

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 311 Community Contribution Tax Credit Program

SPONSOR(S): Ingoglia and others

TIED BILLS: **IDEN./SIM. BILLS:** SB 302

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee	10 Y, 0 N	Lukis	Duncan
2) Finance & Tax Committee			
3) Economic Affairs Committee			

SUMMARY ANALYSIS

The Florida Legislature created the Community Contribution Tax Credit Program ("CCTCP") to encourage private sector participation in community revitalization and housing projects. The CCTCP offers a corporate income tax credit, an insurance premium tax credit, or a refund against sales tax to businesses or persons ("taxpayer") anywhere in Florida that contribute to certain projects undertaken by approved CCTCP sponsors. The credit or refund is calculated as 50 percent of the taxpayer's annual contribution, but a taxpayer may not receive more than \$200,000 in credits or refunds in any one year.

The Department of Economic Opportunity ("department") reviews sponsor project proposals and tax credit applications. After the department approves a credit, the taxpayer must claim the credit from the Department of Revenue.

The total amount of tax credits that the department may approve through the CCTCP is \$21.9 million annually--\$18.4 million for projects that provide homeownership opportunities for low-income and very-low-income households and \$3.5 million for all other projects. The tax credit cap has been reached every fiscal year since FY 2001-2002. The CCTCP expires June 30, 2016.

The bill extends the expiration date of the Community Contribution Tax Credit Program to June 30, 2025.

The Revenue Estimating Conference met on January 26, 2015, and estimated that, in FY 2015-16, the bill would have a -\$19.8 million annual impact to state general revenues, a negative insignificant impact to state trust funds, and a -\$2.1 million annual impact to local revenues.

The bill provides an effective date of upon becoming a law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

In 1980, the Legislature established the Community Contribution Tax Credit Program (“CCTCP”) to encourage private sector participation in community revitalization and housing projects.¹ Broadly, the CCTCP offers tax credits to businesses or persons (“taxpayer”) anywhere in Florida that contribute² to certain projects undertaken by approved CCTCP sponsors.³

Eligible sponsors under the CCTCP include a wide variety of community organizations, housing organizations, historic preservation organizations, units of state and local government, and regional workforce boards.⁴ As of January 1, 2015, the CCTCP had 126 approved sponsors.⁵

Eligible projects include activities undertaken by an eligible sponsor that are designed to accomplish one of the following purposes:

- to construct, improve, or substantially rehabilitate housing that is affordable to low-income households or very-low-income households as those terms are defined in s. 420.9071;
- to provide commercial, industrial, or public resources and facilities; or
- to improve entrepreneurial and job-development opportunities for low-income persons.⁶

In addition, eligible projects must be located in an area designated as an enterprise zone⁷ or a Front Porch Florida Community, with two exceptions. First, any project designed to construct or rehabilitate housing for low-income households or very-low-income households as those terms are defined in s. 420.9071, F.S., is exempt from the area requirement.⁸ Second, any project designed to provide increased access to high-speed broadband capabilities that includes coverage of a rural enterprise zone may locate the project’s infrastructure in any area of a rural county (inside or outside of the zone).⁹

The Department of Economic Opportunity (“department” or “DEO”) administers the CCTCP, and its responsibilities include reviewing sponsor project proposals and tax credit applications, periodically monitoring projects, and marketing the CCTCP in consultation with the Florida Housing Finance Corporation and other statewide and regional housing and financial intermediaries.¹⁰ Once approved by DEO, the taxpayer must claim the community contribution tax credit from the Department of Revenue.

The credit is calculated as 50 percent of the taxpayer’s annual contribution, but a taxpayer may not receive more than \$200,000 in credits in any one year.¹¹ The taxpayer may use the credit against

¹ Chapter 80-249, L.O.F. The CCTCP is one of the state incentives available under the Florida Enterprise Zone Act, which is scheduled to be repealed on December 31, 2015. Sections 290.007(3) and 290.016, F.S.

² Sections 212.08(5)(p)2.a., 220.183(2)(a), and 624.5105(5)(a), F.S. require community contributions to be in the form of cash or other liquid assets, real property, goods or inventory, or other physical resources.

³ See ss. 212.08(5)(p); 220.183; and 624.5105, F.S.

⁴ See ss. 212.08(5)(p)2.c.; 220.183(2)(c); and 624.5105(2)(c), F.S.

⁵ Department of Economic Opportunity, Division of Community Development, Email to House Economic Development & Tourism staff, Feb. 23, 2015. Email on file.

⁶ Sections 212.08(5)(p)2.b.; 220.183(2)(d); 624.5105(2)(b); and 220.03(1)(t), F.S.

⁷ The Florida Enterprise Zone Act is scheduled for repeal on December 31, 2015. Section 290.016, F.S.

⁸ *Id.*

⁹ *Id.*

¹⁰ Sections 212.08(5)(p)4.; 220.183(4); and 624.5105(4), F.S.

¹¹ Sections 212.08(5)(p)1.; 220.183 (1)(a) and (b); and 624.5105(1), F.S.

corporate income tax, insurance premium tax, or as a refund against sales tax.¹² Unused credits against corporate income taxes and insurance premium taxes may be carried forward for five years.¹³ Unused credits against sales taxes may be carried forward for three years.¹⁴

The department may approve a total of \$18.5 million annually in credits for projects that provide homeownership opportunities for low-income and very-low-income households and \$3.5 million in credits for all other projects.¹⁵ During FY 2013-2014, DEO approved 328 tax credit applications submitted by 67 eligible sponsors for eligible projects located in 32 counties.¹⁶ For FY 2014-2015, as of December 31, 2014, DEO has approved 383 tax credit applications.¹⁷

The Legislature extended the CCTCP in 1984, 1994, 2005, and 2014.¹⁸ It has also amended the annual tax credit allocation of the CCTCP on numerous occasions.¹⁹ The CCTCP cap, which started at \$3 million annually, is currently set at \$21.9 million. The cap has been reached every fiscal year since FY 2001-2002.

The CCTCP expires June 30, 2016.²⁰

Effect of Proposed Changes

The bill extends the expiration date of the Community Contribution Tax Credit Program to June 30, 2025.

B. SECTION DIRECTORY:

- Section 1: Amends s. 212.08, F.S., to extend the expiration date of the application of the community contribution tax credit against the sales and use tax to June 30, 2025.
- Section 2: Amends s. 220.183, F.S., to extend the expiration date of the application of the community contribution tax credit against the corporate income tax to June 30, 2025.
- Section 3: Amends s. 624.5105, F.S., to extend the expiration date of the application of the community contribution tax credit against the insurance premium tax to June 30, 2025.
- Section 4: Reenacts s. 220.02, F.S., for the purpose of incorporating changes made elsewhere in the bill.
- Section 5: Reenacts s. 220.183, F.S., for the purpose of incorporating changes made elsewhere in the bill.
- Section 6: Reenacts s. 624.5105, F.S., for the purpose of incorporating changes made elsewhere in the bill.
- Section 7: Reenacts s. 377.809, F.S., for the purpose of incorporating changes made elsewhere in the bill.

¹² See ss. 212.08(5)(p); 220.183; and 624.5105, F.S.

¹³ Sections 220.183(1)(e) and (g); and 624.5105, F.S.

¹⁴ Section 212.08(5)(p)1.b. and f., F.S.

¹⁵ Sections 212.08(5)(p)1.e.; 220.183(1)(c); and 624.5105(1)(c), F.S.

¹⁶ See supra note 5.

¹⁷ Florida Legislature, Office of Economic and Demographic Research, Revenue Estimating Conference, Community Contribution Tax Credits Extension, HB 311/SB 302, p. 19, January 26, 2015 Revenue Impact Results, http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2015/_pdf/impact0126.pdf.

¹⁸ Chapters 84-356, L.O.F.; 94-136, L.O.F.; 2005-282, L.O.F.; and 2014-38, L.O.F.

¹⁹ See Ch. 94-136, L.O.F.; Ch. 98-219, L.O.F.; Ch. 99-265, L.O.F.; Ch. 2005-282, L.O.F.; Ch. 2006-78; and Ch. 2008-153, L.O.F. In 2008, the Legislature raised the cap to \$16.5 million for FY 2008-2009. The cap reverted back to \$14 million for subsequent fiscal years. See s. 35, Ch. 2008-153, L.O.F.

²⁰ Section 15, Ch. 2014-038, L.O.F.

Section 8: Provides an effective date of upon becoming a law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

On January 26, 2015, the Revenue Estimating Conference (“REC”) met to consider the impact of extending the Community Contribution Tax Credit Program. In doing so, the REC examined the historical amounts of Community Contribution Tax Credits taken against the sales and use tax, corporate income tax, and insurance premium tax.

The REC estimated that in FY 2015-16 the bill would have a -\$19.8 million annual impact to state general revenues and a negative insignificant impact to state trust funds.²¹

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The Revenue Estimating Conference met on January 26, 2015, and estimated that, in FY 2015-16, the bill would have a -\$2.1 million annual impact to local revenues.²²

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may have a positive impact on the number of homeownership opportunities for low-income or very-low-income households and other projects that provide job-development opportunities for low-income persons.

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.

²¹ Revenue Estimating Conference, 2015 Session Conference Table, available at <http://edr.state.fl.us/content/conferences/revenueimpact/2015%20Session%20Conference%20Table.pdf> (Feb. 6, 2015).

²² *Id.*

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES