

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

Date: April 27, 1998 Revised: _____

Subject: Community Contribution Tax Credits

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Maclure</u>	<u>Austin</u>	<u>CM</u>	<u>Favorable</u>
2.	<u>Fournier</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable/CS</u>
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill raises the annual cap to \$5 million from \$2 million on the combined total amount of credits against corporate income tax, franchise tax, and insurance premium tax that may be claimed by businesses that make contributions toward revitalization projects under the state’s Community Contribution Tax Credit Program.

This bill amends sections 220.183 and 624.5105, Florida Statutes.

II. Present Situation:

Finding that deterioration of housing and commercial facilities both evidences and contributes to economic decline in Florida communities, the Legislature in 1980 created the Community Contribution Tax Credit Program, which encourages businesses to make donations toward revitalization projects undertaken by redevelopment organizations (ch. 80-249, L.O.F). Eligible projects include those designed to construct or rehabilitate housing and commercial facilities or to promote entrepreneurial or job-development opportunities for low-income persons (s. 220.03(1)(t), F.S.). All projects, except for those related to housing for low-income persons, must be located in an enterprise zone (ss. 220.183(4)(d) and 624.5105(4)(d), F.S.).

The program authorizes corporations that make donations to approved redevelopment organizations to claim a credit equal to 50 percent of the donation against corporate income tax, franchise tax, or insurance premium tax. Under ss. 220.183 and 624.5105, F.S., the combined total amount of tax credits that may be approved is \$2 million annually. An individual business may receive no more than \$200,000 in tax credits per year (ss. 220.183(3)(b) and 624.5105(3)(b), F.S.).

The Office of Tourism, Trade, and Economic Development, which approves redevelopment organizations to participate in the program and helps process donors' requests for tax credits, reports that activity under the program has been increasing and that the \$2 million cap on credits is being reached earlier each fiscal year since the program was re-authorized in 1994. In fiscal year 1995-96, when the program was under the Department of Commerce, the cap was not reached; in fiscal year 1996-97, the cap was reached in February 1997; and in fiscal year 1997-98, the cap was reached in July 1997.

III. Effect of Proposed Changes:

This bill amends ss. 220.183(3)(c) and 624.5105(3)(c), F.S., to raise the cap to \$5 million from \$2 million on the combined total amount of credits that may be claimed annually against corporate income tax, franchise tax, and insurance premium tax for contributions made by businesses to eligible redevelopment organizations under the Community Contribution Tax Credit Program.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill raises the annual cap to \$5 million from \$2 million on the combined total amount of credits that may be claimed against corporate income tax, franchise tax, and insurance premium tax under the Community Contribution Tax Credit Program. The increase in the cap, therefore, represents a maximum \$3 million increase in the annual tax revenue foregone by the state under this program.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
	(\$3.0)	(\$3.0)					(\$3.0)	(\$3.0)

B. Private Sector Impact:

By raising the annual cap on the total amount of credits that may be claimed, this bill makes it possible for additional taxpayers to participate in the tax credit program. The bill does not alter the current \$200,000 annual limit on the amount of credits that an individual business may receive for approved contributions made in any one year.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.