

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 4013 Tax Refund Programs  
**SPONSOR(S):** Santiago  
**TIED BILLS:** **IDEN./SIM. BILLS:** SB 236

<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR or BUDGET/POLICY CHIEF</b>
1) Economic Development & Tourism Subcommittee	12 Y, 0 N	Collins	West
2) Finance & Tax Subcommittee	14 Y, 1 N	Pewitt	Langston
3) Economic Affairs Committee	14 Y, 0 N	Collins	Creamer

**SUMMARY ANALYSIS**

The bill eliminates the maximum amount of tax refunds a business could receive over all fiscal years for both the Qualified Target Industry and Qualified Defense and Space Flight Business Programs. The current limits imposed on the percentage of total award and the dollar amount a qualifying project could receive in a given fiscal year would remain in effect.

These programs are subject to annual appropriation by the Legislature.

The bill has an effective date of July 1, 2013.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Current Situation

##### Qualified Target Industry Tax Refund

The Qualified Target Industry Tax Refund (QTI), established in 1995, serves to attract new high quality, high wage jobs for Floridians. Tax refunds are made to qualifying, pre-approved businesses creating new jobs within Florida's target industries. All QTI projects include a performance-based contract with the state, which outlines specific milestones that must be achieved and verified by the state prior to payment of refunds.

This incentive requires that 20 percent of the award comes from the local city or county government, but that may be reduced by one-half for a qualified target industry business located in the counties of Bay, Escambia, Franklin, Gadsden, Gulf, Jefferson, Leon, Okaloosa, Santa Rosa, Wakulla or Walton. The reduction in local match is determined by the Department of Economic Opportunity and based on a determination that the project facilitates economic development, growth, or new employment within the previously referenced counties, and is in the best interest of the state.

The program also requires that a project must propose to create at least 10 new jobs, or in the case of a business expansion must result in a net increase in employment of at least 10 percent at that business. The jobs proposed to be created or retained must pay an average annual wage of at least 115% of the average private sector wage in the area where the business is located, or the statewide private sector average wage. The statewide private sector average wage being used currently is \$40,555<sup>1</sup>.

The amount of the refund is based on the average wages paid by the business, number of jobs created, and where in the state the eligible business chooses to locate or expand. The minimum tax refund is \$3,000 per employee, and the maximum amount is \$11,000 per employee over the term of the incentive agreement. Jobs created in rural communities and enterprise zones, as well as those paying higher annual average wages, are eligible for more incentives.

Since the inception of the QTI program, 1,134 applications have been approved, 967 contracts have been executed, and 97 agreements have been completed. Of those 967 projects, 335 remain active, meaning they are eligible to receive refunds through the QTI program. These 335 projects have committed to create 45,157 jobs cumulatively. The 97 completed agreements cumulatively created 19,694 new jobs, 600 more than the initial commitment to create 19,094. In fiscal year 2011-2012, \$58,063,500 in QTI incentives were awarded.<sup>2</sup>

##### Qualified Defense and Space Contractor Tax Refund

The Qualified Defense and Space Contractor Tax Refund (QDSC), established in 1996, serves to attract new high quality, high wage jobs for Floridians in the defense and space industries. Tax refunds are made to qualifying, pre-approved businesses bidding on new competitive contracts or consolidating existing defense or space contracts. This incentive is a partnership between the State and local community—20 percent of the award comes from the local city or county government. All QDSC projects include a performance-based contract with the State of Florida, which outlines specific milestones that must be achieved and verified by the State prior to payment of refunds.

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<sup>1</sup> Enterprise Florida Inc., *State of Florida Incentives Average Wage Requirements*; 2012

<sup>2</sup> Enterprise Florida, Inc. *2012 Annual Incentive Report*; 2012

Like QTI, the program requires that jobs created by a QDSC project have an average annual wage of at least 115% of the average private sector wage in the area where the business is located, or the statewide private sector average wage.

The amount of the refund is based on the average wages paid by the business, number of jobs created, and where in the state the eligible business chooses to locate or expand. The minimum tax refund is \$3,000 per employee, and the maximum amount is \$8,000 per employee over the term of the incentive agreement.

Since the QDSC project's inception, 22 QDSC applications have been approved, 15 contracts have been executed, and 5 projects have been completed. Of those 15 executed contracts, 6 remain active. These 6 projects have committed to create 418 cumulative jobs. The 5 completed projects cumulatively created 1,521 new jobs, exceeding their commitment to create 795 new jobs. In fiscal year 2011-2012, \$2,180,000 in QDSC incentives were awarded.<sup>3</sup>

### QTI/QDSC Program Limits

Sections 288.106 and 288.1045, Florida Statutes, set the criteria for the QTI and QDSC programs. Included in these criteria are limits on awards for qualified projects under both programs. The limits include:

- The QTI and QDSC programs limit applicants to 25 percent of the total tax refunds in any given fiscal year.
- The QDSC program limits applicants to \$2.5 million in tax refunds in any given fiscal year.
- The QTI program limits applicants to \$1.5 million in tax refunds in any given fiscal year or \$2.5 million if the project is located within an enterprise zone.
- The QDSC program limits applicants to \$7 million in tax refunds over all fiscal years.
- The QTI program limits applicants to \$7 million in tax refunds over all fiscal years, or \$7.5 million if the project is located within an enterprise zone.

### Proposed Changes

The bill eliminates the maximum amount of tax refunds a business could receive over all fiscal years for the QTI and QDSC programs. The limits imposed on the percentage of total award and dollar amount a qualified project could receive in a single fiscal year would remain in effect.

#### B. SECTION DIRECTORY:

Section 1: Amends s. 288.1045 F.S., by removing program limits for applicants to the Qualified Defense Contractor or Space Flight Business Tax Refund Program.

Section 2: Amends s. 288.106 F.S., by removing program limits for applicants to the Qualified Target Industry Tax Refund Program.

Section 3: Provides an effective date of July 1, 2013.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

None.

2. Expenditures:

This bill could increase the number of businesses who would qualify for future awards by removing a lifetime cap on receipt of the eligible tax refunds. The amount of additional awards, if any, is unknown. However, both the QTI and QDSC programs' funding are subject to an annual appropriation in the General Appropriation Act, so any additional impact would require specific Legislative appropriation. Further, both programs are included in an annual cap of \$35 million in total awards issued by the Department of Economic Opportunity for programs funded through the Economic Development Incentives Account<sup>4</sup>.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill would increase the number of jobs created or retained in the state if additional businesses that qualify for the tax refund programs decide to locate or expand in Florida as a result of the programs.

D. FISCAL COMMENTS:

None.

### 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 require a reduction of 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 CHANGES

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<sup>4</sup> Section 288.095(3)(a) F.S.  
STORAGE NAME: h4013e.EAC  
DATE: 3/28/2013