HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 841 Economic Development Incentives
SPONSOR(S): Economic Expansion and Infrastructure and Rep. Flores
TIED BILLS: **IDEN./SIM. BILLS:** SB 2124

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Committee on Economic Development	9 Y, 0 N	West	Croom
2) Economic Expansion & Infrastructure Council	13 Y, 0 N, As CS	West	Tinker
3) Policy & Budget Council			
4)			
5)			

SUMMARY ANALYSIS

This bill requires the Department of Revenue (DOR) to make monthly payments of one-half of the sales tax generated by qualified convention centers to the local governments that own such convention centers. The funds are generated by the sales tax of a qualified convention center through normal use of the building such as admission, parking, concessions, utility services, and other such services.

This bill requires convention centers to be certified through the Office of Tourism, Trade, and Economic Development (OTTED) to be eligible for this tax refund. A local government may not receive more than $1 million per fiscal year and total distributions are capped at $5 million statewide each fiscal year. If the fiscal cap of $5 million is exceeded, this bill provides for an apportionment process.

This bill will have a negative fiscal impact on the General Revenue Fund up to $5 million annually. These funds will be distributed to local governments.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government—HB 841 bill grants rule-making authority to the Office of Tourism, Trade, and Economic Development for the receipt and processing of applications for the refund of sales tax generated by qualified convention centers.

Ensure Lower Taxes—HB 841 authorizes a monthly distribution from sales tax revenues generated by qualified convention centers to local governments for the purpose of stimulating economic development through tourism.

B. EFFECT OF PROPOSED CHANGES:

Present Situation:

Currently, Florida permits local governments to use tax reimbursements to construct, acquire, maintain, or expand convention centers in order to stimulate tourism or economic development.

The Convention Development Tax Act created in s. 212.0305, F.S., stimulates tourism by allowing local governments to use sales tax reimbursements to improve and construct convention centers. It states, "[o]ne of the principal purposes of the convention development tax is to promote tourism and the use of hotel facilities by facilitating the improvement and construction of convention centers". This tax is levied by participating local governments against any person renting or leasing a dwelling for less than 6 months. The tax is 2 percent on every dollar. The full amount of taxes, less administrative costs, is remitted back to the participating local government monthly for use in promoting tourism, improving an existing convention center, or construction of a new convention center.

The Local Option Tourist Development Act created in s.125.0104. F.S., allows local municipalities to levy a tax on transient rentals of hotels, motels, and other similar establishments. This tax is levied by participating local governments against any person renting or leasing a dwelling for less than 6 months. The tax is either 1 percent or 2 percent on every dollar as determined by the local government. The full amount of taxes, less administrative costs, is remitted back to the participating local government monthly for use in construction or renovation of any professional sports franchise or spring training facility, promoting tourism, improving an existing convention center, or construction of a new convention center. Receipts from this tax may be used to stimulate both national and international tourism.

However, s. 212.20, F.S., does not provide for sales tax reimbursements to be distributed to local governments or municipalities owning convention centers.

Current Economic Incentives in Florida

The Florida Legislature has enacted numerous programs designed to encourage economic development throughout the state. Most programs are administered by the Office of Tourism, Trade, and Economic Development. OTTED is tasked with attracting high-technology and research and development industries to Florida. Three similar reimbursement programs are currently available in the state:

Professional Sports Franchises

The Office of Tourism, Trade, and Economic Development offers a reimbursement program (s. 288.1162, F.S.) for sales tax generated by a facility for a new professional sports franchise or a facility for a retained professional sports franchise. Qualified applicants receive up to $166,667 in monthly installments for a professional sports franchise. A facility must surpass 300,000 in paid attendance annually to be considered a qualified facility. If a facility is used for spring training, then a qualified applicant can receive up to $41,667 in monthly installments for that facility. A spring training facility must surpass 50,000 in paid attendance annually to be considered a qualified facility. Funds must be used to build, renovate, or maintain facilities or pay off debt in the acquisition or construction of the qualified facility.

Entertainment Industry Financial Incentive

The Office of Film and Entertainment offers a cash reimbursement program (s. 288.1254, F.S.) for 15 percent of the total budget spent in Florida for qualified film projects. To qualify for this program, a film project must have a Florida budget that exceeds $850,000 in eligible expenditures. Eligible expenditures include wages, salaries, compensation for technical and production crews, directors, producers, and other staff who are Florida residents. Goods and services purchased from Florida vendors also qualify as eligible expenditures. The maximum allowable reimbursement is $2 million per film project.[1]

Qualified Target Industry (QTI)

The Office of Tourism, Trade, and Economic Development in conjunction with Enterprise Florida have developed a list of targeted industries that offer high-wage jobs that have a large non-Florida customer base. Pursuant to s. 288.106, F.S., qualified businesses receive refunds on taxes paid for creating new jobs in specific industries. Eligible taxes include corporate income, sales, and other taxes. Qualified businesses must engage in an industry that offers high wages and high job growth. QTI requires local financial support through city or county resolution before this incentive is approved. The amount of the QTI award is based on the number of new jobs created and higher awards are given to businesses with higher wages.[2]

Effect of Proposed Changes:

This bill creates s. 212.20(7)(e), F.S., requiring the Department of Revenue (DOR) to make monthly payments to local governments with qualified convention centers. The funds are generated by the sales tax of a qualified convention center through normal use of the building such as admission, parking, concessions, utility services, and other such services. One-half of the sales tax generated by such centers will go to General Revenue and the remaining one-half is refunded to qualified convention centers. An eligible convention center must be certified through the Office of Tourism, Trade, and Economic Development pursuant to s. 288.1172, F.S., to be eligible for this tax refund.

HB 841 limits the sales tax reimbursement to no more than $1 million annually for any one local government; in addition, the bill provides that the total statewide reimbursement may not exceed $5 million annually. Currently, Orange County is the only local government that would reach the $1 million annual cap and accordingly would not be eligible for the full 50 percent reimbursement. The Orange County Convention Center is estimated to generate $4.4 million in state sales tax during fiscal year 2007-2008.[3] If the fiscal cap of $5 million statewide is exceeded, this bill provides for an apportionment process. The apportionment process shall distribute proceeds to each eligible convention center through a mathematical equation where the amount remitted by an eligible convention center is the numerator and the total amount remitted by all eligible convention centers is the denominator.

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[1] See 2006 Incentives Report: A Progress Report on Programs Funded from the Economic Development Initiatives Account. Produced by Enterprise Florida.
[2] Id.
[3] Revenue Estimating Conference 2007.

Local governments are required to use the remitted sales tax revenues to stimulate economic development for the attraction and retention of corporate headquarters in high-technology, manufacturing, research and development, entertainment, and tourism industries, as designated by the unit of local government by resolution of its governing body, and to assist the eligible convention centers in attracting more business and expanding their offerings, including developing their own events and shows. Distributions may be used to attract out-of-state businesses for the purpose of relocating within Florida. However, such funds may not be used to encourage or otherwise provide any type of incentives to businesses currently located in the state for the purpose of moving to another location within the state. Distributions may also be used to install renewable energy sources. This bill provides a repeal date of June 30, 2010.

This bill creates s. 288.1172, F.S., requiring OTTED to adopt rules that will allow for the screening of applications to certify eligible convention centers. A convention center must have the following characteristics to be considered an eligible convention center:

- Must be publicly owned by a local government or municipality;
- Must contain at least 30,000 square feet of exhibit space;
- Must be certified by resolution as serving a public purpose; and
- Must be located in a county levying a local option tourist development tax under s. 125.0104, F.S.

Failure to use the proceeds in any of the above mentioned ways is grounds for revoking certification. This section is repealed on June 30, 2010.

Currently, there are at least 16[4] convention centers in Florida that meet the criteria in this bill[5]:

- Orange County Convention Center (Orange) 2,100,000 sq. ft.
- Miami Beach Convention Center (Miami-Dade) 502,848 sq. ft.
- Greater Ft. Lauderdale/Broward County Convention Center (Broward) 199,526 sq. ft.
- Tampa Convention Center (Hillsborough) 200,000 sq. ft.
- The Lakeland Center (Polk) 100,000 sq. ft.
- Prime F. Osborn III Convention Center (Duval) 100,000 sq. ft.
- Palm Beach County Convention Center (Palm Beach) 100,000 sq. ft.
- Coconut Grove Convention Center (Miami-Dade) 150,000 sq. ft.
- Ocean Center (Volusia) 60,000 sq. ft.
- Donald L. Tucker Center (Leon) 58,000 sq. ft.
- Osceola Heritage Park Exhibition Building (Osceola) 49,000 sq. ft.
- Clearwater Harbor View Center (Pinellas) 30,000 sq. ft.
- Harborside Event Center (Lee) 30,000 sq. ft.
- Manatee Convention & Civic Center (Manatee) 32,400 sq. ft.
- St Johns County Convention Center (St Johns) 36,150 sq. ft.
- Emerald Coast Conference Center (Okaloosa) 35,000 sq. ft.

C. SECTION DIRECTORY:

Section 1: Creates s. 212.20(7)(e), F.S.; sets parameters for distribution of funds; requires monthly distributions to local governments with certified convention centers; defines which sales taxes collected by convention centers are eligible for refund; sets limits and provides methods and timelines for distribution; provides an apportionment process for when the $5 million cap is exceeded; sets requirements for the use of distributed funds; provides a repeal date of June 30, 2010.

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[4] The Expo Center (Orange) has renovated the exhibit space and now may not contain at least 30,000 square feet per the Office of Orange County Government.
[5] Revenue Estimating Conference 2007.

Section 2: Creates s. 288.1172, F.S.; provides a process for certification through the Office of Tourism, Trade, and Economic Development; grants OTTED rule-making authority for the certification process; provides a process for distribution of funds; establishes requirements for the use of funds; establishes a repeal date of June 30, 2010.

Section 3: Provides an effective date of July 1, 2007.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

	FY 2007-2008	FY 2008-2009	FY 2009-2010
General Revenue	($4.3 million)	($4.4 million)	($4.5 million)

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

A local government may receive up to $1 million annually in sales tax reimbursements for sales tax generated from normal use of a qualified convention center such as parking, admission, and concessions though other similar transactions qualify. Please see “Fiscal Comments” below.

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Unknown

D. FISCAL COMMENTS:

This bill will have a negative fiscal impact of up to $5 million annually on the General Revenue Fund. The Florida Revenue Estimating Conference determined this bill will have a negative fiscal impact of $4.3 million on the General Revenue Fund in fiscal year 2007-2008 and a corresponding positive impact of $4.3 million on local governments.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or take action requiring the expenditure of funds. This bill does not reduce the percentage of state tax shared with counties or municipalities. This bill does not reduce the authority that municipalities have to raise revenue.

This bill redirects revenue generated by convention centers from General Revenue back to local governments for the purpose of stimulating economic development.

2. Other:

None

B. RULE-MAKING AUTHORITY:

This bill grants rule-making authority to the Office of Trade, Tourism, and Economic Development for the receipt and processing of applications.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None

D. STATEMENT OF THE SPONSOR

No statement provided.

IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On Thursday March 29, 2007, the Economic Expansion and Infrastructure Council reported the bill favorably with a council substitute. The council substitute:

- Incorporated language recommended by the Department of Revenue to clarify the proper uses of the funds that are given to the local governments from DOR on a monthly basis. One part of the bill allowed for the installation of renewable energy sources at qualified convention centers whereas another part of the bill did not explicitly allow for such expenditures; and

- Incorporated language recommended by the Department of Revenue to clarify the prohibition on using funds for the purpose of moving a business currently located in Florida to another location in Florida. The prohibition was listed in one section of the bill but not the other section.