

## Committee on Budget

### **CS/HB 143 — Economic Development**

by Economic Development and Tourism Subcommittee and Rep. Workman (SB 508 by Education Pre-K – 12, and Senators Bogdanoff and Negron; SB 842 by Senator Latvala; SB 872 by Senator Negron; SB 942 by Senator Bogdanoff; SB 1084 by Senator Altman; SB 1506 by Commerce and Tourism Committee and Senator Ring; SB 1820 by Senator Hays)

#### ***Emergency Excise Tax Repeal***

The bill repeals the Emergency Excise Tax, and allows taxpayers with unused credits related to the Emergency Excise Tax to take those credits against corporate income tax.

#### ***Entertainment Industry Financial Incentive Program***

The bill increases the credit limit from \$38 million to \$42 million per year for fiscal years 2012-13, 2013-14, 2014-15.

The bill grants three types of credit bonuses: productions that use “underutilized” areas of the state receive an additional 5 percent credit; productions receive an additional 15 percent credit for payroll expenses paid to full-time Florida film school students or recent Florida film school graduates; and productions receive an additional 5 percent credit for conducting at least 50 percent of their photography or digital media production in Florida.

The bill removes television series and television pilots from the general production queue if more than 25 percent of credits for the life of the program have been issued to television series. The bill moves digital media production to the first queue slot if less than 20 percent of credits have been awarded to digital media production.

The bill limits high-impact television series to applying for a maximum of two initial seasons, and then the series may only add an additional season as it finishes each season.

The bill limits total combined credits for a project to 30 percent of production expenses.

#### ***Enterprise Zone Provisions***

The bill provides local governments the ability to apply to the Office of Tourism, Trade, and Economic Development for expansion of rural enterprise zones by up to 3 square miles.

The bill provides authority for Martin County and Lake County to apply for designation of an Enterprise Zone of up to 10 square miles, and for the City of Palm Bay to apply for designation of an Enterprise Zone of up to 5 square miles.

### ***Single Sales Factor Apportionment***

The bill permits companies that make \$250 million in qualified expenditures within Florida over a two-year period, beginning no earlier than July 1, 2011, to use a single sales factor formula in order to apportion their taxable income for Florida corporate income tax purposes.

In order to qualify, the company must notify the Office of Tourism, Trade, and Economic Development of the company's intent to begin making qualifying expenditures, and the company must complete its expenditures and apply for approval within 2 years.

### ***Spaceflight Tax Credits***

The bill creates corporate income tax incentives for businesses engaged in spaceflight activities within Florida. The program creates two corporate tax credits and is time-limited – no credit may be approved after October 1, 2017. In order to qualify for a credit, the business must engage in:

- the design, manufacture, testing, or assembly of space vehicles;
- providing services related to spaceflight launch, payload processing, or reentry;
- providing spaceflight payload;
- providing launch or reentry vehicles for space tourists; or
- providing the administrative support for such businesses.

In order to obtain a credit, a qualifying company must apply to the Office of Tourism, Trade, and Economic Development and be approved. The total amount that may be approved for all credits, for all years is \$10 million.

The first incentive is a corporate tax credit equal to 50 percent of the business's corporate income tax liability in a given year. This credit cannot be transferred and is limited to \$3 million for all years. The second incentive allows a business with a net operating loss to convert the net operating loss into a credit that can be sold to third parties. The total credit amount is limited to \$7 million for all years. A certified spaceflight business may be approved for both incentives, but not in the same year.

### ***Research and Development Credits***

The bill provides an annual corporate income tax credit for expenses related to research and development in Florida. The taxpayer must have also received the related federal credit for research and development on the same expenses. The Florida credit is equal to 10 percent of the excess of the current year's expenses over the corporation's average research and development expenses for the prior 4 years. The total annual amount of credit authorized is \$9 million.

### ***Sales Tax Holiday***

The bill provides that no sales and use tax will be collected on the sale of books, clothing, wallets, or certain bags having a selling price of \$75 or less during the 3-day period beginning 12:01 a.m., Friday, August 12, 2011, through 11:59 p.m., Sunday, August 14, 2011. The bill also provides that

no sales and use tax shall be collected on sales of certain school supplies having a selling price of \$15 or less per item during that same period of time. The temporary exemption does not apply to sales within theme parks, public lodgings or airports, as defined by statute.

### ***Special Impact Estimating Conferences***

The bill provides for the creation of special impact estimating conferences, which will require the appointment of 4 principals each time a special impact session is requested by the President of the Senate or the Speaker of the House of Representatives.

These principals would be one each from the Executive Office of the Governor, the Office of Economic and Demographic Research, Senate professional staff, and House of Representatives professional staff and will be appointed based on their appropriate fiscal expertise in the subject matter of the proposal to be evaluated.

### ***Brownfield Rehabilitation Tax Credits***

The bill increases from \$2 million to \$5 million the corporate income tax credits that are annually available to partially compensate taxpayers who voluntarily clean up dry-cleaning solvent-contaminated or brownfield sites.

### ***Florida Defense Support Task Force***

The bill creates the Florida Defense Support Task Force. The task force's mission is to prepare the state to compete in any federal base realignment and closure action, to support the state's position in militarily-related research and development, and to improve the state's military-friendly environment.

### ***Appropriations***

The bill contains four appropriations of nonrecurring General Revenue to the Office of Tourism, Trade and Economic Development for the following purposes:

- \$5 million for the Florida Defense Support Task Force;
- \$15 million for the Innovation Incentive Fund program;
- \$42 million for the Quick Action Closing Fund program; and
- \$10 million for the Institute for the Commercialization of Public Research.

The bill also provides an appropriation to the Department of Revenue for administration of the Sales Tax Holiday.

If approved by the Governor, except as otherwise provided, these provisions take effect July 1, 2011.

*Vote: Senate 33-3; House 118-0*