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.)

BILL: SB 2548

SPONSOR: Senator King

SUBJECT: Enterprise Zones

DATE: April 10, 1999 REVISED: 4/13/99

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Joseph	Maclure	CM	Fav/1 amendment
2.			CA	
3.			FR	
4.				
5.				

I. Summary:

This bill directs the Office of Tourism, Trade, and Economic Development to designate a pilot project area within an enterprise zone. The bill requires a specific type of business enterprise in a specific type of location. The bill provides sales tax and corporate income tax credits for up to $1 million annually.

This bill creates section 290.0069, Florida Statutes.

II. Present Situation:

Florida established one of the first enterprise zone programs in the country in 1980 to encourage economic growth and investment in distressed areas by offering tax advantages to businesses willing to make such an investment. An “enterprise zone” is a specific geographic area targeted for economic revitalization. Since July 1, 1995, the state has designated 31 enterprise zones in Florida.

Background Information[1]

In 1994, the Florida Legislature passed significant revisions to the first Enterprise Zone Program established in 1980. The original program became overwhelmed with the number of zones allowed. As a result, the existing zones were repealed on December 31, 1994, and parameters were established for designation of new zones. Administrative responsibilities of the program were transferred from the Department of Community Affairs to the Department of Commerce. The jobs tax credit eligibility criteria were revised to require both the business and the employee to reside within an enterprise zone.

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[1] Information from the March 1, 1999, Florida Enterprise Zone Program Annual Report by the Office of Tourism, Trade, and Economic Development.

In 1995, 19 enterprise zones were designated in urban and rural communities throughout the state. Local governments were required to establish a community based Enterprise Zone Development Agency (EZDA).

In 1996, 11 new enterprise zones were authorized by the Florida Legislature of which 10 submitted acceptable plans and applications. Administrative duties were transferred to the newly created Office of Tourism, Trade, and Economic Development (OTTED) upon dissolution of the Department of Commerce.

In 1997, OTTED designated the City of Fort Pierce as the 30th enterprise zone.

In 1998, the 31st enterprise zone was added when the Florida Legislature further amended the Enterprise Zone Program by authorizing a new zone to be designated within a brownfield pilot project area (Clearwater). Also in 1998, the Legislature provided that new employees who are WAGES Program participants or Job Training Partnership Act classroom training participants may provide a basis for employers to claim the enterprise zone job tax credits under ss. 212.096 and 220.181, F.S., regardless of whether such employees reside in the zone.

Costs of the program have increased slowly as new areas have been added. The total cost of state and local incentives was $11.2 million in FY 1996-97, and $13 million in FY 1997-98.

III. Effect of Proposed Changes:

This bill directs the Office of Tourism, Trade, and Economic Development (OTTED) to designate a pilot project area within one enterprise zone by July 1, 1999. The bill provides for sales and corporate income tax credits of up to $1 million annually. If applications submitted exceed the amount, OTTED must prorate the credit granted, such that all eligible applicants receive a credit. Beginning December 1, 1999, up to four businesses in the designated pilot project may receive a credit against sales and corporate income taxes equal to $5,000 for each full-time employee and $2,500 for each part-time employee.

The bill requires that the designated pilot project area meet the following qualifications:

- The area is within one contiguous enterprise zone area containing 150,000 people or more.
- The local government having jurisdiction over the enterprise zone grants economic development ad valorem tax exemptions in the enterprise zone and grants electrical energy public service tax exemptions.
- The local government having jurisdiction over the enterprise zone has developed a plan for revitalizing the pilot project area or for revitalizing an area within the enterprise zone that contains the pilot project area, and has committed at least $5 million to redevelop an area including the pilot project area.
- The pilot project area is contiguous and is limited to no more than 70 acres, or equivalent square miles, to avoid a dilution of additional state assistance and effectively concentrate these additional resources on revitalizing the acute area of economic distress.
- The pilot project area contains a diverse cluster or grouping of facilities or space for a mix of retail, restaurant, or service related businesses necessary to an overall revitalization of

surrounding neighborhoods through community involvement, investment, and enhancement of employment markets.

The bill specifies that business applicants must:

- Have entered into a contract with the developer of the diverse cluster or grouping of facilities or space located in the pilot project area, governing lease of commercial space in a facility.
- Have commenced operations in the facility after July 1, 1999, and before July 1, 2000.
- Be a business predominantly engaged in activities usually provided for consideration by firms classified under the Standard Industrial Classification Manual Industry Number 5311 (department stores), Industry Number 5399 (miscellaneous general merchandise stores), or Industry Number 7832 (motion picture theaters.)

The bill requires OTTED to forward a copy of each credit approval to the director of the Department of Revenue. Additionally, OTTED and the Department of Revenue are authorized to promulgate rules for administering this section. Credits not used in a taxable year due to an insufficient tax liability may be carried forward for up to five years.

The bill requires the Office of Program Policy Analysis and Government Accountability to review the effectiveness of the pilot area prior to the 2001 Regular Session of the Legislature.

This bill takes effect upon becoming law and newly created statute s. 290.0069, F.S., would stand repealed on June 30, 2015.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

This bill initially falls under subsection (b) of Section 18 of Article VII, Florida 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 authorizing a credit against sales tax, the bill has the effect of authorizing a credit against the local option county sales surtax. However, because the total amount of credits that may be claimed annually is capped at $1 million, the bill is exempt from the requirements of subsection (b) of section 18 of Article VII. (See subsection (d) of section 18 of Article VII, providing exemptions from requirements of section 18 for general laws with an insignificant fiscal impact.)

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

This bill allows for up to $1 million a year in tax credits for 15 years for a direct impact of up to $15 million. The area chosen must also exempt ad valorem taxes and exempt electrical energy public service taxes.

B. Private Sector Impact:

This bill allows for up to four businesses to receive tax credits in addition to benefits already available in the enterprise zone.

C. Government Sector Impact:

This bill requires additional responsibilities and administative expenses for the Office of Tourism, Trade, and Economic Development, the Department of Revenue, and the Office of Program Policy Analysis and Government Accountability.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Commerce and Economic Opportunities:
Changes the year from 2001 to 2004 in which the Office of Program Policy Analysis and Government Accountability shall review and evaluate the pilot project area created by this bill.