HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 109 Community Contribution Tax Credit
SPONSOR(S): Goodlette
TIED BILLS: None **IDEN./SIM. BILLS:** SB 330

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Commerce	16 Y, 0 N	Winker	Billmeier
2) Finance & Tax	18 Y, 0 N	Overton	Diez-Arguelles
3) Appropriations			
4)			
5)			

SUMMARY ANALYSIS

The 1980 Legislature created the Community Contribution Tax Credit Program to encourage businesses to make donations to community redevelopment organizations for the purpose of revitalization projects. The businesses that make donations to approved organizations can claim a credit equal to 50 percent of the donation; however, no individual business may receive more than $200,000 in tax credits per year. The business can take the credits against the corporate income tax, franchise tax on banks and savings associations, the state sales tax, or the insurance premium tax. The combined total amount of tax credits that can be approved is $10 million annually.

The Community Contribution Tax Credit Program is scheduled to be repealed on June 30, 2005. The bill removes the repeal.

The Revenue Estimating Conference estimates the bill will have a recurring fiscal impact of negative $9.0 million to state funds and negative $1.0 million to local funds.

The bill takes effect upon becoming law.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

1. Reduce government?	Yes[]	No[]	N/A[X]
2. Lower taxes?	Yes[X]	No[]	N/A[]
3. Expand individual freedom?	Yes[]	No[]	N/A[X]
4. Increase personal responsibility?	Yes[]	No[]	N/A[X]
5. Empower families?	Yes[]	No[]	N/A[X]

For any principle that received a “no” above, please explain:

B. EFFECT OF PROPOSED CHANGES:

The Community Contribution Tax Credit Program is scheduled to repeal on June 30, 2005. This bill removes the repeal date for the program

Community Contribution Tax Credit Program

The 1980 Legislature created the Community Contribution Tax Credit (CCTC) Program in s. 220.183, F.S., to encourage businesses to make donations to community redevelopment organizations for the purpose of revitalization projects. Any business making a donation can take credits against the corporate income tax, franchise tax on banks and savings associations, the state sales tax, or the insurance premium tax.

The CCTC Program authorizes businesses that make donations to approved organizations to claim a credit equal to 50 percent of the donation against the corporate income tax (s. 220.11, F.S.), franchise tax (s. 220.63, F.S.), sales tax (ch. 212, F.S.), or insurance premium tax (s. 624.509 and ch. 510, F.S.).

Under ss. 212.08(5)(q), 220.183 and 624.5105, F.S., the combined total amount of tax credits that can be approved is $10 million annually. No individual business may receive more than $200,000 in tax credits per year. (See s. 212.08(5)(q)1.c., F.S., s. 220.183(1)(b), F.S., and s. 624.5105(1)(b), F.S.) All revitalization projects, except those projects related to housing for low-income persons, must be in enterprise zones or a Front Porch Florida Community. (See s. 212.08(5)(q)2.d., F.S., s. 220.183(2)(d), F.S., and s. 624.5105(2)(d), F.S.)

Eligible sponsors or eligible contribution recipients to which donations can be made include:

- A community action program;
- A non-profit community-based development organization whose mission is the provision of housing for low-income or very-low-income households or increasing entrepreneurial and job development opportunities for low-income persons;
- A neighborhood housing services corporation;
- A local housing authority created pursuant to chapter 421, F.S.;
- A community redevelopment agency created pursuant to s. 163.356, F.S.;
- The Florida Industrial Development Corporation;
- An historic preservation district agency or organization;
- A regional workforce board;
- A direct-support organization as provided in s. 1009.983, F.S.;
- An enterprise zone development agency created pursuant to s. 290.0056, F.S.;

- A not-for-profit community-based organization whose bylaws and articles of incorporation include affordable housing, economic development, or community development as the primary mission of the corporation;
- Units of local government; or
- Any other agency or organization as the Office of Tourism, Trade, and Economic Development (OTTED) may designate by rule. (See s.212.08(5)(q)2.c., F.S., s. 220.183(2)(c), F.S., and s. 624.5105(2)(c), F.S.)

How Are Projects Defined

All contributions from a business must be exclusively used for use in projects as defined in ss. 212.08(5)(q)2.b. or 220.03(1)(t), F.S. Such projects include activities by an eligible sponsor which are intended to construct, improve, or substantially rehabilitate housing affordable to low-income and very-low-income households; provide commercial, industrial, or public resources and facilities; or improve entrepreneurial and job development opportunities for low-income person.

In addition, a project may be an investment necessary to increase access to high-speed broadband capability in rural communities with enterprise zones, including projects that result in improvements to communication assets that are owned by a business; or a project which provides museum educational programs and materials that are directly related to any project approved between January 1, 1996, and December 31, 1999, and is located in an enterprise zone. (See s. 212.08(5)(9)2.b, F.S.)

Section 220.03(1)(d), F.S., defines "community contribution" as a donation by a business firm of cash or other liquid assets, real property, goods, or inventory, and other physical resources as identified by the Department of Revenue.

The Role of OTTED

OTTED is responsible for approving tax credits under ss. 212.08, 220.183, and 624.5105, F.S. Section 220.183(2)(b), F.S. allows OTTED to reserve up to 50 percent of the available annual tax credits for housing for very-low-income households pursuant to s. 420.9071(28), F.S., for the first 6 months of the fiscal year.

Section 420.9071(28), F.S., defines "very-low-income household" as:

> ". . . one or more natural persons or a family that has a total annual gross household income that does not exceed 50 percent of the median annual income adjusted for family size for households within the metropolitan statistical area, the county, or the non-metropolitan median for the state, whichever is greatest."

OTTED staff state that they do not exercise this discretion to reserve funds for very-low-income housing projects. In addition, OTTED does not distinguish between low-income and very-low-income projects when approving projects. Credits, as reported by eligible sponsors, are allocated by OTTED on a "first-come, first-serve" basis.

In recent years, the credits have been claimed within the first quarter of the fiscal year. However, in FY 03-04, all tax credits were approved on the first day of the fiscal year. In FY 03-04, OTTED reports that 86 percent of the $10 million allocated for the program went to businesses contributing to eligible sponsors providing housing to low-income persons. Table 1 summarizes the allocation distribution for the past nine years.

TABLE 1
Community Contribution Tax Credit Program -
Tax Credit Summary

Fiscal Year	Project Category	Donations	Tax Credits
2003/04	Community Development	51	$1,377,231
	Low Income Housing	234	$8,622,769
2002/03	Community Development	79	$1,085,544
	Low Income Housing	280	$8,914,455
2001/02	Community Development	54	$515,464
	Low Income Housing	236	$9,484,489
2000/01	Community Development	40	$744,365
	Low Income Housing	183	$5,320,890
1999/00	Community Development	62	$1,302,178
	Low Income Housing	136	$3,764,282
1998/99	Community Development	78	$2,279,558
	Low Income Housing	92	$2,720,441
1997/98	Community Development	22	$651,500
	Low Income Housing	47	$1,348,500
1996/97	Community Development	43	$1,018,947
	Low Income Housing	38	$1,043,256
1995/96	Community Development	51	$1,472,254
	Low Income Housing	24	$465,542

Source: Created by Staff of the Senate Comprehensive Planning Committee and Senate Commerce, Economic Opportunity and Consumer Services Committee from data provided by the Office of Tourism, Trade, and Economic Development, 12/02/03.

The Community Contribution Tax Credit Program is set to expire on June 30, 2005.

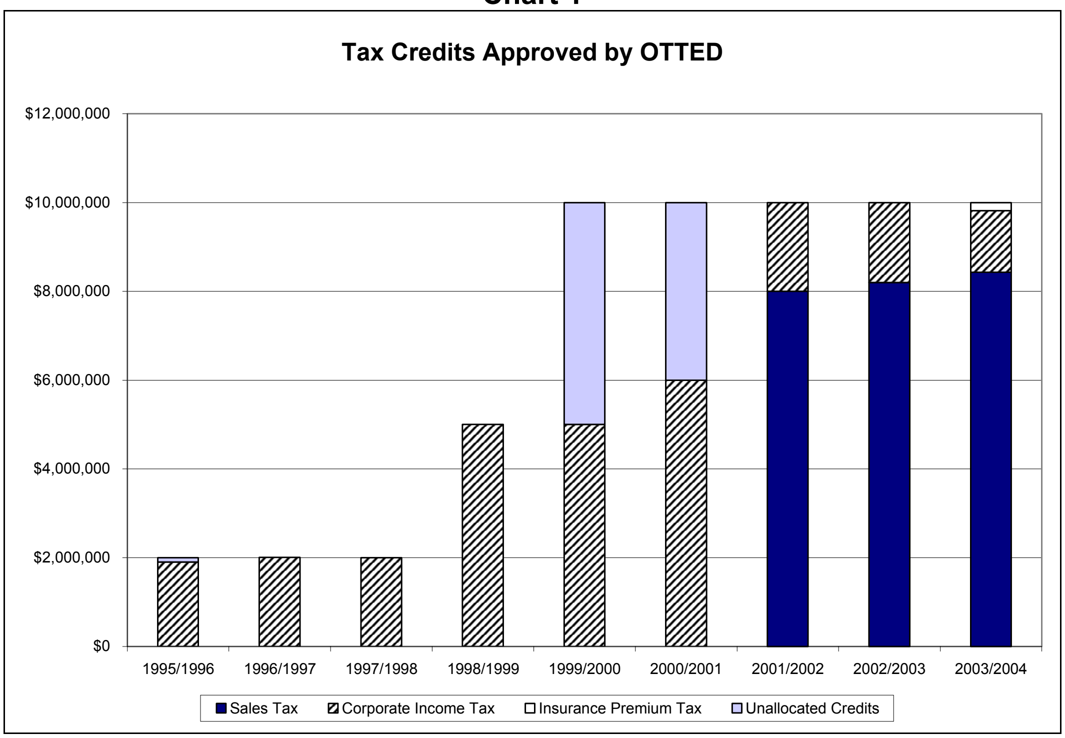
Other Program Statistics

According to the OTTED, 84 percent of the community contribution tax credits are used against sales taxes. Tax credits for corporate income tax and insurance premium tax accounts for 14 percent and 2 percent respectively.

The total annual amount of tax credits available under the CCTC Program has increased since 1995. From FY 95-96 through FY 97-98, $2 million in annual tax credits were available. For FY 98-99, $5 million in annual tax credits were available. From FY 99-2000 to the present, $10 million in annual tax credits are available. Since the community contribution tax credit program was expanded to authorize refunds against sales taxes in FY 2001-2002, the majority of the $10 million allocation has been used to offset those taxes. See Chart 1.

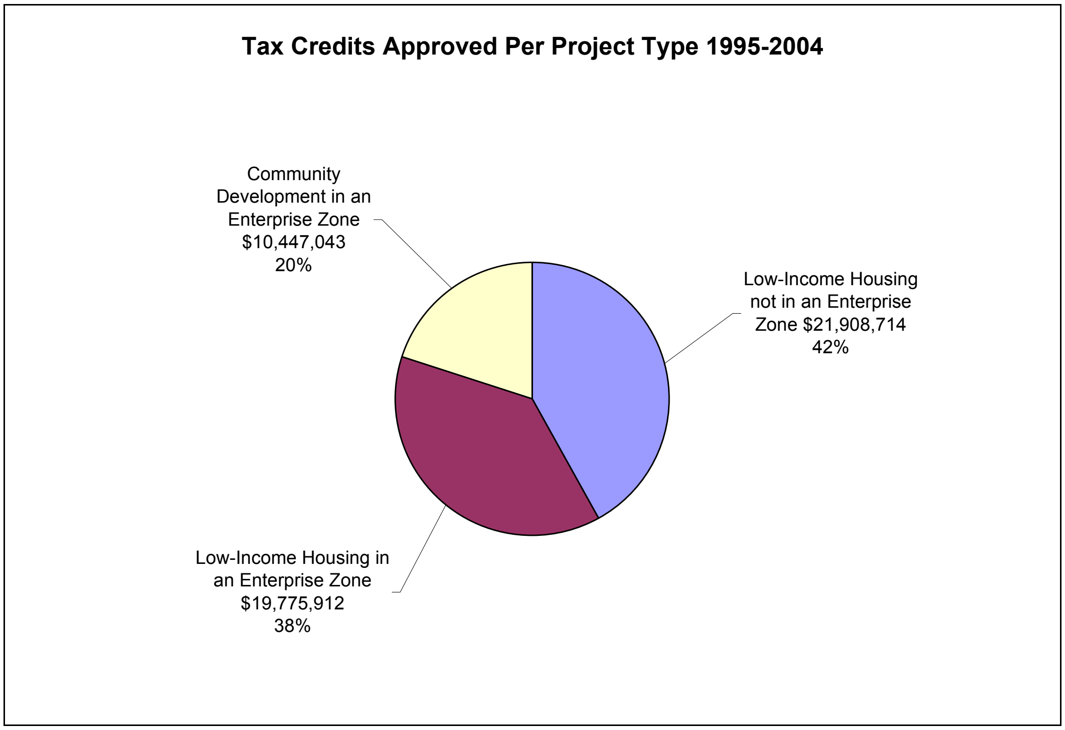
Since 1995, most community contribution tax credits have been made to low-income housing projects. In Chart 2, the category "community development in an enterprise zone" includes projects that construct or rehabilitate commercial, industrial, or public facilities. For example, these include community centers, museums, parks, and daycare centers.

Chart 1



Source: Created by Staff of the Senate Comprehensive Planning Committee and Senate Commerce, Economic Opportunity and Consumer Services Committee from data provided by the Office of Tourism, Trade, and Economic Development, 12/02/03.

Chart 2



Source: Created by Staff of the Senate Comprehensive Planning Committee and Senate Commerce, Economic Opportunity and Consumer Services Committee from data provided by the Office of Tourism, Trade, and Economic Development, 12/02/03.

C. SECTION DIRECTORY:

SECTION 1: Amends paragraph (q) of subsection (f) of s. 212.08, F.S., removes the expiration date of June 30, 2005 for the CCTC Program.

SECTION 2: Amends paragraph (d) of subsection (1) of s. 220.03, F.S., removes the expiration date of the CCTC Program.

SECTION 3: Amends subsection (5) of s. 220.183, F.S., removes the expiration date of the CCTC Program.

SECTION 4: Amends subsection (6) of s. 624.5105, F.S., removes the expiration date of the CCTC Program.

SECTION 5: The bill takes effect upon becoming law.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   The Revenue Estimating Conference estimates the bill will have a recurring fiscal impact of negative $9.0 million to state funds.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   The Revenue Estimating Conference estimates the bill will have a recurring fiscal impact of negative $1.0 million to local funds.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

   Businesses statewide will continue to be authorized up to $10 million annually in tax credits for contributions to eligible sponsor recipients.

D. FISCAL COMMENTS:

   None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds.

   Although the bill will reduce the authority of municipalities and counties to raise revenues, the impact is expected to be insignificant and the bill is therefore exempt form the provisions of Article VII, Section 18(b), Florida Constitution.

   The bill does not reduce the percentage of state tax shared with municipalities or counties.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

   None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

   None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

N/A