SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 1708

SPONSOR: Commerce, Economic Opportunities, and Consumer Services Committee and Senator Saunders

SUBJECT: Economic Stimulus

DATE: March 24, 2004 REVISED:

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Maclure	Maclure	CM	Favorable/CS
2.			CP	
3.			FT	
4.			ATD	
5.			AP	
6.				

I. Summary:

Committee Substitute for Senate Bill 1708:

- Requires communities receiving grants under the Urban Infill and Redevelopment Assistance Grant Program to report to the state on activities and outcomes related to development and implementation of their infill and redevelopment plans;
- Appropriates $2.5 million from the General Revenue Fund for the 2004-2005 fiscal year for the Urban Infill and Redevelopment Assistance Grant Program;
- Directs the Office of Tourism, Trade, and Economic Development to assist state agencies and local governments with the identification and pursuit of state and federal grants to help revitalize distressed areas;
- Directs the Office of Program Policy Analysis and Government Accountability to review the state's economic development programs related to community revitalization;
- Expands the sales tax refund for items of business property purchased for use in an enterprise zone to include items priced at $500 or greater (rather than $5,000 or greater);
- Renames the Urban High-Crime Area Job Tax Credit Program as the Designated Urban Job Tax Credit Area Program and revises the eligibility criteria for an area to be designated under the program, to include factors other than crime rates;
- Allows businesses to transfer unused credits under the Urban High-Crime Area Job Tax Credit Program and the Rural Job Tax Credit Program;
- Reserves 15 percent of the credits available under the Community Contribution Tax Credit Program for the first six months of each fiscal year for businesses and individuals making donations to projects in rural enterprise zones;

- Excludes from the calculation of adjusted federal income, for purposes of determining corporate tax liability, all amounts included in taxable income by reason of membership or ownership of an interest in a limited liability company with certain characteristics, including being engaged primarily in a space flight business in this state; and
- Revises the statutorily prescribed closure of the tax refund programs for qualified defense contractors and qualified target industry businesses to June 30, 2009, from June 30, 2004, thereby continuing to allow additional businesses to become certified for tax refunds under the programs.

This committee substitute substantially amends the following sections of the Florida Statutes: 163.2517, 163.2526, 212.08, 212.097, 212.098, 220.13, 220.183, 220.1895, 288.1045, 288.106, and 624.5105.

II. Present Situation:

The state currently employs several programs designed to encourage the expansion and retention of businesses located in the state, to encourage the relocation of businesses to this state, and to facilitate economic activity, including revitalization of economically distressed communities.

Business Property for Use in an Enterprise Zone

A sales tax exemption for business property purchased for use in an enterprise zone is one of several tax benefits for businesses located in an enterprise zone. The Florida Enterprise Zone Act of 1994 (act), codified in ss. 290.001-290.016, F.S., was created:

> to assist local communities, their residents, and the private sector in creating the proper economic and social environment to induce the investment of private resources in productive business enterprises located in severely distressed areas and to provide jobs for residents of such areas.[1]

Under the act, areas of the state meeting specified criteria, including suffering from pervasive poverty, unemployment, and general distress, have been designated as enterprise zones.

Under s. 212.08(5)(h), F.S., sales tax refunds are available for purchases of business property by businesses located within an enterprise zone, if the business property is used in the enterprise zone and has a sales price of at least $5,000 per unit. The maximum sales tax refund is the lesser of 97 percent of the sales taxes paid by a business or $5,000. However, if 20 percent or more of the business's employees are residents of an enterprise zone, the maximum sales tax refund is the lesser of 97 percent of the sales tax paid by the business or $10,000.[2] No refunds are available unless the amount to be refunded exceeds $100 in sales tax paid on purchases made within a 60-day time period.[3]

---

[1] Section 290.003, F.S.
[2] Section 212.08(5)(h)5., F.S.
[3] *Id.*

During the past several years, sales tax refunds approved by the Department of Revenue for the purchase of business property for use in and by a business located in an enterprise zone were as follows: FY 1998-1999, $1,739,385; FY 1999-2000, $2,188,606; FY 2000-2001, $1,911,472; FY 2001-2002, $2,813,601; and FY 2002-2003, $1,874,145.[4]

Community Contribution Tax Credit Program

Under the community contribution tax credit program, corporations, insurance companies, and persons who collect or remit sales or use taxes may be able to receive tax credits for making donations to certain low-income housing and community development projects.

Credits Available

Available tax credits under the program may be taken against sales or use taxes, corporate income taxes, and insurance premium taxes.[5] Tax credits are limited to 50 percent of the amount of a "community contribution" or donation to a maximum of $200,000 annually per donor.[6] The total amount of community contribution tax credits available per year under the program is $10 million.[7] Tax credits against sales or use taxes are granted as a refund against sales and use taxes reported on returns and remitted in the 12 months preceding the application to the Department of Revenue for a refund.[8] Tax credits against corporate income taxes and insurance premium taxes are claimed against taxes due.[9]

Form of Contributions

Community contributions or donations must take the following forms: (1) cash or other liquid assets; (2) real property; (3) goods or inventory; or (4) other physical resources.[10] For purposes of credits against insurance premium taxes and corporate income taxes, the Department of Revenue is authorized to identify "other physical resources" that qualify as a community contribution. For purposes of credits against sales or use taxes, the Office of Tourism, Trade, and Economic Development is authorized to identify "other physical resources."

Use of Contributions

Community contributions must be used for projects to provide: low and very low-income housing; commercial, industrial, or public resources and facilities; entrepreneurial and job development opportunities for low-income persons; access to high speed broadband capability for rural enterprise zones; and educational programs and materials for the Florida Holocaust Museum in St. Petersburg.[11]

---

[4] Office of Tourism, Trade, and Economic Development, *Florida Enterprise Zone Annual Report October 1, 2002 – September 30, 2003*, 7, March 1, 2004.
[5] Sections 212.08(5)(q), 220.183, and 624.5105, F.S.
[6] Sections 212.08(5)(q)1.a. and c., 220.183(1)(a) and (b), and 624.5105(1)(a) and (b), F.S.
[7] Sections 212.08(5)(q)1.e., 220.183(1)(c), and 624.5105(1)(c), F.S.
[8] Section 212.08(5)(q)1.b., F.S.
[9] Sections 220.183(1)(a) and 624.5105(1)(a), F.S.
[10] Sections 212.08(5)(q)2.a., 220.03(1)(d), and 624.5105(5)(a), F.S.
[11] Sections 212.08(5)(q)2.b., 220.03(1)(t), and 624.5105(2)(b) and (5)(e), F.S.

Project Location

Projects to provide low and very low-income housing may be located anywhere in this state.[12] However, community development projects, such as projects to construct or rehabilitate commercial, industrial, or public facilities, must be located in an enterprise zone or Front Porch Florida Community.[13] For purposes of credits against corporate income taxes, projects increasing access to high speed broadband capabilities may be located in any area of a rural county.[14] For purposes of credits against sales or use taxes, a project that is designed to increase high speed broadband access to rural enterprise zones may be located anywhere.[15] For the purposes of credits against insurance premium taxes, however, a project that is designed to increase high speed broadband access to rural enterprise zones must be located in an enterprise zone or Front Porch Florida Community.[16]

Tax Credit Application Process

Applications to receive community contribution tax credits must be submitted to the Office of Tourism, Trade, and Economic Development. The application must set forth the terms of the application, such as the name of the sponsor, a description of the project, and the type, value, and purpose of the contribution. After approval for community contribution tax credits is received by an applicant, the applicant must also claim the credit from the Department of Revenue.[17] Unused credits against corporate income taxes and insurance premium taxes may be carried forward for 5 years.[18] Unused credits against sales taxes may be carried forward for 3 years.[19]

Program Expiration

The statutes creating the community contribution tax credit program are scheduled to expire on June 30, 2005.

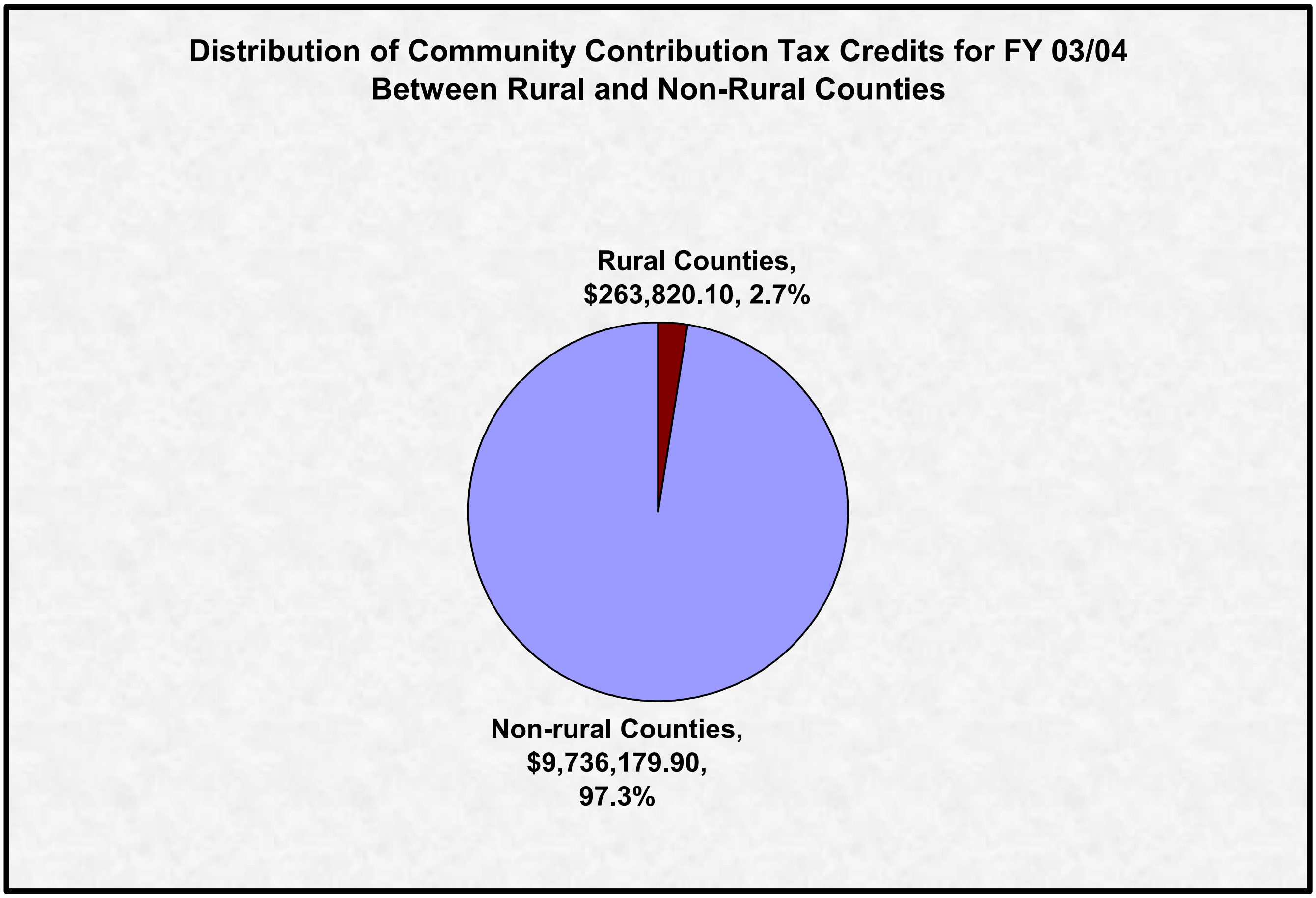
Program Statistics

For fiscal year 2003-2004, 97.3 percent of the community contribution tax credits approved by the Office of Tourism, Trade, and Economic Development are issued to businesses and individuals that make community contributions to projects in non-rural counties. Tax credits issued to businesses and individuals that made community contributions to projects in rural counties accounted for 2.7 percent of the $10 million in tax credits issued. See Chart 1, below.

---

[12] Sections 212.08(5)(q)2.d., 220.183(2)(d), and 624.5105(2)(d), F.S.
[13] *Id.*
[14] Section 220.183(2)(d), F.S.
[15] Section 212.08(5)(q)2.d., F.S.
[16] Section 624.5105(2)(d), F.S.
[17] Section 212.08(5)(q)3.c., F.S., and Rules 12A-1.107(4), 12B-8.001, and 12C-1.0188, F.A.C.
[18] Sections 220.183(1)(e) and 624.5105(1)(e), F.S.
[19] Section 212.08(5)(q)1.b. and 5., F.S.

Chart 1



Source: Created from data provided by the Office of Tourism, Trade, and Economic Development

Urban High-Crime Area Job Tax Credit Program

Under s. 212.097, F.S., certain businesses located in qualified high-crime areas are eligible to receive an urban high-crime area job tax credit for use against corporate or sales taxes. The amount of the tax credit depends upon the severity of the area's crime rate and the number of employees. The $5 million in annual tax credits available under the program has never been exhausted. According to Enterprise Florida, Inc., it is difficult to persuade businesses to relocate to an area labeled as a "high-crime" area.

Designation of Qualified High-Crime Areas

Eligible businesses must be located in qualified high-crime areas designated by the Office of Tourism, Trade, and Economic Development (OTTED). OTTED may designate an area as a qualified high-crime area every three years. A county or a municipality, or a county and a municipality together, may apply to OTTED for the designation of an area as a qualified high-crime area after adopting a resolution that:

(a) Finds that a high-crime area exists in such county or municipality, or in both the county and one or more municipalities, which chronically exhibits extreme

> and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
> (b) Determines that the rehabilitation, conservation, or redevelopment, or a combination thereof, of such a high-crime area is necessary in the interest of the health, safety, and welfare of the residents of such county or municipality, or such county and one or more municipalities; and
> (c) Determines that the revitalization of such a high-crime area can occur if the public sector or private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area.[20]

The application must also include crime statistics for the nominated area.[21]

The areas nominated for designation as a qualified high-crime area are ranked into three tiers based on their crime rates. Tier-one areas have the highest crime rates and the largest tax credit per employee. Tier-three areas have the lowest crime rates and the smallest tax credit per employee. OTTED has designated 13 areas as qualified high-crime areas.

Chart 2 – Qualified High-Crime Areas

TIER	LOCATION	SIZE
Tier I	Jacksonville	20.00 sq. mi.
	Ocala	4.92 sq. mi.
	Orlando	18.80 sq. mi.
	Palm Beach County	14.25 sq. mi.
	Tampa	16.50 sq. mi.
Tier II	Fort Lauderdale	9.40 sq. mi.
	Miami-Dade County (Carol City, Miami, and Goulds)	18.80 sq. mi.
	Miami-Dade County (Florida City, Homestead, Leisure City, and Naranja)	5.10 sq. mi.
	Pompano Beach	4.82 sq. mi.
	Tallahassee	5.64 sq. mi.
Tier III	Lakeland	3.25 sq. mi.
	Miami-Dade County (Hialeah, Miami, and Opa Locka)	19.30 sq. mi.
	St. Petersburg	16.00 sq. mi.

Source: Office of Tourism, Trade, and Economic Development.

Tax Credit Amount

The tax credit available to a new business in a qualified high-crime area depends upon the number of employees and tier ranking of the qualified high-crime area as follows:

> A new eligible business in a tier-one qualified high-crime area which has at least 10 qualified employees on the date of application shall receive a $1,500 tax credit for each such employee. A new eligible business in a tier-two qualified high-crime area which has at least 20 qualified employees on the date of application

[20] Section 212.097(6), F.S.
[21] Section 212.097(7), F.S.

> shall receive a $1,000 tax credit for each such employee. A new eligible business in a tier-three qualified high-crime area which has at least 30 qualified employees on the date of application shall receive a $500 tax credit for each such employee.[22]

Existing businesses in a qualified high-crime area are eligible for a tax credit in an amount that depends upon the number of new employees and the tier ranking of the qualified high-crime area as follows:

> An existing eligible business in a tier-one qualified high-crime area which on the date of application has at least 5 more qualified employees than it had 1 year prior to its date of application shall receive a $1,500 tax credit for each such additional employee. An existing eligible business in a tier-two qualified high-crime area which on the date of application has at least 10 more qualified employees than it had 1 year prior to its date of application shall receive a $1,000 credit for each such additional employee. An existing business in a tier-three qualified high-crime area which on the date of application has at least 15 more qualified employees than it had 1 year prior to its date of application shall receive a $500 tax credit for each such additional employee. An existing eligible business may apply for the credit under this subsection no more than once in any 12-month period.[23]

A business that received a tax credit under the program as a new business may apply for an additional tax credit one year after its initial application for a tax credit as an existing business. The tax credits available to new and existing businesses increase $500 for each new employee who is a welfare transition program participant.[24] The amount of tax credits that may be approved per year under the program is $5 million. The tax credits actually used in 2001 and 2002 were $2,486,500 and $2,673,500, respectively.[25]

A tax credit under the Urban High-Crime Area Jobs Tax Credit program may not be sold or transferred, but may be used on a subsequent tax return 12 months after the tax credit is approved by the Department of Revenue.[26]

Credit Against Corporate Income Tax

As an alternative to taking a credit against sales and use tax, an eligible business may claim a credit against the corporate income tax under s. 220.1895, F.S.

Rural Job Tax Credit Program

Sections 212.098 and 220.1895, F.S., provide similar tax credit programs to the Urban High-Crime Area Job Tax Credit Program, discussed above, for rural areas.

---

[22] Section 212.097(2), F.S.
[23] Section 212.097(3), F.S.
[24] Section 212.097(4), F.S.
[25] Office of Tourism, Trade, Economic Development, *Urban Job Tax Credit Program Summary*.
[26] Section 212.097(12), F.S.

Tax Refund Program for Qualified Target Industry Businesses

A qualified target industry (QTI) business may receive a tax refund equal to the tax refund per job times the number of jobs created, pursuant to a tax refund agreement with the Office of Tourism, Trade, and Economic Development (OTTED).[27] The tax refund per job is between $3,000 and $8,000, depending upon the average salary of the jobs created and whether the jobs are located within a rural county or enterprise zone (EZ).[28] Taxes that may be refunded under the program include corporate income taxes; insurance premium taxes; taxes on sales, use, and other transactions; intangible personal property taxes; emergency excise taxes; excise taxes on documents; and certain ad valorem taxes.

The total tax refund must be paid to a business over a 4-year or longer period.[29] The maximum refund that a business may receive in any year is $1.5 million or, if the business is located in an enterprise zone, $2.5 million.[30] The total refund that a business may receive may not exceed $5 million or, if the business is located in an enterprise zone, $7.5 million.[31] The total amount of tax refunds that OTTED may schedule for payment under the QTI and QDC programs may not exceed $35 million in any fiscal year.[32]

Section 288.106(7), F.S., provides for a repeal of the statutory authority for QTI tax refund program on June 30, 2004.

Tax Refund Program for Qualified Defense Contractors

The qualified defense contractor (QDC) tax refund program was created in 1993 after the Cold War ended. The impetus for the program appears to have been Executive Order No. 93-118, signed by Governor Chiles on April 13, 1993.[33] The order found:

- The federal government is in the midst of major post-Cold War cuts in the nation's defense industry.
- By 1997, the federal defense budget is projected to decline by more than 42 percent, in real terms, from 1985 levels.
- The federal cuts include a 30-percent reduction in military personnel, base closures, and elimination of numerous defense contracts for goods and services, with employment losses in Florida of up to 55,000 by 1997.[34]

---

[27] Section 288.106(2), F.S.
[28] Section 288.106(2)(b), F.S.
[29] *See* s. 288.106(2)(b), F.S.
[30] *Id.*
[31] *Id.*
[32] Section 288.095(3)(a), F.S.
[33] *See* Florida Senate Committee on International Trade, Economic Development, and Tourism, *Staff Analysis and Economic Impact Statement of CS/SB 32-C*, at 2-3 (Nov. 3, 1993).
[34] Executive Order No. 93-118, Signed by Governor Lawton Chiles on April 13, 1993 (creating the Florida Defense Conversion Transition Commission).

Apparently, the QDC program was designed to help protect Florida defense businesses from cuts in federal defense spending.

The QDC program provides tax refunds for job creation similar to the tax refund program for qualified target industries.[35] The programs, however, differ significantly as follows:

- Tax refunds under the QDC program are paid for each job retained in addition to each new job created.[36]
- Participation in the QDC program is limited to certain defense contractors.[37]
- OTTED has the discretion to score applications for certification as a QDC business, and a tax refund of up to $5,000 per job is based on that score.[38]

Under s. 288.1045(7), F.S., the QDC tax refund program is scheduled to expire or close to new activity on June 30, 2004.

Urban Infill and Redevelopment

The Growth Policy Act (act), codified in ss. 163.2511-163.2526, F.S., was created, in part, to help integrate existing programs and incentives in order to promote urban infill and redevelopment. Elements of the act include designation of urban infill and redevelopment areas (s. 163.2517, F.S.) and creation of an Urban Infill and Redevelopment Assistance Grant Program (s. 163.2523, F.S.). Under the grant program, 30 percent of the general revenue appropriated shall be available for planning grants to be used by local governments for the development of urban infill and redevelopment plans; 60 percent shall be available for 50-50 matching grants for implementing projects that further the plan's objectives; and 10 percent shall be used for outright grants to support project implementation.

The program was funded at $2.5 million for one year and included provisions for the Office of Program and Policy Analysis and Government Accountability (OPPAGA) to conduct a review and evaluation of the impact from the program and report to the Legislature before the 2004 Regular Legislative Session. The review reported that local government found the grant program generally useful in their redevelopment initiatives, particularly in providing "gap" monies to supplement or leverage other revenue sources.[39] The report recommended, among other things, that grant recipients be required to report on program activities and outcomes. The report also recommended that the Legislature consider directing OPPAGA or another entity to evaluate state urban redevelopment programs to assess the overall impact of these programs.

---

[35] According to OTTED staff, the statute creating the QDC program was used as a model for s. 288.106, F.S., the statute creating the QTI program.
[36] OTTED authorizes the payment of tax refunds to QDC businesses for jobs retained. Section 288.1045, F.S., however, is ambiguous as to whether tax refunds are authorized for both retained and new jobs or only new jobs.
[37] Section 288.1045(3)(e)5., F.S.
[38] Section 288.1045(2)(b) and (3)(f), F.S.
[39] OPPAGA, *Urban Infill and Redevelopment Areas Have Uncertain Impact But Perceived as Useful*, Report No. 04-14, February 2004.

III. Effect of Proposed Changes:

Urban Infill and Redevelopment

Section 1 revises s. 163.2517, F.S., of the Growth Policy Act to encourage local governments to involve their community colleges, universities, and other higher-education institutions in the visioning and planning processes that are part of the development of an urban infill and redevelopment plan for the community. In addition, local governments are encouraged to enter into agreements with the institutions, under which the institutions will contribute resources and expertise to the redevelopment effort.

The committee substitute (**Section 2**) also requires local governments that receive moneys under the Urban Infill and Redevelopment Assistance Grant Program to report annually to the Department of Community Affairs on their progress in meeting performance measures identified in their infill and redevelopment plans. A local government that receives a planning grant under the program must, for example, identify which local incentives were approved to stimulate private investment and whether the plan's goals are consistent with the community input received in creating the plan. A local government that receives an implementation grant under the program must report on: progress in implementing specific activities in the plan, changes in economic and demographic indicators, and the types and amount of financial incentives used to encourage private investment in the area. A grant recipient also must develop measures to assess how the grant is affecting local conditions.

In **Section 3**, the committee substitute directs the Office of Tourism, Trade, and Economic Development to develop procedures for:

- Helping state agencies and local governments obtain state and federal grants to support revitalization of distressed urban areas;
- Developing and maintaining a listing of available grants;
- Assigning staff contacts for information on grants; and
- Providing technical assistance on completion of grant proposals.

The committee substitute (**Section 4**) directs the Office of Program Policy Analysis and Government Accountability to report to the Legislature by January 31, 2005, on a review of state economic development programs designed to help revitalize distressed communities. Among other elements, the project must identify best practices and review the impact of the programs through site visits.

The committee substitute (**Section 14**) appropriates $2.5 million from the General Revenue Fund for the 2004-2005 fiscal year to fund the Urban Infill and Redevelopment Assistance Grant Program.

Business Property for Use in an Enterprise Zone

Section 5 expands the sales and use tax refund for items of business property purchased for use in an enterprise zone. Under the committee substitute, items with a sales price of $500 or greater, instead of $5,000 or greater under current law, will be an eligible basis for the sales and use tax refund.

Community Contribution Tax Credit Program

Sections 5, 9, and **13** revise the Community Contribution Tax Credit Program to specify, within the portions of the statute relating to the credit against sales and use tax, corporate income taxes, and insurance premium taxes, that 15 percent of the total amount of tax credits under the program shall be reserved for the first six months of each fiscal year for contributions to projects in rural enterprise zones. This provision will require the Office of Tourism, Trade, and Economic Development to reserve $1.5 million (15 percent of the $10 million) of the total amount of refunds available under this program for the first six months of each fiscal year for businesses and individuals making contributions to projects in rural enterprise zones.

Urban High-Crime Area Job Tax Credit Program

Section 6 renames and revises the Urban High-Crime Area Job Tax Credit Program. The program is renamed the "Designated Urban Job Tax Credit Area Program," deleting references to "high crime."

The revised program increases the types of businesses that may be eligible for tax credits by including businesses which are in an eligible industry under the state's tax refund program for qualified target industry businesses. Under the revised program, there are no more tiers in which designated high-crime areas are ranked based on their crime rates. Instead, businesses located in any area designated under the revised program will receive a tax credit based on the number of its employees.

Under the committee substitute, qualified new businesses within a designated urban job tax credit area with at least 10 employees may receive a tax credit in the amount of $1,000 for each employee. Existing businesses that hire at least 10 additional employees in the year prior to applying for a tax credit may receive a tax credit in the amount of $1,000 for each of its additional employees. The committee substitute retains provisions of the existing program increasing the amount of the tax credit by $500 for each new employee who is a welfare transition program participant.

The revised program in s. 212.097(1)(e), F.S., however, continues to authorize the Office of Tourism, Trade, and Economic Development (OTTED) to rank areas that are nominated to be included within the program every three years. Because there are no more tiers in which areas under the program are ranked, the purpose of the provision of the committee substitute directing OTTED to rank nominated areas every three years is unclear.

Under the committee substitute, OTTED "shall" designate 30 areas as designated urban job tax credit areas. In order for an area to be eligible for designation, however, it must first be nominated by a county or a municipality, or by a county and a municipality. There is no requirement for counties or municipalities to nominate areas for designation. As such, the Legislature may wish to amend the committee substitute to provide that OTTED "may designate up to 30" areas. The areas designated by OTTED must be the 30 highest-distress areas applying for designation as a designated urban job tax credit area.

Because the committee substitute in s. 212.097(1)(e) and (7), F.S., establishes new criteria for an area to be designated as a designated urban job tax credit area, it appears that areas currently designated as qualified high-crime areas will have to re-apply to OTTED to be designated as a designated urban job tax credit area. The committee substitute, however, contains no provision expressly stating whether existing qualified high-crime areas automatically become designated urban job tax credit areas.

The revised program continues to require that areas applying for designation be nominated by a resolution of a county or a municipality, or by a county and a municipality. The type of documentation that must support an application for designation, however, is revised and increased. This supporting documentation must show that the nominated area meets: specific income characteristics indicating widespread poverty; specific education characteristics; specific crime statistics indicating that the area has a higher crime rate than in the state as a whole; and residential and commercial property related statistics indicating that the area is economically distressed.

The size of a nominated area may range from up to 3 square miles to 20 square miles depending upon the population within the area. Nominated areas must be near the central business district of a city but not include the central business district unless the poverty rate for each census geographic block group in the district is 30 percent or greater.

The committee substitute in s. 212.097(16), F.S., authorizes an eligible business to transfer unused credits under the program. According to Enterprise Florida, Inc., this will enable a business, particularly a new business, to raise needed cash by selling its tax credits to another business.

Section 10 of the committee substitute conforms the corporate income tax component of the Rural Job Tax Credit and the Urban Job High-Crime Area Job Tax Credit programs, under s. 220.1895, F.S., to reflect that the Urban High-Crime Area Job Tax Credit Program has been renamed as the Designated Urban Job Tax Credit Area Program. The committee substitute also deletes an obsolete requirement for OTTED to make a report to the Governor and Legislature by February 1, 2000.

Rural Job Tax Credit Program

The committee substitute (**Section 7**) creates s. 212.098(12), F.S., to authorize an eligible business to transfer unused credits under the Rural Job Tax Credit Program. According to Enterprise Florida, Inc., this will enable a business, particularly a new business, to raise needed cash by selling its tax credits to another business.

Tax Refund Program for Qualified Defense Contractors

Section 11 extends the statutory authority for businesses to enter the Qualified Defense Contractor Tax Refund Program to June 30, 2009, from June 30, 2004. Without this change, businesses could no longer be certified to participate in the program after June 30, 2004.

Tax Refund Program for Qualified Target Industry Businesses

Section 12 delays the scheduled expiration of the statutory authority for the Qualified Target Industry Tax Refund Program to June 30, 2009, from June 30, 2004.

Corporate Income Tax/Adjusted Federal Income

Florida levies a corporate income tax equal to 5.5 percent of the taxpayer's net income for the taxable year (s. 220.11(2), F.S.). A taxpayer's "net income" is based on its adjusted federal income (s. 220.12, F.S.). A taxpayer's "adjusted federal income" is its taxable income adjusted with certain additions and subtractions that are prescribed in statute (s. 220.13(1), F.S.).

The committee substitute (**Section 8)** revises the calculation of "adjusted federal income" to subtract from taxable income all amounts that a taxpayer ordinarily would include in its taxable income by reason of membership or ownership of an interest in a limited liability company that meets specific criteria. For the amounts to be subtracted from taxable income, the limited liability company must:

- Have come into existence before January 1, 2004;
- Be classified as a partnership for federal income tax purposes;
- Have at least 3,500 full-time employees in this state throughout the taxable year; and
- Be primarily engaged in this state in a space flight business.

Effective Date

Section 15 provides a July 1, 2004, effective date.

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:

Sections of a similar House Bill (HB 617) were reviewed by the Revenue Impact Conference on February 25, 2004. The findings of the Revenue Impact Conference are listed in the table below.

Fiscal Year 2004-2005

	General Revenue		Trust		Local		Total	
Issue/Fund	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Urban Jobs Tax Credit, Rural Job Tax Credit, and EZ Business Prop.	$ (3.8)	$ (2.7)	(*)	(*)	(0.6)	(0.3)	$ (4.4)	$ (3.0)

* Insignificant (less than $50,000)

The committee substitute also contains a provision that excludes from the calculation of adjusted federal income, for purposes of determining corporate tax liability, all amounts included in taxable income by reason of membership or ownership of an interest in a limited liability company with certain characteristics, including being engaged primarily in a space flight business in this state. The committee substitute's exclusion of these amounts from the calculation of income subject to taxation will result in a reduction in corporate income tax collections for eligible taxpayers. This provision has not been reviewed by the Revenue Impact Conference.

B. Private Sector Impact:

Businesses located in an enterprise zone may claim sales tax refunds on purchases of items of business property with a lesser value ($500) than previously required to claim the refunds ($5,000).

By removing the high-crime label from a program to support urban areas, urban areas may be viewed more favorably as areas suitable for economic development. By allowing tax credits under the designated urban job tax credit program and the rural job tax credit program to be transferred, new businesses may have additional access to cash when relocating to certain urban and rural areas.

C. Government Sector Impact:

The Office of Tourism, Trade, and Economic Development may have to process additional applications for tax credits to the extent that revisions in the Urban High-Crime Area Job Tax Credit Program increase activity under the program. The office also may experience costs associated with designating communities under the program.

The committee substitute includes an appropriation of $2.5 million from the General Revenue Fund for fiscal year 2004-2005 for the Urban Infill and Redevelopment Assistance Grants Program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.