HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 821 CS — Homeownership Assistance Contribution Tax Credit Program
SPONSOR(S): Goodlette
TIED BILLS: **IDEN./SIM. BILLS:** 784

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Economic Development, Trade & Banking Committee	13 Y, 0 N, w/CS	Olmedillo	Carlson
2) Local Government Council	8 Y, 0 N	Nelson	Hamby
3) Finance & Tax Committee	8 Y, 0 N, w/CS	Rice	Diez-Arguelles
4) Commerce Council			
5)			

SUMMARY ANALYSIS

This bill increases the amount of tax credits authorized for the Community Contribution Tax Credit Program from $12 million to $13 million. It provides separate annual limitations for tax credits for donations made to eligible sponsors for projects that provide homeownership opportunities for low-income and very-low-income households, and for donations made to eligible sponsors for all other projects. The bill establishes the annual limitation for homeownership projects at $10 million and the annual limitation for all other projects located in enterprise zones or Front Porch Florida Communities at $3 million.

This bill eliminates the requirement that the Office of Tourism, Trade and Economic Development reserve specified percentages of annual tax credits for particular projects. It also eliminates the requirement that the Florida Housing Finance Corporation be involved in the marketing of the Community Contribution Tax Credit. Changes made by this bill reflect recommendations contained in Senate Interim Project Report 2006-148.

The Revenue Estimating Conference has determined that the bill will result in a loss of ($0.9) million in state revenues and ($ 0.1) million in local revenues in FY 2006-2007 and FY 2007-2008.

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 an increased amount of tax credits for persons who donate to eligible sponsors for projects that provide homeownership opportunities for low-income and very-low-income households and for donations made to eligible sponsors for all other projects that qualify under the Community Contribution Tax Credit Program.

B. EFFECT OF PROPOSED CHANGES

Present Situation

In 1980, the Florida Legislature established the Community Contribution Tax Credit Program to encourage private sector participation in revitalization and housing projects. The program offers tax credits, in the form of a refund, to persons who donate 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. 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.

The Office of Tourism, Trade, and Economic Development (OTTED) is responsible for marketing the program in consultation with the Florida Housing Finance Corporation and other housing and financial intermediaries. OTTED is also 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).

The tax credits are equal to 50 percent of the amount donated up to $200,000 annually. The tax credit may be applied toward the donor's sales and use, corporate, or insurance premium tax obligations. The taxpayer may only apply the credits toward one tax obligation. Unused credits against corporate income taxes and insurance premium taxes may be carried forward for five years. Unused credits against sales taxes may be carried forward for three years.

During the first six months of the fiscal year, OTTED is required to reserve $9.4 million of the allocated credits for low[1] and very-low income[2] household project donations and $2.6 million for other projects.

The Florida Legislature has amended the dollar cap and the expiration date of the program on numerous occasions. The program began with an annual $3 million cap and it is currently $12 million. The expiration of the program has been extended from 2005 to June 30, 2015.

Effect of Proposed Changes

The bill increases the total amount of credits allocated to the Community Contribution Tax Credit Program from $12 million to $13 million annually. It amends ss. 212.08, 220.183 and 624.5105, F.S., respectively, in a substantially identical fashion, to provide new allocations of the available $13 million in tax credits.

First, the bill removes the requirement that OTTED reserve specific amounts during the first six months of the fiscal year for particular project donations. In its place, it requires that $10 million of the tax credits be reserved for donations made to projects that provide homeownership opportunities for low-income or very-low-income households as defined in s. 420.9071(19) [1] and (28),[2] F.S., and $3 million be reserved for all other projects.

The bill also eliminates the requirement that OTTED work in consultation with the Florida Housing Finance Corporation to market the Community Contribution Tax Credit Program.

C. SECTION DIRECTORY:

Section 1: Amends s. 212.08, F.S., to increase the amount of available tax credits, provide separate annual limitations for sales tax credits, eliminate the reservation of available tax credits, and renumber sub-paragraphs.

Section 2: Amends s. 220.183, F.S., to increase the amount of available tax credits, provide separate annual limitations for corporate tax credits, and eliminate the reservation of available tax credits.

Section 3: Amends s. 624.5105, F.S., to increase availability of tax credits, provide separate annual limitations for insurance premium tax credits, and eliminate the reservation of available tax credits.

Section 4: Provides that the bill take effect July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	FY 2006-07	FY 2007-2008
General Revenue		
Corporate	($0.1)m	($0.1)m
Sales	($0.8)m	($0.8)m
State Trust	(Indeterminate)	(Indeterminate)
Total	($0.9)m	($0.9)m

2. Expenditures:

None

[1] Section 420.9071(19), F.S., defines "low-income person" or "low-income household" to mean one or more natural persons or a family that has a total annual gross household income that does not exceed 80 percent of the median annual income adjusted for family size for households within the metropolitan statistical area, the county, or the nonmetropolitan median for the state, whichever amount is greatest. With respect to rental units, the low-income household's annual income at the time of initial occupancy may not exceed 80 percent of the area's median income adjusted for family size. While occupying the rental unit, a low-income household's annual income may increase to an amount not to exceed 140 percent of 80 percent of the area's median income adjusted for family size.

[2] Section 420.9071(28), F.S., defines "Very-low-income person" or "very-low-income household" to mean 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. With respect to rental units, the very-low-income household's annual income at the time of initial occupancy may not exceed 50 percent of the area's median income adjusted for family size. While occupying the rental unit, a very-low-income household's annual income may increase to an amount not to exceed 140 percent of 50 percent of the area's median income adjusted for family size.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

	FY 2006-07	FY 2007-2008
Local Revenues	($0.1)m	($0.1)m
Total	($0.1)m	($0.1)m

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may have a positive impact on the number of low-income homes and other projects that are built and conducted each year.

D. FISCAL COMMENTS:

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

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

FISCAL YEAR	APPROVED APLLICATIONS	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: 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:

- 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;
- 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 enhanced community development, capped at $3 million (a $1 million total increase from current law); and
- removes language the requires OTTED to reserve a portion of available credits in each pool for the first six months of the year and allow leftover credits to be transferred between pools.

The Finance and Tax Committee adopted a technical amendment on March 31, 2006 to correct a reference to the Office of Tourism, Trade, and Economic Development.