

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 1860

SPONSOR: Senator Hill

SUBJECT: Enterprise Zones

DATE: February 22, 2004 REVISED: 03/01/04 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cooper</u>	<u>Yeatman</u>	<u>CP</u>	<u>Fav/3 amendments</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	<u>ATD</u>	_____
5.	_____	_____	<u>AP</u>	_____
6.	_____	_____	_____	_____

I. Summary:

This bill allows the enterprise zone in Jacksonville to expand by 2 square miles and also include noncontiguous areas designated as a federal empowerment zone.

This bill creates an unspecified section of Florida Law.

II. Present Situation:

Enterprise Zones

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.¹

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 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.

¹ Section 290.003, F.S.

Section 290.0055, F.S., outlines the enterprise zone application procedure for counties and municipalities. Unless otherwise provided by law, enterprise zones in counties with more than 150,000 persons may not exceed 20 square miles, have a continuous boundary or consist of not more than three contiguous parcels. Because there are very limited circumstances under which OTTED is authorized to change enterprise zone boundaries, most boundary changes may only be authorized by law.

State Incentives

- *Enterprise zone jobs credit against corporate income taxes:* Businesses located in an enterprise zone who 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.²
- *Enterprise zone jobs credit against sales tax:* Businesses located within an enterprise zone who 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.³
- *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.⁴
- *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 \$10,000.⁵
- *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 \$10,000.⁶

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

² Section 220.181, F.S.

³ Section 212.096, F.S.

⁴ Section 220.182, F.S.

⁵ Section 212.08(5)(g), F.S.

⁶ Section 212.08(5)(h), F.S.

available if the municipality in which the business is located has passed an ordinance to exempt the municipal utility taxes on such business.⁷

- *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.⁸
- *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.⁹
- *Local impact fee abatement or reduction, or low-interest or interest-free loans or grants to businesses.*¹⁰

YEAR	NEW OR RELOCATED BUSINESSES	JOBS 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	\$ 8,853,197
1996-1997	434	4,573		\$4,449,941	\$ 6,803,474
1995-1996	128	2,188		\$ 817,422	\$ 4,252,766

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.

Jacksonville Enterprise Zone

The City of Jacksonville’s enterprise zone is approximately 16.3 square miles with a population of 59,653.¹¹

In 2002, Jacksonville’s enterprise zone was designated as a Federal Empowerment Zone.¹² However, three distinct business districts outside the existing 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.

⁷ Sections 212.08(15) and 166.231(8), F.S.

⁸ Section 196.1995, F.S.

⁹ Section 205.054, F.S.

¹⁰ Section 290.0057(1)(e), F.S.

¹¹ http://www.downtownjacksonville.org/content/?page_id=82&fromadmin=1

¹² http://www.ahfc.state.ak.us/Department_Files/Communications_Department/News-Releases/02-nr/02-008-ez-rel-11502.doc

III. Effect of Proposed Changes:

Section 1 creates an unspecified section of Florida Law to allow the enterprise zone in Jacksonville to increase its size by an area of no more than 2 square miles. In addition, the enterprise zone may be expanded to include noncontiguous areas designated as a federal empowerment zone under the 2000 Community Renewal Tax Relief Act without any limitations as to size.

Section 2 provides that the act will take 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:**

At this time, the Revenue Impact Conference has not determined the fiscal impact that this bill will have on state and local government revenues.

B. Private Sector Impact:

Businesses located in the addition to the Jacksonville enterprise zone will have access to multiple economic development and tax incentives.

C. Government Sector Impact:

This bill may result in higher costs for 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 OTTED and 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:

1 by Comprehensive Planning Committee:
Technical Amendment.

2 by Comprehensive Planning Committee:
This amendment authorizes OTTED to expand the boundaries of an enterprise zone in Sarasota County.

3 by Comprehensive Planning Committee:
This amendment authorizes OTTED to change the boundaries of an enterprise zone in Miami-Dade County.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
