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		Nelson	Hamby
3) Finance & Tax Committee			
4) Commerce Council			
5)			

SUMMARY ANALYSIS

This bill increases the allocations 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 (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 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 eliminates the requirement that the Office of Tourism, Trade and Economic Development reserve specified percentages of annual tax credits for particular projects. Changes made by this bill reflect the recommendations contained in Senate Interim Project Report 2006-148.

Increasing the amount of community contribution tax credits annually by $1 million will result in a loss of $.9 million in state revenues and $ .1 million in local revenues.

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 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.[1] The program offers a tax incentive (a corporate income tax credit, insurance premium tax credit or a sales tax refund) equal to 50 percent 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.

The Office of Tourism, Trade and Economic Development (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 five years. Unused credits against sales taxes may be carried forward for three 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 that currently is designated at $12 million. The expiration of the program has been extended from 2005 to June 30, 2015.

According to the OTTED, Habitat for Humanity is the primary recipient of donations for housing projects under the Community Contribution Tax Credit Program..

Effect of Proposed Changes

The bill increases the total amount of community contribution tax credits which may be granted all programs approved under ss. 212.08, 220.183 and 624.5105, F.S., by $1 million. 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: (1) an annual allocation of $10 million of tax credits for donations made to eligible sponsors for projects that provide homeownership opportunities

[1] See, ss. 212.08(5)(q), 220.183 and 624.5105, F.S.
[2] OTTED maintains a list of approved sponsors.

opportunities for low-income or very-low-income households as defined in s. 420.9071(19)[3] and (28),[4] F.S., and (2) a $3 million annual allocation for all other projects.

The bill also eliminates the requirement that the 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 projects. These sections of the bill also eliminate provisions that allow tax credits that are unused for home ownership or all other projects to be used for any approved 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 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 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 an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues: The Revenue Estimating Conference has determined that increasing the amount of community contribution tax credits annually from $12 million to $13 million will result in a loss of $.9 million in state revenues during FY 2006-2007 and FY 2007-2006.

	FY 2006-07	FY 2007-2008
General Revenue		
Corporate	(.1)	(.1)
Sales	(.8)	(.8)
State Trust	(Indeterminate)	(Indeterminate)
Total State Impact	(.9)	(.9)

2. Expenditures: It is anticipated that administration of the increase in tax credits by OTTED will be implemented within existing appropriations.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

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[3] 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.

[4] 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 nonmetropolitan 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.

1. Revenues: The Revenue Estimating Conference has determined that increasing the amount of community contribution tax credits annually from $12 million to $13 million will result in a loss of $ .1 million in local revenues during FY 2006-2007 and FY 2007-2006.
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 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 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:

This bill may reduce the authority of municipalities and counties to raise revenues: the estimated reduction in Local Option Sales tax is $. 1 million in FY 2006–2007 and $.1 million in FY 2007–2008. However, this impact is considered to be insignificant, and the bill is therefore exempt from the provisions of s. 18(b) of Art. VII of the State Constitution.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

Drafting Issues

Section 624.05(3), F.S., defines the term "office" to mean the Office of Insurance Regulation (OIR) of the Financial Services Commission for purposes of the Insurance Code. By striking s. 624.5105(2)(e)1., F.S., the reference to the Office of Tourism, Trade and Economic Development has been deleted so that the subsequent use of the term "office" in that section would refer to the OIR. Accordingly, the term "office" should be amended to read the "Office of Tourism, Trade and Economic Development."

Other Comments

Representatives of Habitat for Humanity have indicated their support of this legislation.[5]

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 enhance 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.

[5] Correspondence from Steve Metz of Metz, Husband & Daughton, P.A., dated 3/10/2006, on file with the Local Government Council.