The Florida Senate

BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Budget Committee

BILL: HB 7087, 2nd Eng.

INTRODUCER: Finance and Tax Committee, Representative Precourt, and others

SUBJECT: Economic Development

DATE: March 6, 2012 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fournier	Diez-Arguelles	BFT	**Fav/10 amendments**
2.	Fournier	Rhodes	BC	**Fav/1 amendment**
3.				
4.				
5.				
6.				

Please see Section VIII. for Additional Information:

A. COMMITTEE SUBSTITUTE.....	☐	Statement of Substantial Changes
B. AMENDMENTS........................	☐	Technical amendments were recommended
	☐	Amendments were recommended
	X	Significant amendments were recommended

I. Summary:

This bill contains several provisions designed to encourage economic development in Florida, as follows.

New Markets Development Program

The bill increases the total amount of tax credits available to be allocated from $97.5 million to $195 million. The bill also makes clarifying changes to conform certain aspects of the state program to the federal program. This provision is also in CS/CS/SB 1150, which is on the Senate calendar.

Sales Tax Exemptions

The bill modifies several sales tax exemptions and creates a new one, as follows.

- The current sales tax exemption for electricity used for production or processing of agricultural products on the farm is expanded to include electricity used directly or indirectly

in a packinghouse where fruits and vegetables are packed or otherwise prepared for market or shipment.
- The increase in productive output required in order to qualify for the current sales tax exemption for industrial machinery and equipment used by an expanding business is lowered from 10 % to 5%.
- The current minimum aircraft weight requirement for the sales tax exemptions on repair and maintenance parts and labor for aircraft is lowered from 15,000 pounds maximum certified takeoff weight to 2,000 pounds maximum certified takeoff weight.
- A new exemption is created for the purchase of certain chemicals, machinery, parts, and equipment used and consumed in the manufacture or fabrication of aircraft engines and gas turbine engines.

These provisions are also found in CS/CS/SB 1108, which was approved by the Budget Subcommittee on Finance and Tax on February 23, 2012.

Entertainment Industry Financial Incentive Program

The bill removes the prohibition on allowing television pilots into the general production queue if more than 25 percent of credits over the history of the program have been granted to television. The bill also creates a requirement that a production wishing to claim credits for expenditures related to principal photography must have at least 50 percent of principal photography shooting days spent within Florida or must have spent at least $10 million on qualified production expenditures within this state.

Cigarette Tax Distributions

The bill provides that beginning July 1, 2012, through June 30, 2020: One percent of net cigarette tax collections will be directed to be used by the Department of Health in conjunction with the Sanford-Burnham Medical Research Institute for biomedical research. The current H. Lee Moffitt Cancer Center and Research Institute (Moffitt Center) funding distribution will increase from 1.47 percent to 2.75 percent of net cigarette tax collections.

Enterprise Zones

The bill permits Charlotte and Citrus Counties to apply for designation of enterprise zones. These enterprise zones were also approved in SB 294 and SB 806 the Budget Subcommittee on Finance and Tax on February 23, 2012.

Urban High-Crime Area Job Tax Credit

The bill modifies the number of qualified employees businesses must have in certain circumstances to be eligible for the credit.

Corporate Income Tax Exemption

The bill increases the current corporate income tax exemption from net income from $25,000 to $50,000. This provision is also found in CS/CS/SB 1108, which was approved the Budget Subcommittee on Finance and Tax on February 23, 2012.

This bill substantially amends the following sections of the Florida Statutes: 210.20, 210.201, 212.08, 212.097, 220.14, 220.63, 288.1254, 288.9914, and 288.9915.

The bill creates sections 290.00729 and 290.00731.

II. Present Situation:

Florida Statutes currently provide incentives for economic development in the form of tax credits and other favorable tax treatments. Several of these provisions are amended by this bill and others are created. The present situation and effect of proposed changes for each section of the bill is described in detail below.

III. Effect of Proposed Changes:

Section 1: Cigarette Tax

Current Situation

Chapter 210, F.S., provides for the taxation of tobacco products. Taxes are imposed on the sale of cigarettes and other non-cigar tobacco products in Florida. For cigarettes of a common size, the tax rate is $0.339 per pack. Additionally, a $1.00 surcharge per pack of common size cigarettes is imposed. For other tobacco products, the tax is at 25% of wholesale price, with an additional surcharge of 60% of wholesale price. The cigarette tax is collected by the Department of Business and Professional Regulation and deposited into Cigarette Tax Collection Trust Fund. Section 210.20(2), F.S., provides for monthly distribution from the cigarette tax (not the surcharge or the tax and surcharge on other tobacco products), as follows.

- Distribution from total collections - 8 percent to General Revenue Service Charge and 0.9 percent to the Alcoholic Beverage and Tobacco Trust Fund.
- Distribution from remaining collections - 2.9 percent to Revenue Sharing Trust Fund for Counties; 29.3 percent to Public Medical Assistance Trust Fund; 1.47 percent to Board of Directors of the Moffitt Cancer; and the remainder of funds to General Revenue.

Proposed Changes

The bill creates s. 210.20(2)(c), F.S., to provide that beginning July 1, 2012, through June 30, 2020, one percent of net cigarette tax collections will be directed to the Biomedical Research Trust Fund. These funds will be utilized by the Department of Health and the Sanford-Burnham Medical Research Institute to establish activities and grant funding for biomedical research.
The bill also amends s. 210.20(2)(b), F.S., to provide that beginning July 1, 2012, through June 30, 2020, the Moffitt Center funding distribution will increase from 1.47 percent to 2.75 percent

of net cigarette tax collections. Also, the bill adds to the list of allowable uses of the funds to include:

> Financing, operating, and maintaining clinical and related facilities; Furnishing, equipping, operating, and maintaining other properties owned or leased by the Moffitt Center; and Paying costs incurred in connection with purchasing, financing, operating, and maintain such equipment, facilities, and properties.

The bill removes from statute a reference to a cancer research facility at the University of South Florida being adjacent to the Moffitt Center.

Section 2 amends s. 210.201, F.S., to conform to changes in s. 210.20, F.S., related to Moffitt Center facilities funding proceeds and usage described above.

Section 3: Electricity used in Packinghouses Sales Tax Exemption

Current Situation

Generally, the sale of electrical power or energy in Florida for non-residential purposes is subject to sales tax at the rate of seven percent. Section 212.08(5)(e), F.S., provides an exemption from this tax for electricity used directly or indirectly for production or processing of agricultural products on the farm, including electricity used for packing fresh fruit and vegetables in a packinghouse located on a farm.

Proposed Changes

The bill amends s. 212.08(5)(e), F.S., to provide that electricity used directly or indirectly in a packinghouse is also exempt from the taxes imposed by ch. 212, F.S. The bill defines a packinghouse to mean any building or structure where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution.
The bill specifies that the tax exemption does not apply to electricity used in buildings or structures where agricultural products are sold at retail.

Aircraft Engine and Gas Turbine Engine Sales Tax Exemption

Current Situation

Generally, the sale at retail of tangible personal property in Florida is subject to sales tax. This includes the sale or use of items consumed in manufacturing and fabricating aircraft engines and gas turbine engines. Items that become component parts of engines can be purchased tax exempt, as purchases for resale. Gas turbine engines are used in a variety of applications, including power generation, marine activities, and aviation.

Proposed Changes

The bill creates an exemption from the tax imposed under ch. 212, F.S., for chemicals, machinery, parts, and equipment used and consumed in the manufacture or fabrication of aircraft engines and gas turbine engines, including cores, electrical discharge machining supplies, brass electrodes, ceramic guides, reamers, grinding and deburring wheels, Norton vortex wheels, argon, nitrogen, helium, fluid abrasive cutters, solvents and soaps, boroscopes, penetrants, patterns, dies, and molds consumed in the production of castings.

Aircraft Repair and Maintenance Parts, Labor, and Equipment Sales Tax Exemptions

Current Situation

Generally, the retail sale of repair parts and labor are subject to sales tax in Florida. Section 212.08(7)(ee), F.S., provides a exemptions for aircraft repair and maintenance labor charges for "qualified aircraft", for aircraft of more than 15,000 pounds maximum certified takeoff weight, and for rotary wing aircraft of more than 10,000 pounds maximum certified takeoff weight.

Section 212.08(7)(rr), F.S., provides an exemption for equipment, parts, and replacement engines used in aircraft repair and maintenance for "qualified aircraft", for aircraft of more than 15,000 pounds maximum certified takeoff weight, and for rotary wing aircraft of more than 10,300 pounds maximum certified takeoff weight.

Proposed Changes

The bill changes one of the criteria for these exemptions by lowering the weight requirement for aircraft from being required to be more than 15,000 pounds maximum certified takeoff weight to being more than 2,000 pounds maximum certified takeoff weight. The bill does not affect the current exemptions for qualified aircrafts or rotary wing aircraft.

Section 4: Industrial Machinery and Equipment used by an Expanding Business Sales Tax Exemption

Current Situation

Generally, the sale at retail of tangible personal property in Florida, including industrial machinery and equipment, is subject to sales tax. Section 212.08(5)(b)2., provides an exemption for the purchase of industrial machinery and equipment by an expanding business under specified conditions:

The industrial machinery and equipment must be purchased for exclusive use by an expanding facility engaged in spaceport activities or for use in expanding manufacturing facilities or plant units that manufacture, process, compound, or produce for sale items of tangible personal property at fixed locations in this state, and must be used to increase the productive output of the expanded facility or business by not less than 10 percent, following the complete installation of the industrial machinery and equipment. "Productive output" is defined as the number of units produced by a single plant, product line, or operation in a single continuous 12-month period. "Industrial machinery and equipment" is defined as tangible personal property or other property that has a depreciable life of three years or more and that is used as an integral part in the manufacturing, processing, compounding, or production of tangible personal property for sale or is exclusively used in spaceport activities.

Proposed Changes

The bill reduces from 10 percent to 5 percent the required increase in productive output in order to qualify for the exemption. This provision takes effect January 1, 2013.

Section 5: Urban High-Crime Area Job Tax Credit

Current Situation

The Urban High-Crime Area Job Tax Credit Program was created in 1997 to encourage the creation of jobs in urban areas of Florida. The program provides tax credits to eligible businesses that are located within urban areas designated by DEO and that hire a specific number of employees. The credit ranges from $500 to $2,000 per qualified employee and can be taken against either corporate income or sales and use taxes, but not both. For existing businesses, the number of qualified employees required for the credit is measured against the number of qualified employees the business had one year prior to application for the credit.

Existing businesses that are otherwise eligible can apply for this credit more than once, but not more than once in any twelve month period. When a business is applying for the second time or subsequent time, the number of qualified employees the business has at the time of application is measured against the number of qualified employees the business had one year prior to application for the credit, but must be no lower than the number of qualified employees that the employer had on the date of its previous application for this credit.

A total of $5 million of tax credits may be approved under the Urban Job Tax Credit Program each calendar year.

Proposed Changes

The bill changes one of the dates for the reference period number of employees for existing businesses applying for the second time or more. When a business is applying for the second time or more, the number of qualified employees the business has at the time of but must be no lower than the number of qualified employees that the employer had on the date of its previous application for this credit, as under current law, or on January 1, 2009, whichever occurs later.

Sections 6 and 7: Corporate Income Tax Exemption

Current Situation

Florida imposes a 5.5% tax on the net income of corporations doing business in Florida. The net income of banks and savings associations is subject to a franchise tax at the same rate. Sections 220.14 and 220.63, F.S., exempt $25,000 of net income from the corporate income and franchise taxes.

Proposed Changes

For taxable years beginning January 1, 2013, the bill increases from $25,000 to $50,000 the amount of income that is exempt from the corporate income tax and franchise tax, if none of the taxpayer's employees are members of a labor organization as defined in s. 447.02, F.S. Corporations must also submit a sworn statement that they do not transact business with certain foreign countries to qualify for the exemption under s. 220.14, F.S.

Section 8: Entertainment Industry Financial Incentive Program

Current Situation

The Office of Film and Entertainment (OFE) currently administers the Entertainment Industry Financial Incentive Program, which awards transferrable tax credits for certain expenditures associated with film, television, and digital media productions. Generally, the credits are 20 percent of qualified expenditures, with additional amounts available in certain circumstances. Sections 288.1254 and 288.1258, F.S., govern the administration of this incentive program.

The aggregate amount of tax credits authorized is $53.5 million for fiscal year 2010-11, $74.5 million for fiscal year 2011-12, and $42 million for each of fiscal years 2012-13, 2013-14 and 2014-15. Any portion of the maximum annual amount of tax credits that is not certified as of the end of a fiscal year shall be carried forward and made available for certification during the following two fiscal years. If the total amount of certified credits applied for in any particular fiscal year exceeds the aggregate amount of credits authorized, such excess must be treated as having been applied for on the first day of the next fiscal year in which credits remain available for allocation. Any tax credits awarded to a certified production company may be carried forward for a maximum of five years from the date of the award.

Currently, the three separate categories, or "queues" of productions are eligible for the tax credit.

- General Production Queue - Ninety-four percent of tax credits authorized in any state fiscal year must go to this queue. A qualified production that demonstrates a minimum of $625,000 in qualified expenditures is eligible for tax credits equal to 20 percent of its actual qualified expenditures, up to a maximum of $8 million in credits. A qualified production spanning multiple state fiscal years may combine qualified expenditures from such fiscal years to satisfy the $625,000 threshold. Certain off-season productions are eligible for an additional five percent tax credit. Any production that spends at least 85 percent of its expenditures within an "underutilized region" may receive an additional five percent tax credit. The program also provides an additional 15 percent credit on qualified expenditures that are compensation paid to specified students. There is a five percent bonus credit for filming at least 50 percent of principal photography at a "qualified production facility." A qualified high-impact television series is allowed first position in this queue under certain circumstances. High impact television series are allowed to apply for no more two successive seasons of credits even if the second season has not yet been picked up by a network. Any new television series or television pilot is prohibited from being allowed into the general production queue if more than 25 percent of credits over the history of the program have been granted to television. This provision is currently binding in effect.

- Commercial and Music Video Queue - Three percent of tax credits authorized in any state fiscal year must go to this queue. The credit is 20 percent of qualified expenditures, up to a maximum of $500,000, if there is:
  - A minimum of $100,000 in qualified expenditures per commercial or music video; and
  - A total of $500,000 in qualified expenditures.

  Surplus tax credits remaining in this queue at the end of the fiscal year rollover into the new fiscal year under the general production queue.
- Independent and Emerging Media Production Queue - Three percent of tax credits authorized in any state fiscal year must go to this queue, which excludes commercials, infomercials and music videos. Any qualified production, excluding commercials, infomercials, or music videos, that demonstrates at least $100,000, but not more than $625,000, in total qualified expenditures is eligible for tax credits equal to 20 percent of its actual qualified expenditures.

Proposed Changes

The bill removes the prohibition on allowing television pilots into the general production queue if more than 25 percent of credits over the history of the program have been granted to television. The bill creates a requirement that a production wishing to claim credits for expenditures related to principal photography must have at least 50 percent of principal photography shooting days spent within Florida or must have spent at least $10 million on qualified production expenditures within this state.

Sections 9 and 10: New Markets Development Program

Current Situation

Under the New Markets Development Program, federally-certified Community Development Entities (CDE), which have entered into allocation agreements with the U.S. Treasury, have the ability to apply to the Department of Economic Opportunity (DEO) for a certification of Florida tax credits. The CDE must show that it is prepared to invest capital into qualified businesses in Florida's low-income communities. The certification process includes proof of the CDE's eligibility, identification of its investors, description of the investments to be raised by the CDE, information regarding how the investments will be used, and a description of the CDE's efforts to partner with local community-based groups. DEO is also able to request additional information needed to verify continued certification. DEO certifies qualified applications on a first-come, first-served basis. Once DEO certifies a CDE's qualified equity investment, the CDE has 30 days to raise its investment capital (the qualified equity investment) and then 12 months to invest a minimum of 85 percent of the purchase price in qualified low-income investments. Thereafter, the CDE must annually report to DEO information including:

- Audited financial statements;
- The industries for the investments;
- The counties investments were made in;
- The number of jobs created; and
- Verification that the average wages paid are at least equal to 115 percent of the federal poverty income guidelines for a family of four.

Any failure by a CDE to follow either Florida or federal law may result in the state recapturing tax credits claimed, together with interest and penalties.
Current law prohibits a CDE from making cash payments on long-term debt securities that are qualified investments in excess of the CDE's operating income for six years following the issuance of the security. Current administration of the program requires interest payments to be deducted from operating income for purposes of the above determination, which creates an artificial limitation on the ability of CDEs to make interest payments.

Tax Credits

The New Markets Tax Credit Program (NMTC) allows a tax credit to be taken against corporate income tax or insurance premium tax. This credit may be claimed after the investment has been made and held for a minimum of two years. Therefore, no credit can be claimed in the first two years after the investment has been made. In year three the credit is worth seven percent of the investment, and from the fourth year through the seventh year the credit is worth eight percent. Over seven years this credit totals 39 percent of the total investment. Any unused portion of the tax credit may be carried forward for future tax years; however, all tax credits expire on December 31, 2022. The program has a cap of $97.5 million on the total of tax credits allowed to be allocated to all investments. No more than $17.5 million in tax credits may be claimed in the third fiscal year and no more than $20 million in tax credits may be claimed in any of the subsequent four fiscal years. The NMTC does not allow the transfer or sale of tax credits, but does allow a tax credit to "travel" with the purchase of an investment to a new owner.

Federal New Markets Tax Credit

The State New Markets Development Program was patterned after the federal program. The Federal New Markets Tax Credit (NMTC) Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated CDEs. The CDE must in turn invest the qualified equity investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. An organization wishing to receive allocations under the federal NMTC Program must be certified as a CDE by the US Department of Treasury. To qualify as a CDE, an organization must:

- Be a domestic corporation or partnership at the time of the certification application;
- Demonstrate a primary mission of serving, or providing investment capital for low-income communities or low-income persons; and
- Maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

As stated above, both the federal program and the state program provide credits totaling 39 percent of the investment over a seven year period. Therefore, a qualified taxpayer with a qualified investment approved for both the federal and state program could receive 78 percent of the purchase price of the investment in tax credits over seven years. In addition to the tax credits that are received, the investor also has the potential to receive benefit from the results of the investment and eventual return of their principal.

Proposed Changes

The bill amends s. 288.9914(3), F.S., increasing the total amount of tax credits available to be allocated for the existence of the program from $97.5 million to $195 million, also increasing the amount of tax credits available in a single year from $20 million to $40 million. The bill also amends s. 288.9915(1), F.S., increasing from six to seven the number of years that a qualified community development entity is prohibited from making cash interest payments in excess of their operating income on long term debt securities issued as qualified investments. The bill further provides that interest expense on debt securities will not be included in the calculation of operating income for purposes of the above limitation.

Sections 11 and 12. Enterprise Zones

Current Situation

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 59 enterprise zones.

<u>Designation Process</u>

Sections 290.001-290.016, F.S., authorize the creation of an enterprise zone and establish criteria and goals for the program. Prior to submitting an application for an enterprise zone, a local government body must determine that an area:

- Has chronic extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- Needs rehabilitation or redevelopment for the public health, safety, and welfare of the residents in the county or municipality; and
- Can be revitalized through the inducement of the private sector.

The Department of Economic Opportunity (DEO) is responsible for approving applications for enterprise zones, and also approves changes in enterprise zone boundaries when authorized by the Florida Legislature. As part of the application process for an enterprise zone, the county or municipality in which the designation will be located also is responsible for creating an Enterprise Zone Development Agency and an enterprise zone development plan.

As outlined in s. 290.0056, F.S., an Enterprise Zone Development Agency is required to have a board of commissioners of at least eight, and no more than 13, members. The agency has the following powers and responsibilities:

- Assisting in the development, implementation and annual review of the zone and updating the strategic plan or measurable goals;
- Identifying ways to remove regulatory burdens;

- Promoting the incentives to residents and businesses;
- Recommending boundary changes;
- Working with nonprofit development organizations; and
- Ensuring the enterprise zone coordinator receives annual training and works with Enterprise Florida, Inc.

Pursuant to s. 290.0057, F.S., an enterprise zone development plan (or strategic plan) must accompany an application. At a minimum this plan must:

- Describe the community's goal in revitalizing the area;
- Describe how the community's social and human resources—transportation, housing, community development, public safety, and education and environmental concerns—will be addressed in a coordinated fashion;
- Identify key community goals and barriers;
- Outline how the community is a full partner in the process of developing and implementing this plan;
- Describe the commitment from the local governing body in enacting and maintaining local fiscal and regulatory incentives;
- Identify the amount of local and private resources available and the private/public partnerships;
- Indicate how local, state, and federal resources will all be utilized;
- Identify funding requested under any state or federal program to support the proposed development; and
- Identify baselines, methods, and benchmarks for measuring success of the plan.

Available Incentives

Florida's enterprise zones qualify for various incentives from local governments. Examples include: utility tax abatement, reduction of local business taxes, reduced building permit fees or land development fees, and local funds for capital projects.

Available state sales tax incentives for enterprise zones include:

- A refund for sales taxes paid on the purchase of certain building materials, up to $5,000 or 97 percent of the tax paid, whichever is less;
- A refund for sales taxes paid on the purchase of certain business equipment, up to $5,000, or 97 percent of the tax paid, whichever is less
- A sales and use tax credit for 20 or 30 percent of wages paid to new employees who live within the EZ.
- A sales and use tax credit for 30 or 45 percent of wages paid to new employees if the business is within a rural EZ;
- A sales tax refund for 50 percent of donations made to local community development projects; and
- A 50 or 100 sales tax exemption to qualified businesses located within an EZ on the purchase of electrical energy.

Available state corporate income tax incentives for enterprise zones include:

- A corporate income tax credit for 20 or 30 percent of wages paid to new employees who live within the EZ;
- A corporate income tax credit for 30 or 45 percent of wages paid to new employees if the business is within a rural EZ;
- A credit against Florida corporate income tax equal to 96 percent of ad valorem taxes paid on the new or improved property;
- A 50 percent credit against Florida corporate income tax for donations made to local community development projects.

<u>OPPAGA Report on Enterprise Zones</u>

The Office of Program Policy Analysis and Government Accountability released a report in January 2011 finding that most enterprise zone activity occurs in a few number of counties. The report also found that program participation remains relatively low in most enterprise zones, which limits the progress toward achieving the legislative goals of revitalizing distressed areas and increasing employment of area residents. The report made several recommendations related to the viability of the program, suggesting that the Legislature could:

Encourage more participation by lowering incentive eligibility thresholds;
Focus on job creation by eliminating all incentives except jobs tax credits;
Suspend the program for a year;
Repeal the program entirely; or
Allow it to sunset under current law in 2015.

Proposed Changes

The bill provides authority to Charlotte County to apply to DEO for designation of an enterprise zone of up to 20 square miles. The enterprise zone application must be submitted to DEO by December 31, 2012. DEO will determine the initial effective date of the enterprise zone. The bill also provides authority to Citrus County to apply to DEO for designation of an enterprise zone. The enterprise zone application must be submitted to DEO by December 31, 2012. DEO will determine the initial effective date of the enterprise zone.

Section 13 provides emergency rulemaking authority to the Department of Revenue.

Section 14 provides an effective date.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The county/municipality mandates provision of Art. VII, section 18 of the State Constitution may apply because the bill may reduce the authority of counties and municipalities to raise revenue.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

Revenue Impacts: Fiscal Year 2012-13
(All impacts from Revenue Estimating Conference unless otherwise noted)

	General Rev.		State Trust		Local		Total	
	Cash	Recur.	Cash	Recur.	Cash	Recur.	Cash	Recur.
New Markets (1)	-	(20.0)	-	-	-	-	**-**	**(20.0)**
Sales Tax Exemptions:								
Electricity/Packinghouses	(0.8)	(0.9)	(*)	(*)	(0.2)	(0.2)	**(1.0)**	**(1.1)**
Expanding Production M&E	(19.1)	(46.0)	(*)	(*)	(4.3)	(10.4)	**(23.4)**	**(56.4)**
Aircraft Maintenance & Repair	(9.2)	(10.0)	(*)	(*)	(2.1)	(2.3)	**(11.3)**	**(12.3)**
Aircraft and gas turbine engines	(1.2)	(1.3)	(*)	(*)	(0.3)	(0.3)	**(1.5)**	**(1.6)**
Entertainment Industry Incentive	-	-	-	-	-	-	**-**	**-**
Cigarette Tax Distributions	(7.6)	(7.6)	7.6	7.6	-	-	**-**	**-**
Urban High Crime Area Credits	(2.6)	(2.8)					**(2.6)**	**(2.8)**
Enterprise Zones:								
Charlotte County	(0.2)	(0.2)	(*)	(*)	(*)	(*)	**(0.2)**	**(0.2)**
Citrus County	(0.1)	(0.1)	(*)	(*)	(*)	(*)	**(0.1)**	**(0.1)**
Corporate Income Tax Exemption	(9.9)	(29.4)	-	-	-	-	**(9.9)**	**(29.4)**
BILL TOTAL	**(50.7)**	**(118.3)**	**7.6**	**7.6**	**(6.9)**	**(13.2)**	**(50.0)**	**(123.9)**

(*) Insignificant = impact less than $50,000.
(1) Cash impacts do not begin until FY 2015-16.

B. Private Sector Impact:

This bill is meant to encourage economic development in Florida by reducing the tax burden on selected industries and activities.

C. Government Sector Impact:

The bill reduces General Revenue and local tax revenue and increases a distribution of revenue to the Moffitt Center.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

Barcode 401580 by Senator Alexander on March 7, 2013:

This delete-everything amendment includes the following provisions.

Sections 1 and 2 grant an exemption from the intangibles tax to leaseholds of government-owned property that serves a public purpose. The exemption applies retroactively to leaseholds in existence on January 1, 2011, but does not create a right to a refund of taxes paid.

Sections 3 and 4 increase the cigarette tax distribution to the H. Lee Moffitt Cancer Center by $5.0 million annually, effective July 1 2013, and continues the distribution through 2033. It also creates a new distribution of $ 2.6 million annually through June 30, 2021 to the Sanford-Burnham Medical Research Institute.

Section 5 reduces a future increase the severance tax rate on phosphate and changes the distribution of the proceeds to fund ongoing land reclamation projects. Under current law the tax rate is scheduled to increase from $1.61 per ton to $2.54 per ton in FY 2015-16; this amendment provides for a tax rate of $1.80 per ton from January 1 2015 through December 31, 2022, at which time it will return to $1.61 per ton.

Sections 6 and 7 provides a lower severance tax rate for oil recovered from new wells in oil fields discovered prior to 1981.

Section 8 provides 2 new sales and use tax exemptions and increases the applicability of existing exemptions. Effective January 1, 2013:
Electricity used directly or indirectly in off-site packinghouses for fresh fruit and vegetables and meat from cattle and hogs is exempt;

Labor charges for the repair and maintenance of, and replacement engines, parts, and equipment for aircraft with 2,000 pounds maximum certified takeoff weight are exempt;

Certain items used to manufacture and produce aircraft and gas turbine engines are exempt;

Vehicles for hire designed to transport eight or fewer physically-disabled persons or for the value of a conversion to create such a vehicle are exempt; and

The exemption qualification threshold for increase in productive output in the current sales tax exemption for industrial machinery and equipment used by an expanding business is lowered from 10 percent to 5 percent.

Section 9 changes the criteria to qualify for the Urban High-Crime Area Job Tax Credit by allowing employment increases to be measured from January 1, 2009 or the previous application date, whichever is later.

Sections 10 and 11 increase from $25,000 to $50,000 the amount of corporate income that is exempt from the corporate income tax.

Section 12 extends the Entertainment Industry Financial Incentive Program for an additional year and authorizes $42 million in tax credits that may be claimed beginning in fiscal year 2015-2016. The types of projects that qualify are amended, and digital media projects are expanded to include interactive websites, digital animation and visual effects projects. Currently, credits for television projects are prohibited when more than 25 percent of all credits have been awarded for television. This limitation is amended to provide that high-impact television projects are prohibited when more than 45 percent of all credits have been awarded to high-impact television projects. High-impact television and high-impact digital media projects are given first priority for general production queue credits, but the first position must alternate between high-impact television and high-impact digital media projects.

Sections 13 and 14 increase the total amount of tax credits available under the New Markets Development Program from $97.5 million to $163.8 million. The bill also clarifies that a qualified community development entity can make cash interest payments, but not in excess of the entity's cumulative operating income as of the date of the cash interest payment. This limitation lasts for the period from the issuance of the qualified investment to the 7th anniversary of the issuance. For purposes of calculating operating income, the interest expense is disregarded.
Sections 15 and 16 authorize Charlotte and Citrus Counties to apply for enterprise zone designations.

Section 17 authorizes a municipality participating in the Federal Aviation Administration's Airport Privatization Pilot Program to lease or sell an airport or other air navigation facility, with improvements and equipment, to a private party. If state funds were provided to the municipality to pay for the airport the transfer must be approved by FDOT. The only eligible Florida facility is located in Hendry County.

Section 18 allows distilled spirits greater than 153 proof to be manufactured or packaged for sale outside the state**.**

Section 19 provides for a 3-day (August 3-5 holiday on clothing, shoes, and textbooks valued $75 or less and school supplies valued $15 or less.

Section 20 appropriates $226,284 to the Department of Revenue to administer the sales tax holiday.

Section 21 provides $14.9 million in non-recurring funds to the State Economic Enhancement and Development (SEED) Trust Fund for the 2012-13 fiscal year.

Section 22 authorizes the Department of Revenue to adopt emergency rules in order to implement this act.

Section 23 provides that, unless otherwise provided, this act shall take effect July 1, 2012.

As a result of this amendment, the ten amendments voted favorably at the February 29, 2012, meeting of the Budget Subcommittee on Finance and Tax are out of order.

Revenue Impacts: Fiscal Year 2012-13

	General Rev.		State Trust		Local		Total	
	Cash	Recur.	Cash	Recur.	Cash	Recur.	Cash	Recur.
New Markets (1)	-	(13.6)	-	-	-	-	**-**	**(13.6)**
Mature Field Oil Recovery	(0.9)	(1.0)	0.1	0.1	(0.1)	(0.1)	**(0.9)**	**(1.0)**
Back to School Holiday	(25.9)	-	(*)	-	(5.9)	-	**(31.8)**	**-**
Back to School Holiday Appropriation	(0.2)	-	-	-	-	-	**(0.2)**	**-**
Cigarette Tax Distribution							**-**	**-**
Moffitt Center	-	(5.0)	-	-	-	-	**-**	**(5.0)** **-**
Sanford Burnham Center	-	(2.6)	-	-	-	-	**-**	**(2.6)** **-**
Severance Tax--Phosphate	-	(5.6)	-	(3.4)	-	-	**-**	**(9.0)**
SEED Fund	(14.9)	-	-	-	-	-	**(14.9)**	**-**
Governmental Leaseholds	-	-	-	-	(0.9)	(0.9)	**(0.9)**	**(0.9)**
Sales Tax Exemptions:								
Electricity/Packinghouses--including meat	(0.7)	(1.8)	(*)	(*)	(0.1)	(0.4)	**(0.8)**	**(2.2)**
Expanding Production M&E	(19.1)	(46.0)	(*)	(*)	(4.3)	(10.4)	**(23.4)**	**(56.4)**
Aircraft Maintenance & Repair	(4.2)	(10.0)	(*)	(*)	(1.1)	(2.3)	**(5.3)**	**(12.3)**
Aircraft and gas turbine engines	(0.5)	(1.3)	(*)	(*)	(0.1)	(0.3)	**(0.6)**	**(1.6)**
Accessible Taxicabs	(0.1)	(0.2)	-	-	(*)	(*)	**(0.1)**	**(0.2)**
Entertainment Industry Incentive (2)	-	-	-	-	-	-	-	**-**
Urban High Crime Area Credits	(1.2)	(2.8)	-	-	-	-	**(1.2)**	**(2.8)**
Enterprise Zones:								
Charlotte County	(0.2)	(0.2)	(*)	(*)	(*)	(*)	**(0.2)**	**(0.2)**
Citrus County	(0.1)	(0.1)	(*)	(*)	(*)	(*)	**(0.1)**	**(0.1)**
Corporate Income Tax Exemption	(9.9)	(29.4)	-	-	-	-	**(9.9)**	**(29.4)**
BILL TOTAL	**(77.9)**	**(119.6)**	**0.1**	**(3.3)**	**(12.5)**	**(14.4)**	**(90.3)**	**(137.3)**

(*) Insignificant = impact less than $50,000.
(1) Cash impacts do not begin until FY 2015-16.
(2) Nonrecurring ($42) million in FY 2015-16