

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 23, 1998 Revised: \_\_\_\_\_

Subject: Enterprise Zones

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Fournier</u>	<u>Beggs</u>	<u>WME</u>	<u>Favorable</u>
2.	<u>Fournier</u>	<u>Smith</u>	<u>WM</u>	<u>Favorable/CS</u>
3.	_____	_____	<u>CA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

**I. Summary:**

This committee substitute:

- Allows a business purchased in February, 1992 within an existing enterprise zone in Tampa to apply for and receive tax credits for the period 1992 through 1994, when the previous enterprise zone program expired. The business must submit an application for the tax credits by December 1, 1998;
- Extends the period in which Dade County can apply to the Office of Tourism, Trade, and Economic Development to amend the boundary lines of part of its enterprise zone;
- Provides that certain enterprise zones may apply to the Office of Tourism, Trade, and Economic Development to amend and in certain cases expand their enterprise zones;
- Provides that a business in a net-ban enterprise zone is eligible for the maximum amount of certain tax credits and exemptions if at least 20 percent of its employees are residents of the county in which the net-ban enterprise zone is located, and provides that business property used in certain vessels or boats owned by a qualified business in a net-ban enterprise zone may be eligible for a sales tax exemption;
- Appropriates \$100,000 from the General Revenue Fund to the Department of Community Affairs to support an Enterprise Center in fiscal year 1998-1999.
- Appropriates \$1.2 million from the General Revenue Fund to the Office of Tourism, Trade, and Economic Development for grants-in-aid to the Technological Research and Development Authority for fiscal year 1998-1999.

**II. Present Situation:**

Enterprise zones were first established in Florida in 1980, and significant legislative changes to the enterprise zone program were enacted in 1982, 1984, and 1994. The Florida Enterprise Zone Act of 1994 repealed all existing enterprise zones effective December 31, 1994, and, on July 1, 1995,

nineteen new enterprise zones were designated throughout the state. Credits from repealed enterprise zones cannot be claimed; the existing enterprise zone program applies only to activities undertaken since July 1, 1995.

Ch 97-251, L.O.F., amended s. 290.0055, F.S., and authorized Dade County to apply to the Office of Tourism, Trade, and Economic Development to amend the boundaries of one noncontiguous area of the enterprise zone closest to the landfall of Hurricane Andrew. It required that the application be made before June 30, 1998. Such application has not yet been made.

Section 290.0065, F.S., provides for state designation of enterprise zones. Enterprise zones may not be amended without specific legislative authority. In 1997, the Florida Legislature authorized boundary amendments for enterprise zones in Dade and Orange Counties, the city of St. Petersburg, and communities with population of 7,500 - 20,000.

In 1996, the Florida Legislature provided for the creation of enterprise zones in communities adversely affected by the constitutional amendment banning net fishing. These zones are designated under s.370.28, F.S. In an exception to the general requirement that a new employee who provides a basis for the job-creation credits against sales or corporate income tax must be an enterprise zone resident, a business located in a net ban enterprise zone is authorized to claim such credits based on the employment of a person residing within the jurisdiction of the larger community that nominated the enterprise zone (s. 370.28(4), F.S.).

### **III. Effect of Proposed Changes:**

Section 1 of this committee substitute provides that, notwithstanding the provisions of chapters 212 and 220, F.S., a business purchased in February, 1992 within an existing enterprise zone in Tampa may apply for and receive tax credits for the period 1992 through 1994, when the previous enterprise zone program expired. The business must submit an application for the tax credits by December 1, 1998.

Section 2 amends s. 212.08(5)(h), F.S., relating to the sales tax exemption for business property used in an enterprise zone. The committee substitute specifies that, if a licensed commercial fishing vessel, a fishing guide boat, or a ecotourism guide boat leaves and returns to a fixed location within an enterprise zone designated in a community affected by the net limitations, then business property used exclusively in such vessel or boat is eligible for the sales tax exemption. The vessel or boat, however, must be owned by a business that is eligible to receive the exemption. Further, the exemption does not apply to the purchase of a vessel or boat. Section 2 amends s. 290.0055, F.S., allowing Dade County an additional year to apply for the boundary changes allowed under ch. 97-251, L.O.F.

Section 3 amends s. 370.28, F.S., relating to enterprise zones designated in communities affected by the net limitations, to provide that, if at least 20 percent of the employees of a business located in a net ban enterprise zone are residents of the county in which the zone is located, the business may claim the maximum amount of: 1) the sales tax exemption for building materials used in the

rehabilitation of real property in an enterprise zone, 2) the sales tax exemption for business property used in an enterprise zone, 3) the sales tax exemption for electrical energy used in an enterprise zone, and 4) the corporate income tax credit for property taxes paid on new or improved property in an enterprise zone. This authority is provided notwithstanding the requirement in statute that at least 20 percent of the employees of a business must be residents of the enterprise zone for the business to claim the maximum exemption or credit amounts. This statute is further amended to clarify that a business located in a net ban enterprise zone may claim the job-creation tax credit based upon the employment of a person who lives within the jurisdiction of the entire county in which the enterprise zone is located, rather than within the jurisdiction of the community that nominated the enterprise zone.

The committee substitute also provides that a business that was eligible to receive tax credits under the statute governing net ban enterprise zones from January 1, 1997, to June 1, 1998, must submit an application for the tax credits by December 1, 1998. The authority to apply for the tax credits by December 1 is provided notwithstanding the time-limitations imposed elsewhere in the Florida Statutes on claiming such tax credits.

Section 4 amends s. 290.0055, F.S., allowing Dade County an additional year to apply for the boundary changes allowed under ch. 97-251, L.O.F.

Section 5 amends s. 290.0065, F.S., authorizing Jackson County to apply for amendment of its enterprise zone boundaries, if the amendment does not increase the overall size of the zone. It authorizes the governing body of any home rule charter county or Duval County to apply for amendment of its enterprise zone boundaries if the added area does not increase the overall size of the zone to greater than its original size or 20 square miles, whichever is larger. Home rule charter counties with enterprise zones include Alachua, Broward, Dade, Duval, Hillsborough, Lee, Orange, Palm Beach, Pinellas, and Volusia.

Section 6 provides an appropriation of \$100,000 from General Revenue to the Department of Community Affairs to support the capital campaign of the Enterprise Center of W.I.N., West Palm, Inc. for fiscal year 1998-1999.

Section 7 provides an appropriation of \$1.2 million from General Revenue to the Office of Tourism, Trade, and Economic Development for fiscal year 1998-1999 to be administered by Enterprise Florida and used for grants-in-aid to the Technological Research and Development Authority.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

This bill initially falls under subsection (b) of s. 18 of Art. VII, State Constitution. Subsection (b) requires a two-thirds vote of the membership of each house in order to enact a general law reducing the authority that municipalities and counties had on February 1, 1989 to raise

revenues in the aggregate. By adding providing credits against the state sales tax, the bill has the effect of reducing revenue from the local option county sales surtax. The estimated local government revenue loss from this committee substitute appears to be less than \$1.4 million; therefore, the committee substitute is not subject to the requirements of s. 18(b), Art. VII, State Constitution.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:**

**A. Tax/Fee Issues:**

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Retroactive credits	(\$0.1)	0	(*)	0	(*)	0	(\$0.1)	0
Boundary Amendments	(\$0.7)	(\$0.7)	(*)	(*)	(*)	(*)	(\$0.7)	(\$0.7)
Net Ban Zones	(\$0.2)	(\$0.2)	(*)	(*)	(*)	(*)	(\$0.2)	(\$0.2)

\* Insignificant  
\*\* Indeterminate

**B. Private Sector Impact:**

This bill will enable one business to claim credits to which it would have been entitled under the previous enterprise zone program. It will also enable enterprise zone boundaries to be adjusted to benefit more businesses. The provisions affecting net-ban enterprise zones may encourage additional economic activity in these areas.

**C. Government Sector Impact:**

The bill appropriates \$1.3 million from General Revenue for fiscal year 1998-1999 for projects related to economic development.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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