

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 821 CS

Homeownership Assistance Contribution Tax Credit Program

SPONSOR(S): Goodlette

TIED BILLS:

IDEN./SIM. BILLS:

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Economic Development, Trade & Banking Committee</u>	<u>13 Y, 0 N, w/CS</u>	<u>Olmedillo</u>	<u>Carlson</u>
2) <u>Local Government Council</u>	<u></u>	<u></u>	<u></u>
3) <u>Finance & Tax Committee</u>	<u></u>	<u></u>	<u></u>
4) <u>Commerce Council</u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

This bill modifies the allocation of the current \$12 million in tax credits authorized for the Community Contribution Tax Credit Program (CCTC). It provides separate annual limitations for tax credits for donations made to eligible sponsors for projects that provide homeownership opportunities for certain low income households, and for donations made to eligible sponsors for all other projects. The bill sets the annual limitation for homeownership projects at \$10 million (whereas current law reserves \$9.4 million for such projects during the first six months of the state fiscal year), and the annual limitation for all other projects located in enterprise zones or Front Porch Florida Communities is set at \$3 million (whereas the current law reserves \$2.6 million for such projects during the first six months of the state fiscal year).

This bill also makes conforming changes by eliminating the requirement that the Office of Tourism, Trade, and Economic Development (OTTED) reserve specified percentages of certain annual tax credits for donations made to eligible sponsors for projects that provide homeownership opportunities for certain households. Changes made by this bill reflect the recommendations made in the report of Senate Interim Project 2006-148.

The bill increases the total amount of tax credits available by \$1 million.

The effective date of this bill is July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: The bill will provide increased tax incentives for persons who donate to eligible sponsors for projects that provide homeownership opportunities for certain low income households and for donations made to eligible sponsors for all other projects that qualify under the Community Contribution Tax Credit Program.

B. Present situation:

In 1980, the Florida Legislature established the CCTC to encourage private sector participation in revitalization projects located within enterprise zones or housing projects for low-income persons.¹ The program offers a tax incentive (a corporate income tax credit, insurance premium tax credit or a sales tax refund) equal to 50% of the amount donated up to \$200,000 annually, to sponsors who have been approved to participate in the program.

Eligible project sponsors under the program include a wide variety of community organizations, housing organizations, historic preservation organizations, units of state and local government, and regional workforce boards.²

Eligible projects include the construction, improvement, or rehabilitation of housing, commercial, industrial, or public facilities, and projects that promote entrepreneurial or job development opportunities for low-income persons.

OTTED is responsible for administering the program by reviewing sponsor project proposals and tax credit applications. To date, 167 sponsors/projects have been approved to participate in the program. After the taxpayer receives approval for community contribution tax credits, it must claim the credit from the Department of Revenue (DOR). Unused credits against corporate income taxes and insurance premium taxes may be carried forward for 5 years. Unused credits against sales taxes may be carried forward for 3 years.

The Florida Legislature has amended the dollar cap and the expiration date of the program on numerous occasions. The program began with a \$3 million dollar per year cap and is currently at a \$12 million per year cap. The expiration of the program has been extended from 2005 to a current expiration date of June 30, 2015.

According to OTTED, Habitat for Humanity is the primary recipient of donations for housing projects under the CCTC.

C. EFFECT OF PROPOSED CHANGES:

The bill amend ss. 212.08, 220.183, and 624.5105, F.S., respectively in substantially identical fashion to change the allocation of the current \$12 million in tax credits authorized for the program. Separate annual limitations are set for tax credits for donations made to eligible sponsors for projects that provide homeownership opportunities and for donations made to eligible sponsors for all other projects. The annual limitation is set at \$10 million for projects that provide homeownership opportunities for low-income or very-low-income households as defined in s. 420.9071(19) and (28), F.S., and \$3 million annually for all other projects. Conforming changes are also made by eliminating the requirement that OTTED reserve specific percentages of certain annual tax credits for donations made to eligible sponsors for projects that provide homeownership opportunities for certain households and for other

¹ See ss. 212.08(5)(q), 220.183 and 624.5105, F.S.

² OTTED maintains a list of approved sponsors.

projects. These sections of the bill also eliminate the provisions that allow tax credits that are unused for home ownership or all other projects to be used for any project after the first six months of the state fiscal year.

The bill provides an effective date of July 1, 2006.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.08, F.S., to increase availability of tax credits; provide separate annual limitations for sales tax credits; renumber sub-paragraphs; establish a new tax credit program; remove availability of remaining credits to be used by any project;
Section 2. Amends s. 220.183, F.S., to increase availability of tax credits; provide separate annual limitations for corporate tax credits; remove availability of remaining credits to be used by any project;
Section 3. Amends s. 624.5105, F.S., to increase availability of tax credits; provide separate annual limitations for insurance premium tax credits; remove availability of remaining credits to be used by any project; and
Section 4. Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: The bill increases the credit cap by \$1 million, resulting in a reduction in state revenue. .
2. Expenditures: None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues: None.
2. Expenditures: None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill increases the amount of tax credits available to persons for homeownership projects from \$9.4 million to \$10 million and for non-housing projects from \$2.6 million to \$3 million. This may have a positive but indeterminate impact on the number of low-income homes that are built each year and the projects sponsored in enterprise zones and Front Porch Florida Communities as they are likely to receive more contributions.

D. FISCAL COMMENTS:

The bill increases the credit cap by \$1 million, resulting in reduction of state revenue.

The table below shows the tax credits granted for housing projects and for other community development projects during the past ten years. There were significant tax credits unused for the first two years after the cap was increased to \$10 million, but since then the entire allocation has been used.

**COMMUNITY CONTRIBUTION TAX CREDIT PROGRAM
TAX CREDIT SUMMARY FY 1995/96 – FY 2005/06**

FISCAL YEAR	APPROVED apps.	HOUSING TAX CREDITS	COMMUNITY DEVELOPMENT TAX CREDITS	TOTAL CREDITS APPROVED	CREDITS REMAINING	ANNUAL ALLOCATION
1995/96	75	\$465,542	\$1,472,255	\$1,937,797	\$62,203	\$2,000,000
1996/97	69	\$1,043,256	\$1,018,947	\$2,062,203	\$-62,203	\$2,000,000
1997/98	81	\$1,348,500	\$651,500	\$2,000,000	\$0	\$2,000,000
1998/99	75	\$2,720,441	\$2,279,559	\$5,000,000	\$0	\$5,000,000
1999/00	198	\$3,764,283	\$1,302,178	\$5,066,461	\$4,933,539	\$10,000,000
2000/01	223	\$5,320,890	\$744,365	\$6,065,255	\$3,934,745	\$10,000,000
2001/02	322	\$9,484,489	\$515,464	\$9,999,953	\$47	\$10,000,000
2002/03	359	\$8,914,456	\$1,085,544	\$10,000,000	\$0	\$10,000,000
2003/04	285	\$8,622,769	\$1,377,231	\$10,000,000	\$0	\$10,000,000
2004/05	251	\$8,051,618	\$1,948,382	\$10,000,000	\$0	\$10,000,000
2005/06	285	\$9,558,883	\$2,441,117	\$12,000,000	\$0	\$12,000,000
10 YEAR TOTALS	2,223	\$59,295,127	\$14,836,542	\$74,131,669	\$8,868,331	\$83,000,000

Source: Created from data provided by OTTED.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not reduce the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 9, 2006, the Economic Development, Trade and Banking Committee adopted a strike-all amendment that provides as follows:

- It conforms the House bill to the Senate bill, correcting technical errors in the House bill and restoring current law applicable to credit applications and review processes.
- It provides for two separate funding pools: One for projects that provide homeownership opportunities for low-income and very low-income Floridians, capped at \$10 million; and another for projects that provide enhance community development, capped at \$3 million (a \$1 million total increase from current law); and
- It removes language the requires OTTED to reserve a portion of available credits in each pool for the first 6 months of the year and allow left over credits to be transferred between pools.