HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 617 Economic Stimulus
SPONSOR(S): Kilmer
TIED BILLS: **IDEN./SIM. BILLS:** SB 1708

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Workforce and Economic Development (Sub)	5 Y, 0 N	Winker	Billmeier
2) Commerce		Winker	Billmeier
3) Finance and Tax			
4) Transportation and Econ. Dev. Apps. (Sub)			
5) Appropriations			

SUMMARY ANALYSIS

The bill incorporates recommendations made by Enterprise Florida, Inc., to enhance economic development incentives. The bill expands the availability of economic development incentives and revises laws relating to several of the state's economic development programs. In summary, the bill:

- reduces the unit value of the equipment from $5,000 to $500 for businesses located in an enterprise zone to be eligible for a sales tax exemption;
- renames the Urban High Crime Area Job Tax Credit Program as the Designated Urban Job Tax Credit Area Program;
- expands the businesses eligible to apply for the Designated Urban Job Tax Credit Area Program to include targeted industries eligible for the qualified target industry business tax refund under s. 288.106, F.S.;
- implements EFI recommendations of enhancing the credit program by increasing local designation of the zones, expanding eligible industries, removing reference to high crime, and allowing transferability of unused credits;
- allows a corporation to transfer any unused credit in whole or in units of no less than 25% of the remaining credit;
- requires that fifteen percent of the community contribution tax credit pool be set aside for the first 6 months of the fiscal year for projects located in a rural enterprise zone;
- extends the Qualified Target Industry Tax Refund Program until June 31, 2009.

On 2/27/04, the Revenue Estimating Conference reviewed HB 617 and estimated that the fiscal impact of the bill for FY 2004/05 would be ($3.8) million in General Revenue and ($0.6) million in the Local Trust Fund for a total fiscal impact of ($4.4) million. The conference also estimated that recurring revenues would be ($2.7) million in General Revenue and ($0.3) million in the Local Trust Fund for a total recurring estimated fiscal impact of ($3.0) million. There may be an additional negative but indeterminate fiscal impact from a provision in the bill relating to reducing the $5,000 threshold to $500, which may be offset by economic growth in enterprise zones and in the local communities in general.

The bill becomes effective upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

1. Reduce government?	Yes[]	No[]	N/A[X]
2. Lower taxes?	Yes[X]	No[]	N/A[]
3. Expand individual freedom?	Yes[]	No[]	N/A[X]
4. Increase personal responsibility?	Yes[]	No[]	N/A[X]
5. Empower families?	Yes[]	No[]	N/A[X]

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

B. EFFECT OF PROPOSED CHANGES:

The bill incorporates recommendations made by Enterprise Florida, Inc., to enhance economic development incentives. The bill expands the availability of economic development incentives and revises laws relating to several of the state's economic development programs. In summary, the bill:

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There may be an additional negative but indeterminate fiscal impact from a provision in the bill relating to reducing the $5,000 threshold to $500, which may be offset by economic growth in enterprise zones and in the local communities in general.

Enterprise Florida, Inc.

Enterprise Florida, Inc. (EFI) is the public-private partnership responsible for leading Florida's statewide economic development efforts. EFI was formed in July 1996, is responsible for economic development, international trade, and statewide business marketing. EFI's mission is to increase economic opportunities for all Floridians through the creation and retention of quality jobs and the active support of strong and growing businesses.

States and communities compete with one another to attract, expand, and retain high-wage industries. Florida has incentive programs designed to attract and maintain such desired industries in the state. EFI annually reports on these incentive programs and makes recommendations for changes and improvements in the programs. This bill incorporates the recommendations made by EFI in its report entitled, 2003 Incentives Report: A Progress Report on Programs Funded from the Economic Development Incentives Account and EFI's 2004 Legislative Recommendations for Consideration by the Legislative Committee (November 2003).

Tax Exemptions for Property in Enterprise Zones

Section 212.08(5), F. S., provides exemptions for taxes on business properties located in state designated enterprise zones. In 1980, Florida established one of the first enterprise zone programs in the country to encourage economic growth and investment in distressed areas. An enterprise zone is a specific geographic area targeted for economic revitalization.

The purpose of enterprise zones is to assist local communities, their residents, and the private sector in creating the environment to induce the investment of private resources in business enterprises located in severely distressed areas and to provide jobs for residents in the area. Under the Enterprise Zone Act of 1994 [ss.290.001-290.016, F.S.], areas of the state meeting specified criteria have been designated as enterprise zones.

According to the Office of Tourism, Trade, and Economic Development (OTTED), since July 1, 1995, the state has designated 47 enterprise zones. State and local incentives are authorized to induce businesses to invest in enterprise zone which, in turn, offers a number of tax advantages to such businesses willing to make such an investment. Based on data from OTTED, there are currently 26 rural enterprise zones statewide encompassing 1,208 square miles and 111,574 residents.

Below are incentives provided to encourage the revitalization of enterprise zones:

- Enterprise zone jobs credit provided in s. 220.181, F.S.
- Enterprise zone property tax credit provided in s. 220.182, F.S.
- Sales tax exemption for building materials used in the rehabilitation of real property in enterprise zones provided in s. 212.08(5)(g), F.S.
- Sales tax exemption for business property used in an enterprise zone provided in 212.08(5)(h), F.S.
- Sales tax exemption for electrical energy used in an enterprise zone provided in s. 212.08(15), F.S.
- Enterprise zone jobs credit against the sales tax provided in s. 212.096, F.S.
- Occupational license tax exemption in s. 205.054, F.S.
- Economic development ad valorem tax exemption in s. 196.1995, F.S.

Enterprise Zones and Sales Tax Exemption

An incentive [see above for all incentives] for all designated enterprise zones is a sales tax for building equipment used in an enterprise zone. Currently, businesses located within any enterprise zone are eligible for a sales tax refund if the unit value of the equipment is $5,000 or more [section 212.08(5)(h)].

According to EFI, small businesses make up the majority of businesses located in all enterprise zones. The sales tax refund as currently structured cannot be assessed by the majority of businesses considering locating to or expanding in an enterprise zone because of the current $5,000 threshold on the value of the equipment.

According to EFI, many small businesses, such as distribution centers, small manufacturers and wholesalers or limited liability companies that may consider locating in an enterprise zone or have actually located in a zones either do not collect and remit sales tax or have no Florida corporate income tax liability.

The bill reduces the unit value of the equipment from $5,000 to $500 for businesses located in an enterprise zone to be eligible for a sales tax exemption.

The Urban High-Crime Area Job Tax Credit Program

The Urban High-Crime Area Job Tax Credit Program was created in 1997 to encourage the creation of jobs in urban areas of Florida. See s. 212.097, F.S. The program provides tax credits to eligible businesses that are located within the 13 urban areas designated by OTTED and hire a specific number of employees. The credit ranges from $500 to $2,000 per qualified job and can be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax, but not both. A total of $5 million of tax credits may be approved under the Urban Job Tax Credit Program each calendar year. EFI reports that under the current program, approved credits are less than the full $5 million of authorized credits

The bill implements EFI recommendations of enhancing the credit program by increasing local designation of the zones, expanding eligible industries, removing reference to high crime, and allowing transferability of unused credits. The specific changes are discussed below.

Name of Tax Credit Program

The bill changes the name of the "Urban High Crime Area Job Tax Credit Program" to the "Designated Urban Job Tax Credit Area Program."

Eligible Businesses

Current businesses eligible to receive a tax credit under the program include: agriculture, forestry, fishing manufacturing, retail, public warehousing, public storage, hotels, other lodging places, research and development, motion picture production and allied services, public golf courses, and public amusement parks. See s. 212.097(1)(a), F.S.

The bill expands the businesses eligible to apply for the Designated Urban Job Tax Credit Area Program to include targeted industries eligible for the qualified target industry business tax refund under s. 288.106, F.S.

Section 288.106(1)(m), F.S., provides that OTTED, in conjunction with EFI, develop a list of targeted industries which are eligible to apply for the qualified target industry business tax refund. In developing the list, the following principles must be used:

- Future growth - Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to Florida's growing access to international markets or to replacing imports.
- Stability - The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not necessarily subject to decline during an economic downturn.
- High wage - The industry should pay relatively high wages compared to statewide or area averages.
- Market and resource independent - The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.

- Industrial base diversification and strengthening - The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.
- Economic benefits - The industry should have strong positive impacts on or benefits to the state and regional economies.

Rankings and Credits under Current Law

In administering the Urban High-Crime Job Tax Credit, the top 15 high-crime areas are ranked by OTTED according to the following five factors:

- Highest arrest rates within the geographic area for violent crime and for such other crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances;
- Highest reported crime volume and rate of specific property crimes such as business and residential burglary, motor vehicle theft, and vandalism;
- Highest percentage of reported index crimes that are violent in nature;
- Highest overall index crime volume for the area; and
- Highest overall index crime rate for the geographic area.

Tier-one areas are ranked 1 through 5 and represent the highest crime areas according to this ranking. Tier-two areas are ranked 6 through 10. Tier-three areas are ranked 11 through 15 and represent those areas with the lowest crime rate according to this ranking. See s. 212.097(1)(e), F.S.

A new eligible business may apply for a one time tax credit at any time during its first year of operation. A new company located in a tier-one crime area that has 10 or more qualified employees receives a $1,500 tax credit for each employee. A new company located in a tier-two crime area that has 20 or more qualified employees receives a $1,000 tax credit for each employee. A new company located in a tier-three crime area that has 30 or more qualified employees receives a $500 tax credit for each employee. See s. 212.097(2), F.S.

An existing eligible business located in a tier-one crime area that has five or more qualified employees than it had one year prior to its date of application receives a $1,500 tax credit for each additional employee. An existing company located in a tier-two crime area that has 10 or more qualified employees receives a $1,000 tax credit for each additional employee. An existing company located in a tier-three crime area that has 15 or more qualified employees receives a $500 tax credit for each additional employee. An existing eligible business may apply for the credit at any time but no more than once in any 12-month period. An existing eligible business that received a credit as a new eligible business may not apply for this credit sooner than 12 months after application as a new eligible business. See s. 212.097(3), F.S.

An additional credit of $500 is available for new employees who are welfare transition program participants. Such employee must be employed on the application date and have been employed less than 1 year. This is for both new and existing businesses at all tier levels. See s. 212.097(4), F.S.

Proposed Changes under HB 617

Instead of OTTED ranking areas using separate criteria, the bill directs OTTED to rank those areas nominated by a county or municipality as urban tax credit areas using the same criteria as the county and municipalities (see Designation Process below). Instead of designating the 15 highest distress profile urban areas, the bill directs OTTED to designate 30. The bill eliminates the tier system. Under the bill all eligible new businesses qualify for a $1,000 tax credit per employee and all eligible existing businesses with 10 or more employees qualify for a $1,000 credit per employee.

Designation Process under Current Law

A county, municipality, or a county and one or more municipalities together may apply to OTTED for designation upon the adoption of a resolution that:

- Finds that a high-crime area exists in such county or municipality, or in both the county and one or more municipalities, which exhibits extreme levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- Determines that the rehabilitation, conservation, or redevelopment, or a combination, of the high-crime area is necessary for the health, safety, and welfare of the residents of the local government submitting an application; and
- Determines that the revitalization of the high-crime area can occur if the public or private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area. See s. 212.097(6), F.S.

The governing body of the local government nominating the area for designation must provide OTTED with the following information:

- The overall index crime rate for the geographic area;
- The overall index crime volume for the area;
- The percentage of reported index crimes that are violent in nature;
- The reported crime volume and the rate of specific property crimes, i.e. business and residential burglary, motor vehicle theft, and vandalism; and
- The arrest rates within the geographic area for violent crime and for crimes such as drug sale, prostitution, disorderly conduct, and public-order offenses.

Changes to the Designation Process under HB 617

Under the bill, the county or municipality follows the same procedure, except the county or municipality no longer is required to provide OTTED the information outlined above. Instead, the county or municipality must demonstrate to OTTED that the area meets the following:

- Income characteristics - Forty percent of area residents earn at or below minimum wage or more than 20 percent of residents or families live below the federal standard of poverty for individuals or a family of four.
- Education characteristics - Has a high school dropout rate higher than the county average or has a high school graduation rate lower than the state average.
- Workforce and employment characteristics - Has an unemployment rate at least 3 percentage points higher than the state's unemployment rate; greater than 50 percent of families subject to the welfare-to-work transition time limit are either within 6 months of the time limit or are receiving cash assistance under a period of hardship extension to the time limit; or is identified as a labor surplus area using the criteria established by the United States Department of Labor's Employment and Training Administration.
- Crime characteristics - Has an arrest rate higher than the state's average rate for such crimes as drug sale, drug possession, prostitution, vandalism, and civil disturbances, as recorded by the total crime index of the Florida Department of Law Enforcement or ranks in the top 30 percent of zip codes with reported crimes that are violent in nature.
- Residential and commercial property related characteristics - Fifty percent or more of area residents rent; property values are within the lower 50 percent of the county's assessed property values; more than 5 percent of area homes, apartments, or buildings are abandoned, have been condemned within the previous 24 months, or have a greater number of violations of the Florida Building Code than recorded in the remainder of the county or municipality; or tax or special assessment delinquencies which exceed the fair value of the land.

Designated Area Size and Population under Current Law

Under current law, an area nominated for designation under Urban High-Crime Area Job Tax Credit Program must not exceed 20 square miles and either has a continuous boundary or consists of not more than three noncontiguous parcels. See s. 212.097(9)(a), F.S. In addition, the area may not exceed the following mileage limitation:

- For communities having a total population of 150,000 persons or more, the area may not exceed 20 square miles.
- For communities having a total population of 50,000 persons or more, but fewer than 150,000 persons, the area may not exceed 10 square miles.
- For communities having a total population of 20,000 persons or more, but fewer than 50,000 persons, the area may not exceed five square miles.
- For communities having a total population of fewer than 20,000 persons, the area may not exceed three square miles. See s. 212.097(9)(b), F.S.

Changes under HB 617

The bill changes these requirements by providing the selected area has a continuous boundary or consists of not more than three noncontiguous parcels and that the selected area does not exceed the following mileage limitation:

- For areas having a total population of 150,000 persons or more, the selected area does not exceed 20 square miles and is within 10 miles of the central business district of a city.
- For areas having a total population of 50,000 persons or more, but fewer than 150,000 persons, the selected area does not exceed 10 square miles and is within 7.5 miles of the central business district of a city.
- For areas having a total population of 20,000 persons or more, but fewer than 50,000 persons, the selected area does not exceed 5 square miles and is within 5 miles of the central business district of a city.
- For areas having a total population of fewer than 20,000 persons, the selected area does not exceed 3 square miles and is within 3 miles of the central business district of a city.

A designated urban core or inner city may not include any portion of a central business district, as that term is used, unless the poverty rate for each census geographic block group in the district is not less than 30 percent.

Transfer of Unused Credits under the Urban High Crime and Rural Job Tax Credit Programs

Under current law, a corporation who receives a credit but does not have enough tax liability to fully utilize tax credits under the Urban High Crime and Rural Job Tax Credit Programs [See s. 212.098, F.S.] may not transfer the credit to another entity.

The bill allows a corporation to transfer any unused credit in whole or in units of no less than 25% of the remaining credit. The entity acquiring the credit may use it in the same manner and the under the same limitations as the original recipient. The credits may not be transferred again.

Community Contribution Tax Credit Program

The 1980 Legislature created the Community Contribution Tax Credit (CCTC) Program in s. 220.183, F.S., to encourage businesses to make donations to community redevelopment organizations for the purpose of revitalization projects. Any business making a donation can take credits against the corporate income tax, franchise tax on banks and savings associations, the state sales tax, or the insurance premium tax.

The CCTC Program authorizes businesses that make donations to approved organizations to claim a credit equal to 50 percent of the donation against the corporate income tax (s. 220.11, F.S.), franchise tax (s. 220.63, F.S.), sales tax (ch. 212, F.S.), or insurance premium tax (s. 624.509 and ch. 510, F.S.).

Under ss. 212.08(5)(q), 220.183 and 624.5105, F.S., the combined total amount of tax credits that can be approved is $10 million annually. No individual business may receive more than $200,000 in tax credits per year. (See s. 212.08(5)(q)1.c., F.S., s. 220.183(1)(b), F.S., and s. 624.5105(1)(b), F.S.) All revitalization projects, except those projects related to housing for low-income persons, must be in enterprise zones or a Front Porch Florida Community. (See s. 212.08(5)(q)2.d., F.S., s. 220.183(2)(d), F.S., and s. 624.5105(2)(d), F.S.)

Eligible sponsors or eligible contribution recipients to which donations can be made include:

- A community action program;
- non-profit community-based development organization whose mission is the provision of housing for low-income or very-low-income households or increasing entrepreneurial and job development opportunities for low-income persons;
- A neighborhood housing services corporation;
- A local housing authority created pursuant to chapter 421, F.S.;
- A community redevelopment agency created pursuant to s. 163.356, F.S.;
- The Florida Industrial Development Corporation;
- An historic preservation district agency or organization;
- A regional workforce board;
- A direct-support organization as provided in s. 1009.983, F.S.;
- An enterprise zone development agency created pursuant to s. 290.0056, F.S.;
- A not-for-profit community-based organization whose bylaws and articles of incorporation include affordable housing, economic development, or community development as the primary mission of the corporation;
- Units of local government; or
- Any other agency or organization as the Office of Tourism, Trade, and Economic Development (OTTED) may designate by rule. (See s.212.08(5)(q)2.c., F.S., s. 220.183(2)(c), F.S., and s. 624.5105(2)(c), F.S.)

How Projects Are Defined

All contributions from a business must be exclusively used for use in projects as defined in ss. 212.08(5)(q)2.b. or 220.03(1)(t), F.S. Such projects include activities by an eligible sponsor which are intended to construct, improve, or substantially rehabilitate housing affordable to low-income and very-low-income households; provide commercial, industrial, or public resources and facilities; or improve entrepreneurial and job development opportunities for low-income person.

In addition, a project may be an investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communication assets that are owned by a business; or a project which provides museum educational programs and materials that are directly related to any project approved between January 1, 1996, and December 31, 1999, and is located in an enterprise zone. (See s. 212.08(5)(9)2.b, F.S.)

Section 220.03(1)(d), F.S., defines “community contribution” as a donation by a business firm of cash or other liquid assets, real property, goods, or inventory, and other physical resources as identified by the Department of Revenue.

The Role of OTTED

OTTED is responsible for approving tax credits under ss. 212.08, 220.183, and 624.5105, F.S. Section 220.183(2)(b), F.S. allows OTTED to reserve up to 50 percent of the available annual tax credits for housing for very-low-income households pursuant to s. 420.9071(28), F.S., for the first 6 months of the fiscal year.

Section 420.9071(28), F.S., defines "very-low-income household" as:

". . . one or more natural persons or a family that has a total annual gross household income that does not exceed 50 percent of the median annual income adjusted for family size for households within the metropolitan statistical area, the county, or the non-metropolitan median for the state, whichever is greatest."

OTTED staff state that they do not exercise this discretion to reserve funds for very-low-income housing projects. In addition, OTTED does not distinguish between low-income and very-low-income projects when approving projects. Credits, as reported by eligible sponsors, are allocated by OTTED on a "first-come, first-serve" basis.

In recent years, the credits have been claimed within the first quarter of the fiscal year. However, in FY 03-04, all tax credits were approved on the first day of the fiscal year. In FY 03-04, OTTED reports that 86 percent of the $10 million allocated for the program went to businesses contributing to eligible sponsors providing housing to low-income persons.

Changes to the Community Contribution Tax Credit Program under HB 617

The bill requires that fifteen percent of the community contribution tax credit pool be set aside for the first 6 months of the fiscal year for projects located in a rural enterprise zone.

Tax Refund Program for Qualified Target Industry Businesses

The Qualified Target Industry Tax Refund Program (QTI Program), s. 288.106, F.S., is one of the state's economic development incentives. Under the program, eligible businesses may receive refunds of previously paid taxes, based upon the creation of jobs at a certain salary level.

Eligible businesses must be in an industry that meets the following criteria:

- Future growth - Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to Florida's growing access to international markets or to replacing imports.
- Stability - The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not necessarily subject to decline during an economic downturn.
- High wage - The industry should pay relatively high wages compared to statewide or area averages.
- Market and resource independent - The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis.
- Industrial base diversification and strengthening - The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis.

- Economic benefits - The industry should have strong positive impacts on or benefits to the state nd regional economies.

Businesses that may qualify as a qualified target industry business and thus be approved to receive tax refunds must be engaged in one of the following activities: manufacturing; financial and insurance services; wholesale trade; information industries; professional technical, scientific, and technical services; management services; and administrative and support services.

Section 288.106(4), F.S., requires each QTI Program business to enter into a written agreement with OTTED concerning the business's participation in 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. The failure to comply with the terms and conditions of the tax refund 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 certification of the business entity as a qualified target industry business. However, s. 288.106(5)(d), F.S., provides for a prorated tax refund, less a 5-percent penalty, for a QTI Program business that proves it has achieved at least 80 percent of its job creation goal and 90 percent of the average wage specified in its agreement with OTTED.

Additionally, the 2002 Legislature amended s. 288.106(4)(b), F.S., to enable certain businesses to remain in the QTI Program after failing to meet their contractual obligations. Such businesses may remain in the QTI Program if they apply for an economic-stimulus exemption from their contractual obligations due to negative economic conditions or terrorism, in lieu of a tax refund claim that was scheduled to be submitted between January 2, 2001, and June 30, 2003.

Changes to the QTI Program under HB 617

Section 288.106(7), F.S., provides for a repeal of s. 288.106, F.S., on June 30, 2004. The bill extends the QTI Program until June 30, 2009.

C. SECTION DIRECTORY:

Section 1: Amends paragraphs (h), (o), and (q) of subsection (5) of s. 212.08, F.S.; reducing the value of business property eligible for tax exemption in an enterprise zone from $5,000 to $500; requiring that fifteen percent of the community contribution tax credit pool be set aside for the first 6 months of the fiscal year for projects located in a rural enterprise zone; and deleting reference to urban high crime area and renaming them "urban job tax credit area.

Section 2: Amends s. 212.097, F.S.; renaming the Urban High Crime Area Job Tax Credit Program the Designated Urban Job Tax Credit Area Program; adding targeted industry eligible for the qualified target industry business tax program as eligible for the program under s. 212.097, F.S.; deleting all references to "high crime" in the program under s. 212.097, F.S.; revising the eligibility for an area to be designated as an urban job tax credit area in include factors other than crime rates; authorizing an eligible business under the urban job tax credit program to transfer any unused tax credit; and requiring the Department of Revenue to adopt rules for the transfer of unused tax credits.

Section 3: Amends s. 212.098, F.S.; renumbering subsection (12) as (13) and adding new subsection (12); authorizing an eligible business under the rural job tax credit program to transfer any unused tax credits.

Section 4: Amends s. 220.183, F.S.; relating to the Community Contribution Tax Credit Program; requiring that fifteen percent of the community contribution tax credit program pool be set aside for the first 6 months of the fiscal year for projects located in rural enterprise zones.

Section 5: Amending s. 220.1895, F.S.; renaming the Urban High Crime Area Job Tax Credit as the Designated Urban Job Tax Credit Area program; deleting reference to a review of the job tax credit programs by the Office of Tourism, Trade, and Economic Development to the Governor and the Legislature by February 1, 2000.

Section 6: Amending subsection (7) of s. 288.106, F.S.; relating to the Qualified Target Industry Tax Refund Program; extending the expiration of the tax refund program to June 30, 2009.

Section 7: Amending subsection (2) of s. 288.99, F.S.; deleting reference to the urban high crime tax credit program and renaming it the designated urban job tax credit area.

Section 8: Amending subsection (1) of s. 624.5105, F.S.; relating to the community contribution tax credit program; requiring that fifteen percent of the program's tax credit pool be set aside for the first 6 months of the fiscal year for projects located in rural enterprise zones.

Section 9: The bill takes effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   On 2/27/04, the Revenue Estimating Conference reviewed HB 617 and estimated that the fiscal impact of the bill for FY 2004/05 would be ($3.8) million in General Revenue and ($0.6) million in the Local Trust Fund for a total fiscal impact of ($4.4) million. The conference also estimated that recurring revenues would be ($2.7) million in General Revenue and ($0.3) million in the Local Trust Fund for a total recurring estimated fiscal impact of ($3.0) million.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   See Revenues comment above.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Businesses locating in enterprise zones will receive benefits in the form of tax exemptions and credits. Enhancing the business climate of enterprise zones and the surrounding local community will improve the economic status of the community and the state.

D. FISCAL COMMENTS:

There may be an additional negative but indeterminate fiscal impact from a provision in the bill relating to reducing the $5,000 threshold to $500, which may be offset by economic growth in enterprise zones and in the local communities in general.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds. Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt from the provisions of Article VII, Section 18(b), Florida Constitution. While the bill will reduce the amount of the Local Government Half Cent Sales Tax shared with municipalities and counties, it does not reduce the percentage of a state tax shared with municipalities and counties. Therefore, Article VII, Section 18(b), Florida Constitution does not apply.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill requires the Department of Revenue to adopt rules related to a business transferring unused tax credits.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On March 10, 2004, the Workforce and Economic Development Subcommittee favorably adopted HB 617 along with six amendments to the bill. These amendments do the following:

- Amendment #1 – removes from the bill provisions related to the Community Contribution Tax Credit (CCTC) and the language that fifteen percent of the CCTC fund be set aside for the first six months of the fiscal year for projects located in rural enterprise zones.
- Amendment #1a – a conforming amendment to amendment #1 to remove the same language in another section of the bill.
- Amendment #1b – a conforming amendment to amendment #1 to remove the same language in another section of the bill.
- Amendment #2 – extends the expiration date of the qualified defense tax refund program from June 30, 2004 to June 30, 2009.
- Amendment #3 – makes several revisions in the statutes related to Enterprise Florida, Inc., related to revising and updating obsolete language related to the economic development trust fund and EFI's responsibilities (s. 288.095(3)(c), F.S.); allowing EFI to appoint its own chairperson, facilitating the establishment of a quorum for EFI board meetings, and allowing EFI to select its own Executive Committee without restrictions (s. 288.901(7), (8) and (11), F.S.); deleting language relating to EFI's and the Agency for Workforce Innovation and jobs preparation, clarifying the requirements for cash giving to EFI and deletes in-kind contributions tom EFI; clarifying what EFI must include in its annual report in terms of reporting on return-on-investment (ROI) and customer-satisfaction; allowing EFI to use an economic analysis firm for the ROI study (s. 288.90151 (1), (4), (5), (7) and (8), F.S.); revising statutory language allowing for EFI to hire any employee at a base salary greater than the Governor's salary and allowing the EFI Board to establish and modify an employee's compensation (s. 288.903(3), F.S.); facilitation decision making by EFI's Board by changing the requirements for action votes, clarifying EFI's role regarding approving contracts when another entity, such as OTTED, makes an award (s. 288.904(1)(b)1, F.S.); deleting provisions in current law that EFI employees may

not receive a pay raise or bonus in excess of a pay raise or bonus that received from a similarly situated state employee (s. 288.905(6), F.S.); deleting provisions of statute that EFI must assist in the expansion of the solar energy industry which according to EFI is inappropriate to promote one business sector over others without regard to its relative market potential (s. 288.041(3) and (4), F.S.); repealing section of statute related to the International Trade Data Resource and Research Center which does not exist (s. 288.8155, F.S.); and repealing obsolete statutory language regarding the state Workforce Development Board which was removed from EFI and renamed Workforce Florida, Inc., in 2000 (s. 288.9015(3), F.S.).

- Amendment #4 – reenacts EFI's technology commercialization and development initiatives and the Florida Technology Research Investment Fund (s. 288.9515, F.S.).