the enterprise zone local nominating procedures and criteria under s. 290.0055, F.S. The office shall establish the effective date of the enterprise zone. (See Section 6.)
- ***Walton County:*** The county may apply to OTTED for the designation of one enterprise zone within the county which may encompass an area of up to 6 square miles. The county must submit the application by December 31, 2004, and must comply with the enterprise zone local nominating procedures and criteria under s. 290.0055, F.S. The office shall establish the effective date of the enterprise zone. (See Section 7.)

- ***Miami-Dade County/City of West Miami:*** Miami-Dade County, or the county jointly with the City of West Miami, may apply to OTTED for the designation of an enterprise zone in the City of West Miami. The community must submit the application by December 31, 2004, and must comply with the enterprise zone local nominating procedures and criteria under s. 290.0055, F.S. The office shall establish the effective date of the enterprise zone. (See Section 8.)
- ***Miami-Dade County/Hialeah:*** Miami-Dade County and the City of Hialeah may apply for designation of an area within the city bounded by specifically named roads in the committee substitute. The area encompasses Hialeah Park, a thoroughbred racing establishment located within the City of Hialeah.³ Hialeah Park is comprised of an area of 206 acres, according to the Miami-Dade County Property Appraiser's on-line database. The committee substitute requires the local governments to submit the application by June 1, 2004, and requires OTTED to designate the area with an effective date of July 1, 2004. The community's application must comply with the enterprise zone local nominating procedures and criteria under s. 290.0055, F.S., except for the requirement that the area suffer from pervasive poverty, unemployment, and general distress. This element of the committee substitute takes effect upon the legislation becoming a law. (See Section 9.)

Boundary Changes or Expansions of Existing Zones

The committee substitute authorizes the following revisions to the geographic boundaries of existing enterprise zones:

- ***Brooksville/Hernando County:*** The committee substitute amends s. 290.00675, F.S., to provide allow the City of Brooksville/Hernando County Enterprise Zone to apply to OTTED to amend its boundaries. The amendment must not increase the overall size of the zone by more than 5 square miles and must be consistent with the limitations imposed by s. 290.0055, F.S. The application must be submitted by December 31, 2004. (See Section 2.)
- ***Leon County:*** The committee substitute amends s. 290.0065(11), F.S., to provide that a community with a population greater than 235,000 but less than 260,000 may apply to OTTED to amend its enterprise zone boundaries in order to replace areas that are not suitable for development. According to OTTED, this change is designed for the Leon County enterprise zone. (See Section 1.) The committee substitute also revises the statute that authorizes the Leon County enterprise zone (s. 290.00688, F.S.) to delete the specifically delineated census tract and block groups that define the parameters of the existing enterprise zone. Elimination of these prescribed boundaries for the Leon County enterprise zone will facilitate the county's ability to amend the boundaries. (See Section 3.)

³ Hialeah Park is not currently operating thoroughbred races. The Department of Business and Professional regulation has initiated an administrative action to revoke the park's permit due to inactivity, and the park has challenged the action in circuit court.

- ***Miami-Dade County***: The committee substitute authorizes the Miami-Dade County enterprise zone to expand its boundaries by adding 8.7 square miles. The addition must include areas to the north or east of the northeastern-most section of the existing enterprise zone. OTTED must approve the addition by January 1, 2005, if the area is consistent with the enterprise zone local nominating criteria in s. 290.0055, F.S. The county must apply for the boundary expansion by October 1, 2004. (See Section 1, creating s. 290.0065(12), F.S.)

The committee substitute also authorizes Miami-Dade County to seek replacement of up to 75 acres in the existing enterprise zone. The new area incorporated into the enterprise zone must be part of a revitalization area targeted by the county for assistance and must be contiguous to a zoo. In addition, the county must have previously completed a master plan for development of the area. The office must approve the boundary change effective January 1, 2005, if the enterprise zone continues to comply with the enterprise zone local nominating criteria in s. 290.0055, F.S. (See Section 1, creating s. 290.0065(13), F.S.)

- ***Sarasota County/City of Sarasota***: The committee substitute amends s. 290.00675, F.S., to authorize OTTED to approve requests to amend the boundaries of an enterprise zone in a community having a population of 50,000 persons but less than 60,000. However, the boundary change may not increase the overall size of the enterprise zone by more than 400 acres, and the area added to the enterprise zone must be contiguous to the existing zone. The community must submit its request for the boundary change before December 31, 2004. This provision is designed to enable the enterprise zone within Sarasota County/City of Sarasota to amend its boundaries. (See Section 2.)
- ***Jacksonville***: The committee substitute authorizes the governing body within the consolidated government of Jacksonville and Duval County to apply to OTTED before December 31, 2004, to amend the boundaries of the Jacksonville enterprise zone in order to add three noncontiguous areas that were designated as a federal empowerment zone under the 2000 federal Community Renewal Tax Relief Act. (See Section 10.)

The City of Jacksonville's enterprise zone is approximately 16.3 square miles with a population of 59,653.⁴ In 2002, Jacksonville's enterprise zone was designated as a federal empowerment zone.⁵ However, three distinct business districts outside the existing state enterprise zone were also included in the federal empowerment zone. Businesses within the empowerment zone are eligible for a variety of wage credits, tax deductions, bond financing, and capital gains from the federal government, as well as technical assistance from federal agencies to assist local businesses in securing additional benefits. According to OTTED, the three noncontiguous areas proposed for addition to the state enterprise zone are approximately 3.125 square miles.

⁴ See, Enterprise Florida, Inc., Enterprise Zone Website, Zone Contacts (Jacksonville), at http://www.floridaenterprisezone.com/PageView.asp?Org_id=1601 (last visited March 27, 2004).

⁵ U.S. Department of Housing and Urban Development, News Release, *Bush Administration Announces Community Revitalization Efforts – HUD Announces Seven New Empowerment Zones*, January 15, 2002, available at http://www.ahfc.state.ak.us/Department_Files/Communications_Department/News-Releases/02-nr/02-008-ez-rel-11502.doc (last visited March 27, 2002).

- **Orange County:** The committee substitute authorizes Orange County to apply to OTTED to amend the boundaries of one contiguous area of its enterprise zone. The office must approve the boundary change if the amended area does not exceed 5 square miles and complies with the enterprise zone local nominating criteria in s. 290.0055, F.S. The application must reach OTTED by December 31, 2004. (See Section 11.)

Severability

The committee substitute includes a severability clause, specifying that, if any provision of the act is held invalid, the invalidity does not affect other provisions in the act which can be given effect. (See Section 12.)

Effective Date

Except as otherwise provided in the act, the act takes effect July 1, 2004.

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:

Business located within the new enterprise zones authorized under this committee substitute may be eligible for a variety of state and local tax incentives. Further, changes in the boundaries of existing enterprise zones may change the degree to which state and local tax incentives are used in those communities. The Revenue Impact Conference has reviewed many of the enterprise zone provisions contained in this committee substitute and estimated its impact to be \$(1.2) million for FY 2004-05. The findings of the Revenue Impact Conference are listed in the table below.

| Issue/Fund | General Revenue | | Trust | | Local | | Total | |
|-----------------------|-----------------|-----------|----------|-----------|----------|-----------|----------|-----------|
| | 1st Year | Recurring | 1st Year | Recurring | 1st Year | Recurring | 1st Year | Recurring |
| Jacksonville | \$(0.2) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.2) | \$0.0 |
| Lake Wales | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$0.0 | \$0.0 |
| Leon County | \$(0.2) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.2) | \$0.0 |
| Miami-Dade (zoo area) | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 |
| Miami-Dade (NE) | \$(0.3) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.3) | \$0.0 |
| Orange County | \$(0.1) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.1) | \$0.0 |
| Osceola/Kissimmee | \$(0.1) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.1) | \$0.0 |
| South Daytona | \$(0.2) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.2) | \$0.0 |
| Walton County | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 |
| City of Hialeah | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 |
| West Miami | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 |
| Sarasota | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 |
| Brooksville/Hernando | \$(0.1) | \$0.0 | \$(*) | \$0.0 | \$(*) | \$0.0 | \$(0.1) | \$0.0 |

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

The sum of the impacts less than \$50,000 is estimated to be \$(0.2) million.

B. Private Sector Impact:

To the extent the new enterprise zones and boundary changes to existing enterprise zones encourage businesses to make investments in the applicable communities, the businesses may benefit from a variety of state and local economic incentives.

C. Government Sector Impact:

The Office of Tourism, Trade, and Economic Development will incur costs related to the review of applications for new enterprise zones and enterprise zone boundary changes authorized by this committee substitute. 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 new or amended enterprise zones. The administrative costs do not appear to be significant.

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.
