

The Florida Senate
COMMITTEE MEETING EXPANDED AGENDA
APPROPRIATIONS SUBCOMMITTEE ON FINANCE AND
TAX
Senator Hukill, Chair
Senator Ring, Vice Chair

MEETING DATE: Wednesday, February 20, 2013
TIME: 1:30 —4:30 p.m.
PLACE: *Mallory Horne Committee Room, 37 Senate Office Building*

MEMBERS: Senator Hukill, Chair; Senator Ring, Vice Chair; Senators Abruzzo, Altman, Brandes, Clemens, Diaz de la Portilla, Evers, Gardiner, Margolis, Sachs, and Simmons

TAB	BILL NO. and INTRODUCER	BILL DESCRIPTION and SENATE COMMITTEE ACTIONS	COMMITTEE ACTION
	Review of Economic Development Tax Incentives		Presented
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	Other Related Meeting Documents		
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**APPROPRIATIONS SUBCOMMITTEE ON
FINANCE AND TAX
COMMITTEE MEETING
FEBRUARY 20, 2013**

**REVIEW OF SELECTED ECONOMIC DEVELOPMENT
TAX INCENTIVES**

REVIEW OF SELECTED ECONOMIC DEVELOPMENT TAX INCENTIVES

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INTERNATIONAL BANKING FACILITY INCOME DEDUCTION

Section 220.63(5), F.S.

INCENTIVE:

- Income from international banking activities is not subject to Florida Corporate Income Tax.
- Although the statute is more detailed, qualifying income generally includes income derived from:
 - loans to foreign persons,
 - deposits with foreign banks or other international banking facilities; and
 - foreign exchange trading or hedging transactions.

PURPOSE:

- To encourage banks that engage in international banking activities to locate their physical facilities in Florida.
- Note: At the time this deduction was adopted, federal banking laws were such that Florida's deduction was restricted to Florida banks that had international banking facilities. Because of changes to federal law, a bank paying tax in Florida can take advantage of the deduction even if the international banking facility is located in another state.

QUALIFYING REQUIREMENTS:

- The deduction applies only to income from international banking activities. International banking accounts must be segregated from other banking organization accounts.

APPROVAL / OVERSIGHT / LIMITATIONS:

- No prior approval necessary.
- DOR reviews deductions through its normal auditing procedures.

SIGNIFICANT HISTORY:

- 1981 – Created.
- 1994 – Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 allowed interstate branch banking throughout the U.S., except in states that passed laws to prohibit it.

FISCAL IMPACT:

- \$10.8 Million per year

SINGLE SALES FACTOR APPORTIONMENT

Sections 220.153, F.S.

INCENTIVE:

- Allows a multi-state corporation to use single sales factor apportionment to determine its Florida corporate taxable income.
- Typically, Florida uses a 3-factor formula to determine taxable income. The use of a single sales factor apportionment formula benefits corporations with a large percentage of sales to out-of-state customers.

PURPOSE:

- To encourage capital investment in Florida.

SIGNIFICANT HISTORY:

- 2011 – created.

QUALIFYING REQUIREMENTS:

- The company must declare a 2-year period for measuring their capital investment in Florida, and then within that 2-year period invest at least \$250 million into Florida real property, fixtures, and equipment.
- Expenditures to acquire an existing business and expenditures in excess of \$125 million for land or buildings do not qualify.
- There is no requirement that the company demonstrate that the incentive caused it to make the investment in Florida.

APPROVAL / OVERSIGHT / LIMITATIONS:

- DEO reviews and approves the qualifying capital expenditures.
- DOR oversees the use of apportionment factors through its normal auditing procedures.
- The first year during which single sales factor appointment could be used is a taxable year beginning on or after January 1, 2013.

FISCAL IMPACT:

- \$7.6 Million, beginning in 2013-2014, as originally estimated by the Revenue Estimating Conference in 2011.
- To date, 5 companies have filed notices of intent to begin their 2-year measurement period. One of the 5 companies have completed their \$250 million investment.

RESEARCH & DEVELOPMENT TAX CREDIT

Section 220.196, F.S.

INCENTIVE:

- Provides a credit against Corporate Income Tax for increasing research and development expenses in Florida. The credit is equal to 10 percent of the annual increase. Florida's credit is based on a similar federal credit.

PURPOSE:

- To encourage research and development activities within Florida.

QUALIFYING REQUIREMENTS:

- Companies must increase their qualifying research expenses in Florida over their average qualifying research expenses in Florida during the 4 immediately preceding years.
- The company must qualify for and receive the federal research and development credit.

APPROVAL / OVERSIGHT / LIMITATIONS:

- No prior approval necessary.
- Department of Revenue oversees through its normal auditing procedures.
- For companies that have not existed for 4 years, the credit amount is reduced 25 percent for each year that the business did not exist.
- Total credits may not exceed \$9 million per calendar year.

SIGNIFICANT HISTORY:

- 2011 – created.

FISCAL IMPACT:

- \$9 Million per year, as originally estimated by the Revenue Estimating Conference in 2011.

CAPITAL INVESTMENT TAX CREDIT

Section 220.191, F.S.

INCENTIVE:

- Corporate Income Tax credits and/or Insurance Premium Tax credits are provided to high-impact sector and qualified target industry companies, as well as corporate headquarters, if they invest significant capital (\$25 million or more) within Florida.

- High-impact sectors have evolved over time, but currently include:
 - Transportation Equipment (Aviation/Aerospace),
 - Silicon Technology,
 - Information Technology,
 - Life Sciences,
 - Financial Services,
 - Corporate Headquarters, and
 - Clean Energy.

- Qualified Target Industry business sectors include:
 - All High-impact sectors, and
 - Homeland Security and Defense.

PURPOSE:

- To encourage qualifying companies to locate or expand physical facilities in Florida.

QUALIFYING REQUIREMENTS:

CURRENT CAPITAL INVESTMENT TAX CREDIT QUALIFYING PROJECT TYPES					
	High-Impact Tier 1	High-Impact Tier 2	High-Impact Tier 3	Target Industry	Headquarters
Investment Required	\$25 Million	\$50 Million	\$100 Million	\$100 Million	\$250 Million
Taxes that the Credit can be Applied Against	Corporate Income Tax or Insurance Premium	Corporate Income Tax or Insurance Premium	Corporate Income Tax or Insurance Premium	Corporate Income Tax or Insurance Premium	Corporate Income Tax
Jobs Requirement	100 New Jobs	100 New Jobs	100 New Jobs	100 New, 900 New or Retained	1,500 New
Annual Credit Amount	5% of Eligible Costs	5% of Eligible Costs	5% of Eligible Costs	50% of increased tax liability arising out of the project	Lesser of \$15 million or 5% of Eligible Costs
Annual Credit Limit	50% of tax arising out of project	75% of tax arising out of project	100% of tax arising out of project	50% of increased tax liability arising out of project	\$15 million per year
Credit Period	20 years	20 Years	20 Years	5 years	20 years
Credit Carryover	None	None	Amounts not used within the 20-yr period can be taken between years 21 and 30	None	Annual unused amounts can be carried forward within the 20-yr period
Disproportionately Affected County Waiver	Between 7/1/11 and 6/30/14, the high impact sector requirement is waived for any business that relocates all or a portion of its out-of-state business to Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Walton or Wakulla County.			N/A	N/A
Taxpayer Permitted to Transfer Credit?	Generally no. However, if a project establishes a new solar panel manufacturing facility and generates at least 400 jobs within 6 months of commencing operations and pays those jobs at least \$50,000 average annual salary, it may transfer its permissible credit to another business.				

APPROVAL / OVERSIGHT / LIMITATIONS:

- Businesses must apply and have their projects pre-approved through DEO.
- After credit is awarded, DEO reviews businesses annually to ensure continuing requirements are satisfied.
- DOR oversees credit use through DOR's normal auditing procedures.
- Taxpayer is only permitted to offset the income generated from the qualifying project.
- Taxpayer can only offset a set percentage of its income from the qualifying project.
- Except for certain projects, unused credits expire at the end of each year.

SIGNIFICANT HISTORY:

- 1998 – Capital Investment Tax Credit (CITC) was created for high-impact sectors. High-impact sectors included Aviation/Aerospace, Automotive, and Silicon Technology. The credit only applied against Florida's Corporate Income Tax.
- 1999 – CITC was amended to allow the credit to apply to insurance premium tax.
- 1999 – DEO expanded high-impact sectors to include Information Technology.
- 2002 – DEO expanded high-impact sectors to include Life Sciences.
- 2003 – CITC was amended to temporarily allow financial services businesses to qualify for the CITC through June 30, 2004.
- 2004 – DEO expanded high-impact sectors to include Financial Services.
- 2005 – CITC was expanded to allow target industry businesses to qualify.
- 2006 – CITC was expanded to allow corporate headquarters to qualify.
- 2006 – DEO expanded high-impact sectors to include corporate headquarters.
- 2008 – CITC was amended to allow certain solar projects to transfer the credits.
- 2008 – DEO expanded high-impact sectors to include clean energy.
- 2011 – CITC was amended to allow certain tax credits to be used outside of the normal 20-year period following commencement of operations.
- 2011 – High-impact sector requirement was temporarily waived from 7/1/2011 through 6/30/2014, for Bay, Escambia, Franklin, Gulf, Okaloosa, Santa Rosa, Walton, and Wakulla counties, due to the significant impacts from the Deepwater Horizon oil spill.

FISCAL IMPACT:

The following information is valid as of December 2012:

Number of Applicants recommended from Enterprise Florida, Inc.	24
Number of Applicants Certified by DEO to Participate	23
Amount of Credit Initially Certified	\$2.6 billion
Number of Projects Completed and Audited	5
Number of Completed Projects Taking Credit	5
Amount of Credit Taken	\$90.2 million
Amount of Credit Taken in 2011	\$5.6 million

NEW MARKETS TAX CREDIT

Sections 288.9916, F.S.

INCENTIVE:

- Corporate Income Tax credits or Insurance Premium Tax credits equal to 39 percent of qualified investments in Community Development Entities (CDEs). The CDEs use qualified investments to fund projects in low-income communities. Florida's program is related to a similar federal government program.

PURPOSE:

- To encourage capital investment in low-income communities.

QUALIFYING REQUIREMENTS:

- The investor must make a qualifying investment in a CDE.
- The CDE must be certified under the federal New Markets Tax Program.
- CDEs must use these funds to invest in qualifying businesses in low-income communities. These investments are typically made in the form of loans.

APPROVAL / OVERSIGHT / LIMITATIONS:

- DEO reviews projects and approves credit allocations.
- DOR reviews credit use through its normal auditing procedures.
- The 39 percent credit must be taken in portions spread over 5 taxable years.
- A qualifying business may not receive more than \$10 million in qualifying investments under the entire program.
- The total amount of annual credits that may be awarded to CDEs is \$33.6 million per state fiscal year, and the total amount of credits that may be awarded for all years of the program is \$163.8 million.
- The New Markets Development Program expires December 31, 2022.

SIGNIFICANT HISTORY:

- 2000 -- The federal New Markets Tax Program was created by the Community Renewal Tax Relief Act.
- 2009 -- Florida created its New Markets Development Program, with an annual cap on credits of \$20 million, and a total program credit limit of \$97.5 million.
- 2012 -- The credit limits were raised to \$33.6 million per year and \$163.8 million for the life of the program, and some clarifying amendments were made.

FISCAL IMPACT:

- \$33.6 million per year; \$163.8 million over the life of the program
- To date, \$163.8 million has been allocated.

URBAN HIGH-CRIME AREA JOB TAX CREDIT

Sections 212.097 and 220.1895, F.S.

INCENTIVE:

- Provides a credit of \$500 to \$2,000 per qualified job against either Sales Tax or Corporate Income Tax for creating new jobs within designated urban areas nominated by local governments and qualified by the Department of Economic Opportunity as high-crime areas.

PURPOSE:

- To encourage the creation of jobs in urban areas of Florida.¹

QUALIFYING REQUIREMENTS:

- “Qualified high-crime areas” were nominated by local governments and ranked by DEO based on:
 - Arrest rates for violent crimes and other crimes such as drug sales, drug possession, prostitution, vandalism, and civil disturbances
 - Reported crime volume and rate of specific property crimes
 - Percentage of reported index crimes that are violent in nature
 - Overall index crime volume for the area, and
 - Overall index crime rate for the geographic area
- Rankings are based on comparisons to other nominated areas, not to the community as a whole.
- Qualified high-crime areas are designated in 3 tiers, with tier one containing the highest crime areas. Available credits per job created are higher in higher-crime tiers.
- An area that has been designated as a federal Empowerment Zone is also considered a qualified high-crime area.
- Eligible businesses include sole proprietorships, firms, partnerships, and corporations predominantly engaged in:
 - Agriculture, forestry and fishing
 - Manufacturing
 - Retail
 - Public warehousing and storage
 - Hotels and other lodging places
 - Research and development
 - Motion picture production and allied services

¹ *State of Florida Job Creation Plan*, pg. 34.

- Public golf courses
- Amusement parks
- Targeted industries eligible for the targeted industry business tax refund
- Call centers or similar customer service operations that service a multistate or international market
- A qualified employee must work for an eligible business at least 36 hours per week for at least 3 months.
- A new business with at least 10 employees in a tier one area is eligible for tax credits; tiers two and three require 20 and 30 new employees, respectively.
- An existing business within a tier one area must add at least 5 employees; existing businesses in tiers two and three must add 10 and 15 more employees, respectively.
- To be eligible for this credit, an existing business's number of eligible employees as of one year before the application date must be at least as great as the number of qualified employees on January 1, 2009, or on the application date on which a credit was based for any previous application.
- A new or existing business will receive an additional \$500 credit for any qualified employee who is a welfare transition program participant.

APPROVAL / OVERSIGHT / LIMITATIONS:

- The Department of Economic Opportunity must approve all applications for this credit.
- The maximum credit amount that may be approved during any calendar year is \$5 million, and \$1 million is reserved for tier-one areas.
- Up to 15 high-crime areas are authorized by Florida Statutes but only 13 applications were submitted by local governments. These areas have not changed since the program's original application period in 1998.
- A municipality, or a county and one or more municipalities together, may not nominate more than one high-crime area. This limitation does not apply to Miami-Dade County.
- The size of a designated area is limited to 20 square miles in a community having more than 150,000 persons, and in smaller communities the allowable size is smaller. The designated area may consist of up to 3 noncontiguous parcels.

SIGNIFICANT HISTORY:

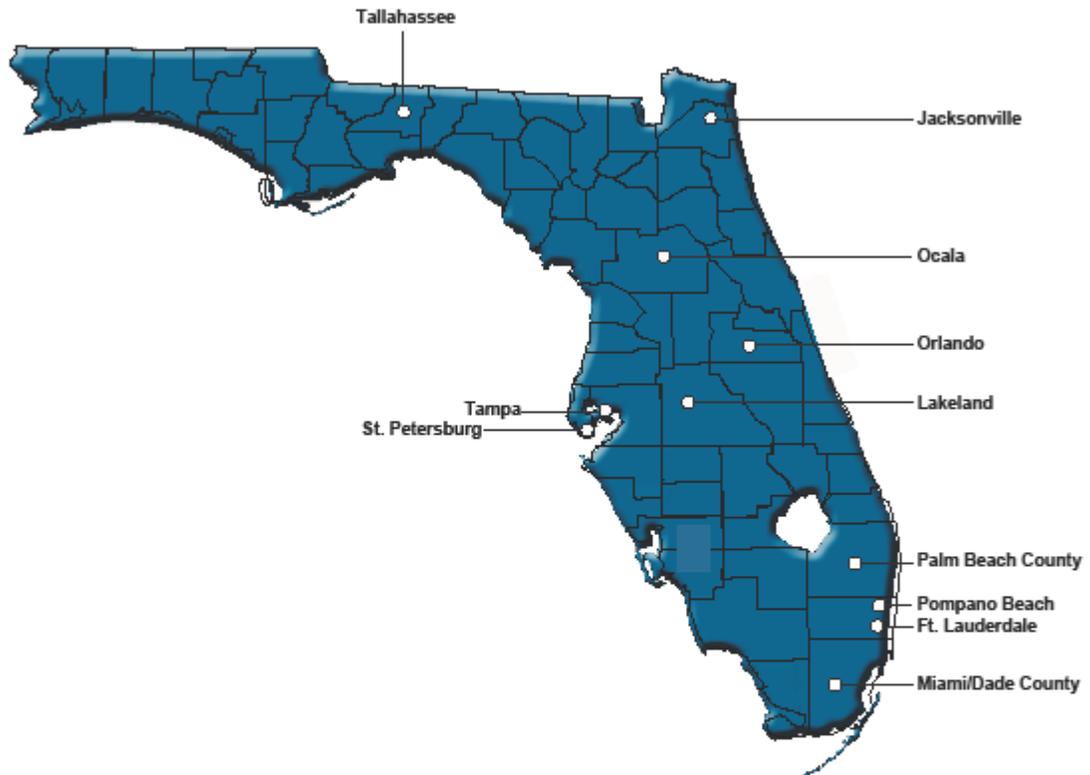
- Created in 1997.
- In 2001 qualified target industry businesses and motion picture production and allied services were added to the list of eligible businesses.
- In 2012, dates for the reference period number of employees for existing businesses applying for the credit for a second time or more were changed so that when a business is applying for the second time or more, the number of qualified employees the business has at the time must be no lower than the number of qualified employees that the employer had on January 1, 2009, or on the date of its previous application for this credit. The change also allowed a business to reapply for credits that had been disallowed under the law as it existed at the time of application, but would have been allowed under the law as amended.

FISCAL IMPACT:

- 13 Urban High-Crime Areas have been designated by DEO based on nominations by local governments.
- \$2.5 m in credits were approved in 2012.
- \$21.9 m in credits have been approved since the program's inception.

FLORIDA URBAN JOB TAX CREDIT PROGRAM

Effective January 2013



**Florida Department of Economic Opportunity
Division of Community Development
107 East Madison Street; MSC 160
Tallahassee, Florida 32399**

RURAL JOB TAX CREDIT

Sections 212.098 and 220.1895, F.S.

INCENTIVE:

- Provides a credit of \$1,000 to \$1,500 per qualified job against either Sales Tax or Corporate Income Tax for creating new jobs in rural counties.

PURPOSE:

- To encourage meaningful employment opportunities that will improve the quality of life of those employed and to encourage economic expansion of new and existing businesses in rural areas of Florida.²

QUALIFYING REQUIREMENTS:

- A “Qualified Rural Area” is any area that is:
 - Within a Rural Area of Critical Economic concern;
 - A county with a population of fewer than 75,000; or
 - A county with a population of 125,000 or fewer that is contiguous to a county with a population of fewer than 75,000.
- Eligible businesses include sole proprietorships, firms, partnerships, and corporations predominantly engaged in:
 - Agriculture, forestry and fishing
 - Manufacturing
 - Public warehousing and storage
 - Hotels and other lodging places
 - Motion picture production and allied services
 - Public golf courses
 - Amusement parks
 - Targeted industries eligible for the targeted industry business tax refund
 - Call centers or similar customer service operations that service a multistate or international market
- A qualified employee must work for an eligible business at least 36 hours per week for at least 3 months.
- A new business with at least 10 employees is eligible for tax credits.
- An existing business with fewer than 50 employees must increase employment by at least 20 percent; and existing business with more than 50 employees must add at least 10 employees.

² *State of Florida Job Creation Plan*, pg. 36.

- 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.
- A new or existing business will receive an additional \$500 credit for any qualified employee who is a welfare transition program participant.
-

APPROVAL / OVERSIGHT / LIMITATIONS:

- The Department of Economic Opportunity must approve all applications for this credit.
- The maximum credit amount available to any one business in a single year is \$500,000.
- The maximum credit amount that may be approved during any calendar year is \$5 million.

SIGNIFICANT HISTORY:

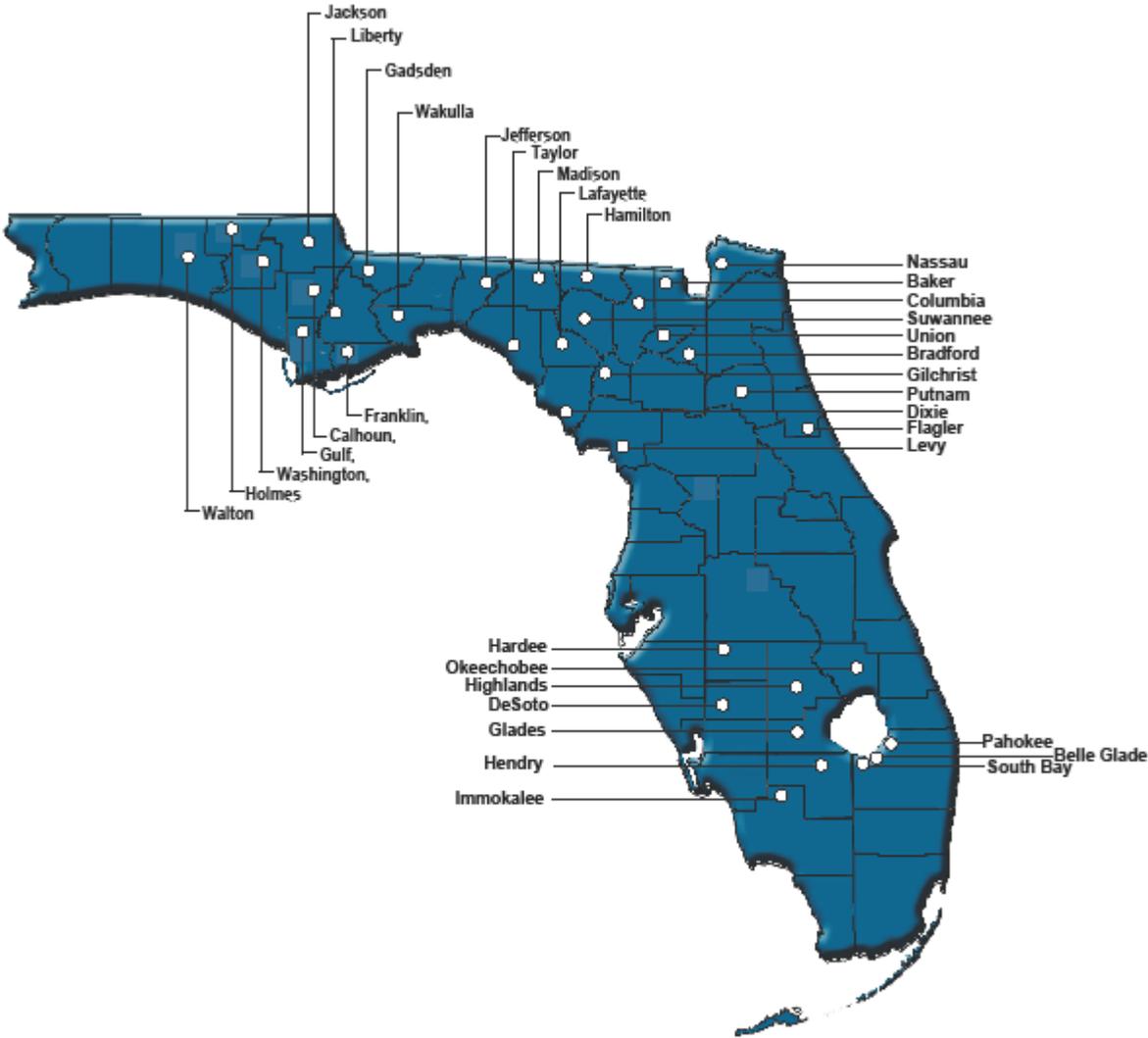
- Created in 1997.
- In 2001 qualified target industry businesses and motion picture production and allied services were added to the list of eligible businesses, and total tax credits available to a business in any one calendar year were limited to \$500,000.

FISCAL IMPACT:

- 32 rural counties, 3 cities, and one rural area qualify for the program.
- \$0.2 m in credits were approved in 2012.
- \$4.5 m in credits have been approved since the program's inception.

FLORIDA RURAL JOB TAX CREDIT PROGRAM

Effective January 2013



**Florida Department of Economic Opportunity
Division of Community Development
107 East Madison Street; MSC 160
Tallahassee, Florida 32399**

FLORIDA BROWNFIELDS REDEVELOPMENT ACT

Sections 220.1845, 212.08(5)(o), 288.107, and 376.77-376.85, F.S.

INCENTIVE:

- Florida's Brownfields Redevelopment Program offers 3 incentives for cleaning up and developing brownfield areas.
- **Voluntary Cleanup Tax Credits** are transferable corporate income tax credits for 50% of the cost of site rehabilitation, with an additional 25% credit when cleanup is complete. These credits are available to projects that are executed under a Brownfield Site Rehabilitation agreement with DEP, and are limited to \$500,000 per project per year and \$5 million annually.
- **Building Materials Sales Tax Refunds** are available in brownfield areas for construction of housing projects that set aside at least 20% of the units for low-income and moderate income persons, or mixed-use projects that set aside at least 20% of the square footage for housing reserved for low-income and moderate-income persons.
- **Brownfield Redevelopment Bonus Refund**, a tax refund of up to \$2,500 for each new job created by a pre-approved business in a brownfield area. The business must create at least 10 new jobs and satisfy other criteria, and the total amount of money available for refunds for a given year is subject to appropriation.

PURPOSE:

- To encourage cleanup and development of sites that are "abandoned, idled, or underused properties where expansion or redevelopment is complicated by actual or perceived environmental contamination."³
- The program provides incentives to rehabilitate contaminated sites, and develop "brownfield areas" which are contiguous areas of one or more brownfield sites, **some of which may not be contaminated**. A brownfield site is real property, the expansion, redevelopment, or reuse of which may be complicated by actual **or perceived** environmental contamination. There are no objective criteria for designating brownfield sites or brownfield areas.

QUALIFYING REQUIREMENTS:

- A local government may designate a brownfield area by resolution.

³ Office of Program Policy Analysis and Government Accountability Report No. 11-15, "Over 600 Brownfield Acres Cleaned Up; Businesses Tax Advantage of Program Incentives," p. 1.

- Voluntary Cleanup Tax Credits are 50 percent of the costs of voluntary cleanup activity that is integral to site rehabilitation in the previous year. An additional 25 percent of total cleanup costs is available in the final year of cleanup. This credit is also available for cleanup of a drycleaning-solvent contaminated site.
- Building materials sales tax refunds are available for housing projects and mixed use projects in brownfield areas if at least 20 percent of the project is set aside for low-income and moderate-income persons.
- Brownfield Redevelopment Bonus Refund, a tax refund of up to \$2,500 for each new job created by a pre-approved business in a brownfield area, is limited to a qualified target industry business, or a business that provides benefits to its employees and that can demonstrate a fixed capital investment of at least \$2 million in mixed-use business activities or at least \$500,000 in brownfield areas that do not require site cleanup. At least 10 new full-time permanent jobs must be created, and the actual amount of the refund is 20 percent of the average annual wage for the jobs created.

APPROVAL / OVERSIGHT / LIMITATIONS:

- Voluntary Cleanup Tax Credits require a Site Rehabilitation Agreement between the responsible party and either the Department of Environmental Protection (DEP) or a county with authorized program authority and DEP must authorize the credits.
- Voluntary Cleanup Tax Credits for any project are limited to \$500,000 per year, and the total amount of tax credits that may be granted under this program is limited to \$5 million annually. As of June 30, 2012, there was a backlog for unissued credits of \$13.6 million.
- The Department of Revenue also oversees these tax credits and building materials sales tax refunds through its normal auditing procedures.
- Brownfield Redevelopment Bonus Refunds require a recommendation by resolution of the governing board of the county or municipality that certain types of businesses be approved by the Department of Economic Opportunity.
- The total amount of bonus refunds approved in any fiscal year is limited by the amount appropriated to the Economic Development Incentives Account for this purpose.

SIGNIFICANT HISTORY:

- Created in 1997 as a voluntary program in which a local government may designate a brownfield area by resolution.
- In 2000 additional types of businesses were made eligible for the Brownfield Redevelopment Bonus Refund, and in 2009 the minimum investment required to

qualify for the bonus refund was reduced for investments in brownfield areas that do not require site cleanup.

- In 2011 the annual authorization for the Voluntary Cleanup Tax Credit was increased from \$2 million to \$5 million.

FISCAL IMPACT:

- As of June 30, 2012, brownfield areas have been designated in 43 counties. There are 312 designated areas covering 226,948 acres.
- The extent of property subject to cleanup is much smaller--167 brownfield site rehabilitation agreements have been executed covering 3,642 acres. This equals 1.6% of total brownfield areas.
- Rehabilitation has been completed on 54 sites, totaling 812 acres, or 22% of the area covered by rehabilitation agreements.
- Voluntary Cleanup Tax Credits--\$5 million annually, \$20.5 million credits issued since program began through FY 2011-12. As of June 30, 2012, there was a backlog for unissued credits of \$13.6 million.
- Building Materials Sales Tax Refunds— \$1.2 m in FY 2011-12, \$7.0 m since FY 2005-06.
- Brownfield Redevelopment Bonus Refund--\$8.0 m through FY 2011-12.

FLORIDA EMPLOYEES' SALARY INSURANCE PREMIUM TAX CREDIT

Section 624.509(5), F.S.

INCENTIVE:

- This statute provides a credit against the insurance premium tax equal to 15 percent of the amount paid by an insurer in salaries to employees located or based within Florida.

PURPOSE:

- To encourage insurance companies to locate employees in Florida.

QUALIFYING REQUIREMENTS:

- Employees of the insurance company, or employees of an affiliated group of corporations who perform insurance-related activities, must be located or based within Florida to qualify for the credit.

APPROVAL / OVERSIGHT / LIMITATIONS:

- “Salaries” does not include amounts paid as commissions, and “employees” does not include independent contractors or persons required to hold a license under the Florida Insurance Code (including insurance agents), except for adjusters, managing general agents, and service representatives.
- The sum of the salary credit and the credit for Florida corporate income taxes paid cannot exceed 65 percent of the premium tax due after deducting the taxes paid under s. 175.101 and s. 185.08, F.S., (Municipal Firefighters’ Pension Fund and Municipal Police Retirement Fund Credits) and any assessments under s. 440.51, F.S.(Workers Compensation Assessments Credits).

SIGNIFICANT HISTORY:

- In 1949, the Legislature provided an insurance premium tax exemption for insurers that maintained their home offices in Florida.
- In 1953 it reduced premium taxes of a foreign insurance company incorporated under the laws of another state or foreign country, if the company owned and substantially occupied any building in the state as a regional home office.
- In 1985, the U.S. Supreme Court ruled in *Metropolitan Life Insurance Company v. Ward* that a domestic preference provision in Alabama’s insurance tax law

similar to the preference provision in Florida at the time violated the Equal Protection Clause.

- Florida and other states looked for ways to provide tax breaks to their domestic insurance companies that would pass constitutional muster, and in 1987 the Florida Legislature responded by repealing its own domestic preference provision and replacing it with a Florida Employees' Salary Credit.
- Chapter 87- 99, L.O.F, provided a credit against the net insurance premium tax equal to 10 percent of the amount paid by an insurer in salaries to employees located or based within Florida.
- The salary credit was increased to 15 percent by ch. 88-206, L.O.F, which also increased the amount of credit granted for corporate income taxes and Florida employees' salaries.

FISCAL IMPACT:

- In 2011, \$219.8 m in Florida employees' salary credit was taken against the insurance premium tax.

FLORIDA ENTERPRISE ZONE PROGRAM

PURPOSE:

- 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.

INCENTIVES: The Florida Enterprise Zone Program includes a variety of tax incentives available to qualified businesses.

- **Enterprise Zone Jobs Tax Credit – Sales and Use Tax (s. 212.096, F.S.) or Corporate Income Tax (s. 220.181, F.S.)**
Businesses located in an enterprise zone can receive sales tax or corporate income tax credits for wages paid to new employees who have been employed for at least three months and are residents of a Florida enterprise zone. The amount of the credit is limited to 20% of monthly wages, or 30% of monthly wages if at least 20 percent of all full-time employees are enterprise zone residents. For rural enterprise zones, the credit is limited to 30% of monthly wages, or 45% of monthly wages if at least 20 percent of all full-time employees are enterprise zone residents. The qualified business may receive the credit for up to 24 months.
- **Enterprise Zone Property Tax Credit - Corporate Income Tax (s. 220.182, F.S.)**
New or expanded businesses located in an enterprise zone can receive corporate income tax credits for property taxes paid in Florida. To qualify, a business must hire 5 or more additional full-time employees. The amount of the credit is limited to \$25,000 per business, or \$50,000 if at least 20 percent of full-time employees are enterprise zone residents. The qualified business may receive the credit for up to 5 years.
- **Sales Tax Refund for Building Materials Used in an Enterprise Zone (s. 212.08(5)(g), F.S.)**
A refund is available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in an enterprise zone. The amount of the refund is limited to \$5,000 per parcel of property, or \$10,000 if at least 20 percent of full-time employees are enterprise zone residents. The refund is limited to one per parcel of property.

- **Sales Tax Refund for Business Machinery and Equipment Used in an Enterprise Zone (s. 212.08(5)(h), F.S.)**

A refund is available for sales taxes paid on the purchase of certain business property, (e.g., tangible personal property such as office equipment, warehouse equipment, and some industrial machinery and equipment). The minimum purchase price of equipment is \$5,000 per unit. The amount of the refund is limited to \$5,000, or \$10,000 if at least 20 percent of full-time employees are enterprise zone residents.

- **Sales Tax Exemption for Electrical Energy Used in an Enterprise Zone (s.212.08(15), F.S.)**

Qualified businesses located in an enterprise zone are eligible for a sales tax exemption on their electricity purchases if the municipality in which they are located has enacted an ordinance providing an exemption from municipal utility tax. The sales tax exemption is 50 percent or 100 percent if at least 20 percent of full-time employees are enterprise zone residents. The qualified business may receive the exemption for up to 5 years.

QUALIFYING REQUIREMENTS:

- Sections 290.001-290.016, F.S., authorize the creation of enterprise zones and establish criteria and goals for the program. Prior to submitting an application for an enterprise zone, a local governed body must determine that an area:
 - Has pervasive 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.
- An enterprise zone is subject to the following mileage limitations:
 - Up to 20 square miles for a rural enterprise zone or for communities with a population of 150,000 or more.
 - Up to 10 square miles for communities with a population between 50,000 and 150,000.
 - Up to 5 square miles for communities with a population between 20,000 and 50,000.
 - Up to 3 square miles for communities with a population less than 20,000.

APPROVAL / OVERSIGHT / LIMITATIONS:

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

SIGNIFICANT HISTORY:

- Created in 1982 and revised several times since.
- There are currently 64 enterprise zones.
- The Florida Enterprise Zone Program is repealed December 31, 2015.

FISCAL IMPACT:**Enterprise zone incentives (\$ claimed)**

Category	FY 11-12	FY 10-11	FY 09-10	FY 08-09	FY 07-08	FY 06-07	FY 05-06
Jobs Credit - Sales Tax	865,560	757,739	5,683,252	5,227,245	5,732,605	6,087,843	6,777,250
Jobs Credit – Corporate Tax	4,455,624	4,956,598	4,348,031	5,072,555	5,507,311	5,919,236	4,253,621
Property Tax Credits	1,022,199	1,994,562	1,384,668	1,910,708	2,184,036	2,291,961	1,267,999
Building Materials Refunds	2,462,136	13,590,376	54,012,915	30,994,860	25,665,025	18,855,129	7,415,711
Business Equipment Refunds	1,228,479	679,440	1,035,562	1,139,066	1,269,955	1,771,396	2,940,864
Electric Energy Exemption	900,476	972,185	1,138,054	1,007,007	606	793,179	778,090
Total all zones	10,934,474	22,950,900	67,602,482	45,351,441	40,359,538	35,718,744	23,433,535

THE FLORIDA SENATE
APPEARANCE RECORD

(Deliver BOTH copies of this form to the Senator or Senate Professional Staff conducting the meeting)

02/20/13

Meeting Date

Topic FLORIDA E. Z. PROGRAM

Bill Number

N/A

(if applicable)

Name BURT VON HOFF

Amendment Barcode

(if applicable)

Job Title BUREAU COORDINATOR

Address 107 East MADISON Street

Phone

717-8518

Street

Tallahassee, FL 32399

City

State

Zip

E-mail

burt.vonhoff@

deo.myflorida.com

Speaking:

For

Against

Information

Representing

D. E. O.

Appearing at request of Chair:

Yes

No

Lobbyist registered with Legislature:

Yes

No

While it is a Senate tradition to encourage public testimony, time may not permit all persons wishing to speak to be heard at this meeting. Those who do speak may be asked to limit their remarks so that as many persons as possible can be heard.

This form is part of the public record for this meeting.

S-001 (10/20/11)

CourtSmart Tag Report

Room: LL 37

Case:

Type:

Caption: Senate Appropriations Subcommittee on Finance and Tax

Judge:

Started: 2/20/2013 1:35:05 PM

Ends: 2/20/2013 3:23:47 PM

Length: 01:48:43

1:35:07 PM Senator Hukill calls meeting to order
1:35:17 PM roll call
1:35:37 PM Sen. Hukill
1:37:55 PM Robert Babin, Attorney, Senate Approp. Subcom. on Finance and Tax - General Information
1:41:06 PM Sen. Ring
1:41:21 PM Sen. Hukill
1:41:22 PM Robert Babin
1:41:31 PM Sen. Hukill
1:41:33 PM Robert Babin
1:42:14 PM Sen. Hukill
1:42:18 PM Sen. Clemens
1:42:50 PM Sen. Hukill
1:43:11 PM Sen. Simmons
1:45:04 PM Sen. Hukill
1:46:06 PM Sen. Altman
1:46:19 PM Sen. Hukill
1:46:25 PM Sen. Altman
1:46:28 PM Sen. Hukill
1:46:33 PM Robert Babin - International Banking Facility Income Deductont
1:49:45 PM Sen. Hukill
1:49:52 PM Sen. Margolis
1:50:41 PM Sen. Hukill
1:51:06 PM Robert Babin
1:51:49 PM Sen. Hukill
1:51:50 PM Robert Babin
1:51:51 PM Sen.Sachs
1:52:01 PM Sen. Hukill
1:52:02 PM Robert Babin
1:52:13 PM Sen. Sachs
1:52:56 PM Sen. Hukill
1:53:00 PM Sen.Margolis
1:53:51 PM Sen. Hukill
1:53:52 PM Robert Babin
1:54:10 PM Sen. Hukill
1:54:33 PM Sen. Abruzzo
1:54:45 PM Sen. Hukill
1:54:46 PM Sen Abruzzo
1:55:02 PM Sen. Hukill
1:55:03 PM Robert Babin
1:55:06 PM Sen Hukill
1:55:33 PM Robert Babin - Single Sales Factor Apportionment
1:58:20 PM Sen. Hukill
1:58:26 PM Sen. Altman
1:58:29 PM Robert Babin
1:58:38 PM Sen. Hukill
1:59:05 PM Robert Babin
1:59:15 PM Sen. Hukill
1:59:17 PM Sen. Ring
2:00:27 PM Sen. Hukill
2:00:33 PM Robert Babin
2:00:59 PM Sen. Hukill
2:01:02 PM Sen. Clemens

2:01:20 PM	Sen. Hukill
2:01:23 PM	Robert Babin
2:01:29 PM	Sen. Hukill
2:01:47 PM	Robert Babin - Research and Development Tax Credit
2:03:17 PM	Sen. Hukill
2:03:19 PM	Sen. Gardiner
2:03:27 PM	Robert Babin
2:03:39 PM	Sen. Hukill
2:03:43 PM	Sen. Gardiner
2:03:47 PM	Sen. Hukill
2:03:50 PM	Sen. Sachs
2:04:04 PM	Robert Babin
2:04:24 PM	Sen. Hukill
2:04:37 PM	Robert Babin - Capital Investment Tax Credit
2:09:37 PM	Sen. Hukill
2:09:38 PM	Robert Babin
2:09:42 PM	Sen. Hukill
2:09:45 PM	Sen. Gardiner
2:10:05 PM	Sen. Hukill
2:10:07 PM	Robert Babin
2:10:16 PM	Sen. Hukill
2:11:05 PM	Robert Babin
2:11:46 PM	Sen. Hukill
2:12:47 PM	Robert Babin - New Markets Tax Credit
2:15:49 PM	Sen. Hukill
2:15:51 PM	Sen. Clemens
2:15:58 PM	Sen. Hukill
2:15:59 PM	Robert Babin
2:16:16 PM	Sen. Hukill
2:16:20 PM	Sen. Clemens
2:16:39 PM	Sen. Hukill
2:16:54 PM	Robert Babin
2:17:00 PM	Sen. Hukill
2:17:08 PM	Robert Babin
2:17:18 PM	Sen. Clemens
2:17:29 PM	Sen. Hukill
2:18:04 PM	Ellen Fournier, Legislative Analyst, Senate Approp. Subcom. on Fin. & Tax - Urban High-Crime Area Job Tax Credit
2:21:56 PM	Sen. Hukill
2:22:03 PM	Sen. Gardiner
2:22:12 PM	Ellen Fournier
2:22:27 PM	Sen. Gardiner
2:22:35 PM	Sen. Hukill
2:22:36 PM	Ellen Fournier
2:22:50 PM	Sen. Gardiner
2:23:00 PM	Ellen Fournier
2:23:13 PM	Sen. Hukill
2:23:16 PM	Sen. Abruzzo
2:23:29 PM	Ellen Fournier
2:23:31 PM	Sen. Hukill
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2:24:09 PM	Sen. Hukill
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2:26:12 PM	Sen. Hukill

2:26:26 PM Sen. Diaz de la Portilla
2:26:42 PM Ellen Fournier
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2:26:56 PM Sen. Hukill
2:27:01 PM Ellen Fournier
2:27:06 PM Sen. Hukill
2:27:09 PM Sen. Gardiner
2:27:34 PM Ellen Fournier
2:28:22 PM Sen. Gardiner
2:29:05 PM Sen. Hukill
2:29:06 PM Ellen Fournier
2:29:38 PM Sen. Hukill
2:29:41 PM Jose Diez-Arguelles, Staff Director, Senate Approp. Subcom. on Fin. and Tax
2:30:15 PM Sen. Gardiner
2:30:17 PM Jose Diez-Arguelles
2:30:22 PM Sen. Gardiner
2:30:55 PM Ellen Fournier
2:31:27 PM Sen. Hukill
2:31:29 PM Sen. Gardiner
2:31:40 PM Sen. Hukill
2:32:28 PM Sen. Simmons
2:34:17 PM Sen. Hukill
2:35:04 PM Ellen Fournier - Rural Job Tax credit
2:37:13 PM Sen. Hukill
2:37:25 PM Sen. Abruzzo
2:37:56 PM Sen. Hukill
2:37:59 PM Sen. Sachs
2:38:24 PM Ellen Fournier
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2:41:34 PM Sen. Hukill
2:41:39 PM Sen. Diaz de la Portilla
2:42:27 PM Ellen Fournier
2:42:32 PM Sen. Hukill
2:42:57 PM Ellen Fournier - Florida Brownfields Redevelopment Act
2:47:43 PM Sen. Hukill
2:47:46 PM Sen. Gardiner
2:48:16 PM Ellen Fournier
2:48:29 PM Sen. Gardiner
2:48:38 PM Ellen Fournier
2:48:40 PM Sen. Gardiner
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2:56:38 PM Ellen Fournier
2:56:54 PM Sen. Diaz de la Portilla
2:57:07 PM Ellen Fournier
2:57:10 PM Sen. Hukill
2:57:35 PM Sen. Margolis
2:57:44 PM Sen. Hukill
2:58:02 PM Ellen Fournier - Florida Employees' Salary Insurance Premium Tax Credit
3:00:21 PM Sen. Hukill
3:00:26 PM Sen. Sachs
3:00:33 PM Sen. Hukill
3:00:36 PM Jose Diez-Arguelles
3:00:41 PM Sen. Sachs
3:01:16 PM Ellen Fournier
3:02:04 PM Sen. Sachs
3:02:06 PM Sen. Hukill
3:02:10 PM Sen. Clemens
3:02:18 PM Ellen Fournier
3:02:40 PM Sen. Clemens
3:02:43 PM Sen. Hukill
3:02:46 PM Sen. Clemens
3:02:57 PM Sen. Hukill
3:03:00 PM Sen. Abruzzo
3:03:13 PM Sen. Hukill
3:03:36 PM Ashley Cote, Legislative Analyst, Senate Approp. Subcom. on Fin. and Tax - Florida Enterprize Zone Program
3:10:08 PM Sen. Hukill
3:10:13 PM Ashley Cote
3:10:21 PM Sen. Hukill
3:10:26 PM Sen. Gardiner
3:10:46 PM Ashley Cote
3:11:05 PM Sen. Gardiner
3:11:22 PM Sen. Hukill
3:11:24 PM Ashley Cote
3:11:42 PM Sen. Hukill
3:11:49 PM Ashley Cote
3:11:50 PM Sen. Hukill
3:12:01 PM Ashley Cole
3:12:24 PM Sen. Hukill
3:12:26 PM Burt Von Hoff, Bureau Coordinator, Department of Economic Opportunity
3:13:26 PM Sen. Gardiner
3:13:56 PM Sen. Hukill
3:14:08 PM Sen. Sachs
3:15:08 PM Burt Von Hoff
3:15:43 PM Sen. Sachs
3:16:39 PM Sen. Hukill
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3:18:43 PM Sen. Hukill
3:19:36 PM Sen. Clemens

3:21:27 PM Sen. Hukill
3:23:07 PM Sen. Margolis
3:23:30 PM Sen. Hukill
3:23:47 PM Meeting adjourned