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 Committee on Commerce and Tourism

BILL: SB 1322

INTRODUCER: Senator Simon

SUBJECT: Tax Credits for Investment in Rural Communities

DATE: March 28, 2025 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Renner	McKay	CM	**Pre-meeting**
2.			FT	
3.			AP	

I. Summary:

SB 1322 creates s. 288.062, F.S., the Florida Rural Jobs Act. The bill allows investors to earn state premium tax credits equal to their investment in certified rural funds. In turn, the rural funds will invest in small businesses. The bill caps investment at a level that will result in no more than $7.143 million in tax credits to be taken in any one year, excluding any credits carried forward.

The Department of Commerce (department) will administer the program by certifying rural funds, granting tax credits to investors, and if necessary, revoking the fund's tax credits and authority.

The bill provides ongoing requirements for the rural funds to meet while participating in the program, allows rural funds to reinvest their rural investments, and outlines steps for a rural fund to withdraw from the program.

The Revenue Estimating Conference has not yet determined the fiscal impact of the bill. The bill will likely impact general revenue.

The bill takes effect July 1, 2025.

II. Present Situation:

Economic Development Incentives Targeted to Florida's Rural Communities

Rural Economic Development Initiative

The Rural Economic Development Initiative (REDI) was established by the Legislature to encourage and facilitate the location and expansion of major economic development projects of significant scale in rural communities.[1] Today, the REDI operates as a statewide initiative led by the Department of Commerce (department) to better serve Florida's rural communities by providing a more focused and coordinated effort among state and regional agencies to improve the fiscal, economic, and community viability of these areas.[2]

Regional Rural Development Grants Program

The Regional Rural Development Grants Program was established to provide funding, through matching grants, to build the professional capacity of regionally based economic development organizations located in rural communities. An organization may receive up to $50,000 a year or $250,000 for any three regional economic development organizations that serve an entire rural area of opportunity[3] (RAO).[4] The department is authorized to spend up to $750,000 each fiscal year from funds appropriated to the Rural Community Development Revolving Loan Fund to carry out this program.[5]

Rural Infrastructure Fund

The Rural Infrastructure Fund is a grant program created to facilitate the planning, preparing, and financing of infrastructure projects in rural communities.[6] The program provides access to federal and state infrastructure funding programs, including, but not limited to, those offered by the U.S. Departments of Agriculture and Commerce and including those offered by Rural Economic Development Initiative agencies.[7] The program funds total infrastructure project grants, infrastructure feasibility grants, and preclearance review grants. A total of $20 million in funding is available for Fiscal Year 2024-2025. Funding in the amount of $15 million is available for eligible rural communities statewide and $5 million is available to certain Panhandle counties.[8]

Federal Rural Business Investment Company and Small Business Investment Programs[9,10]

Rural Business Investment Companies (RBIC) and Small Business Investment Companies (SBIC) are privately owned and managed investment funds that are licensed and regulated by the U.S. Department of Agriculture and Rural Development[11] and Small Business Administration

[1] Section 288.0656(1)(a), F.S.
[2] Section 288.0656(3), F.S.
[3] A rural area of opportunity is a rural community, or a region composed of rural communities, designated by the Governor, which has been adversely affected by an extraordinary economic event, severe or chronic distress, or a natural disaster. Section 288.0656, F.S.
[4] Section 288.018(1)(c), F.S.
[5] Section 288.018(4), F.S.
[6] *See* s. 288.0655, F.S.
[7] Section 288.0655(2)(b), F.S.
[8] Department of Commerce, *Rural Infrastructure Fund,* available at https://floridajobs.org/community-planning-and-development/rural-community-programs/rural-infrastructure-fund (last visited March 28, 2025).
[9] 7 U.S.C. s. 2009cc *et seq.*; 7 C.F.R. s. 4290 *et seq*. (2009).
[10] 15 U.S.C. s. 681-688.
[11] U.S. Department of Agriculture and Rural Development, *Rural Business Investment Program*, available at https://www.rd.usda.gov/programs-services/rural-business-investment-program (last visited March 28, 2025).

(SBA)[12] respectively, that make capital investments in small businesses located in rural communities or other qualifying businesses.

An RBIC or SBIC program offers incentives for private capital to invest in small businesses, startups, low-income areas, or regions otherwise under economic distress. These programs often include special criteria for a certain quantity of the credit to focus on rural or underdeveloped areas.

Economic Development Incentives that use Tax Credits

Rural Job Tax Credit Program[13]

The Florida Rural Job Tax Credit Program offers a tax credit incentive for eligible businesses located within a designated qualified rural area to create new jobs. The tax credit ranges from $1,000 to $1,500 per qualified employee and can be taken against either the businesses' corporate income tax or sales and use tax. A business is limited to no more than $500,000 of tax credits per year.[14] The department administers this program and may approve up to $5 million in tax credits per year.[15]

Florida New Markets Development Program

In 2009, the Legislature passed the New Markets Development Program Act (NMDP),[16] similar to the program created in this bill, to use tax credits to spur economic development. The NMDP, which was modeled after the federal New Markets Tax Credit Program, allowed taxpayers to earn credits against specified taxes by making qualified investments in qualified community development entities that, in turn, invested in businesses in low-income communities to create and retain jobs in such communities.

Taxpayers that made qualified investments in qualified community development entities were eligible to receive tax credits against the corporate income tax under s. 220.11, F.S., or the insurance premium tax under s. 624.509, F.S. The taxpayer could not claim the credit in the first two years after the investment. The credit was worth 7% of the qualified investment in year three after the investment, and from the fourth year through the seventh year the credit was worth 8%. As in the federal program, over seven years the credits totaled 39% of the total qualified investment in the qualified community development entity. A taxpayer with qualified investments approved for both federal and state program were about to receive 78% of the purchase price of the investment in tax credits over seven years. Any unused portion of the tax credit carried forward for up to five future tax years.

[12] U.S. Small Business Administration, *Become an SBIC*, available at https://www.sba.gov/partners/sbics/apply-be-sbic (last visited March 28, 2025).
[13] Sections 212.098, and 220.1895, F.S.
[14] Section 212.098(6)(d), F.S.
[15] Department of Commerce, *Rural Job Tax Credit Program*, available at https://floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resource/rural-and-urban-job-tax-credit-programs (last visited March 28, 2025).
[16] Chapter 2009-50, Laws of Fla.

The return on investment for the NMDP was -0.98, indicating that the state lost all of its investment and incurred additional costs.[17]

The NMDP was repealed in 2023.[18]

Examples of Similar Rural Jobs Acts in Other States

Utah passed a substantially similar bill, the Utah Rural Jobs Act, which authorizes up to $42 million in tax credits, and caps the total contributions one entity may make under the program at $24.36 million. Additionally, Utah assesses a $50,000 annual fee that is split between all the certified growth fund entities.[19]

In 2017, Georgia created the Georgia Agribusiness and Rural Jobs Act, which is designed to spur $100 million in capital investments in rural businesses in the state. Investors may redeem up to $15 million in tax credits annually for four years (for a total of $60 million tax credits) against their corporate income tax and premium tax liabilities.[20]

III. Effect of Proposed Changes:

The bill creates s. 288.062, F.S., the "Florida Rural Jobs Act." The bill uses tax credits against the state premium tax to incentivize investors to give funds to certified rural fund entities that, in turn, will make capital or equity investments, or loans with a maturity date of at least one year in eligible businesses located in rural areas. The bill caps the amount of investments at a level that will result in no more than $7.143 million in tax credits claimed in total each year.

An eligible business is one that has fewer than 250 employees and has its principal business operations in Florida. The department will administer the program and monitor jobs created and retained as a result of the eligible investment and the annual salary of each position.

Tax Credit Application, Approval, and Allocation

On or before November 1, 2025, the department must accept applications for approval as a rural fund. The application must include all of the following:

- Total investment authority sought by the applicant;
- Evidence that the applicant or an affiliate of the applicant is licensed as a rural business investment or small business investment company, as defined in federal law;[21]
- Evidence that the applicant or its affiliates have invested at least $100 million in nonpublic companies located in counties within the U.S. with a population of fewer than 75,000 as of the U.S. Decennial Census of 2010.

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[17] Office of Economic and Demographic Research, *Economic Evaluation for Select State Economic Development Incentive Programs*, 58 (February 2023), available at https://edr.state.fl.us/Content/returnoninvestment/ROISELECTPROGRAMS2023final.pdf (last visited March 28, 2025).
[18] Chapter 2023-173, Laws of Fla.
[19] Utah Code Annotated s. 63N-4-301, et seq. (2017).
[20] Ga. Code Annotated s. 33-1-25, et seq. (2017).
[21] *See* 7 U.S.C. s. 2009cc *et seq.* and 15 U.S.C. s. 681 *et seq.*

- An estimate of the total number of new annual jobs that will be created and jobs retained in the state as a result of the applicant's eligible investments;
- A business plan that includes a 10-year revenue impact estimate of the proposed eligible investments, including the investment's effect on state and local tax revenues, and state expenditures. This business plan must be prepared by an independent third-party economic forecasting firm that uses a dynamic economic forecasting model;

The department must grant or deny an application within 30 days of its receipt. The department must deny an application if:
- The application is incomplete;
- The applicant does not qualify as a rural fund;
- The business plan does not demonstrate that the positive revenue impact on this state over a 10-year period will be greater than cumulative amount of tax credits that would be issued to the applicant's investors;
- The department has already approved the investment authority permitted.

If the department denies an application on certain grounds, the applicant has 15 days to cure the defect. The department must review the additional filing and issue an ultimate decision within 15 days of the application's initial submission. Additionally, the department may not approve or deny an application that is submitted after another for which additional information was needed until it approves or denies the "first" or "initial" application with additional information.

Upon approval of an application, the department must certify the applicant as a rural fund and the amount of the applicant's investment authority.

The department may not reduce the rural fund's investment authority from that requested on its application unless such an allocation would cause the department to exceed the tax credit limitation of $7.143 million in tax credits to be taken in any one year. If the department approves applications received on the same day that seek investment authorities that would collectively exceed the permitted annual tax credits, the department must approve both applicants, but proportionately reduce each applicant's investment authority and investor contributions to comply with the tax credit limit.

Within 90 days of certification, a rural fund must collect all of its committed investor contributions and any additional cash investments. The fund must provide proof to the department that it collected all required contributions and investments within 95 days of certification. A fund's certification will be subject to revocation if it fails to perform these duties.

The department must provide tax credit certificates to investors upon notice from a certified fund that it collected the investor's contribution.

Tax Credit Established

An investor in a fund is vested with an earned credit against its state tax liability equal to the value of its contribution to the fund. The investor may not sell, transfer, or allocate the credit to any entity other than an affiliate of the fund.

An investor may claim 7.4 percent of its credit each taxable year from the year that the fund collects the investor contributions and any additional investments (defined in the bill as the "credit allowance date") through the fourth anniversary of such date. If an investor's annual tax credit portion exceeds its state tax liability for the year, the investor may carry forward the credit allowance for up to 10 years. In order to claim a credit, the investor must submit a copy of the tax credit certificate with its tax return for each taxable year it claims the credit.

Revocation of Tax Credit Certificates and Exit From the Program

The department must revoke a tax credit certificate if:
- The fund does not invest 60 percent of its investment authority in eligible investments in Florida within 3 years after the credit allowance date.
- The rural fund does not invest 100 percent of its investment authority in eligible investments within 3 years after the closing date;
- The rural fund fails to maintain investments equal to 100 percent of its investment authority until the sixth anniversary of its credit allowance date (with a permitted 12 months between receipt of capital and reinvestment of that capital);
- The rural fund makes a distribution or payment that results in the fund having less than 100 percent of its investment authority invested in state eligible investments, or available for eligible investments and held in cash or other securities; or
- The rural fund invests in an eligible business that directly, or indirectly through an affiliate, owns, has the right to acquire an ownership interest in, makes a loan to, or makes an investment in the fund, an affiliate of the fund, or an investor of the fund.

The department must give a rural fund notice of a pending revocation and the fund has 180 days to cure any violation. If the department revokes tax credits after a rural fund has collected its investor contribution obligations, then the revoked rural fund's investment authority and collected investor contributions may not count toward the program's limit on investment authority and investor contributions.

On or after the seventh anniversary of the credit allowance date, a rural fund may apply to the department to exit the program. The department must approve the request within 15 days if no tax credit certificates issued to the fund's investors have been revoked, and the fund's certification has not been revoked or is not currently subject to revocation.

The department may not revoke a tax credit certificate after a fund exits the program.

Rural Fund's Reporting Obligations

Each fund must submit an annual report on or before the 15^{th} business day after the second and third anniversaries of the credit allowance date. The report must include:
- The name and location of each eligible business that receives an eligible investment or evidence that an eligible business qualified as such at the time the fund made the investment;
- A bank statement evidencing each of the fund's investments;
- The number of jobs created and retained as a result of the eligible investment and the average salary of each position; and
- Any other information required by the department.

On or before March 1 of the subsequent calendar year after the third anniversary of the credit allowance date, and annually until its exit from the program, the rural fund must submit to the department a report that identifies each eligible investment made by the rural fund and include:

- The number of jobs created and retained as a result of the eligible investment and the annual salary of each position; and
- Any other information required by the department.

Miscellaneous

A fund may request the department issue a written opinion advising whether a potential investment business qualifies as an eligible business; if the department does not respond within 15 days of the request, the business is deemed eligible.

The department is prohibited from accepting new applications after December 1, 2034.

The bill takes effect July 1, 2025.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not yet determined the fiscal impact of the bill. The bill will likely impact general revenue.

B. Private Sector Impact:

Businesses in rural areas may be able to access funding that would not otherwise be available to them through traditional financing institutions.

A certified rural fund will likely see a positive financial impact as the result of its activity under the program. Similarly, rural fund investors will see a positive impact on their tax liabilities as a result of their use of tax credits under the program.

C. Government Sector Impact:

The department may incur administrative costs to implement and operate the program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill creates section 288.062 of the Florida Statutes.

IX. Additional Information:

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

None.

B. Amendments:

None.