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.)

Prepared By: Commerce and Consumer Services Committee

BILL: CS/SB 2212

SPONSOR: Commerce and Consumer Services Committee and Senator Saunders

SUBJECT: Economic Development

DATE: March 31, 2005 REVISED: ________ ________ ________ ________

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Barrett	Cooper	CM	**Fav/CS**
2.			GA	
3.			GE	
4.			TA	
5.			WM	
6.				

I. Summary:

This committee substitute renames the Urban High-Crime Area Job Tax Credit Program the Designated Urban Job Tax Credit Area Program, revises the designation criteria, and expands program eligibility to include "qualified target industry businesses" under s. 288.106, F.S. This committee substitute also authorizes eligible businesses in these areas, as well as rural job tax areas and enterprise zones, to transfer unused credits.

This committee substitute substantially amends sections 212.08, 212.097, 220.1895, and 288.99 of the Florida Statutes.

II. Present Situation:

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 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:

- Finds that a high-crime area exists which chronically exhibits extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- 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; and
- 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.[1]

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 1 – 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

[1] Section 212.097(6), F.S.

> 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 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.[2]

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.[3]

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.[4] 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.[5]

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.[6]

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.

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[2] Section 212.097(2), F.S.
[3] Section 212.097(3), F.S.
[4] Section 212.097(4), F.S.
[5] Office of Tourism, Trade, Economic Development, *Urban Job Tax Credit Program Summary*.
[6] Section 212.097(12), F.S.

III. Effect of Proposed Changes:

Section 1 amends s. 212.08(5)(o)1.b. and c., F.S, to reflect that the Urban High-Crime Area Job Tax Credit Program is renamed as the Designated Urban Job Tax Credit Area Program.

Section 2 amends s. 212.097, F.S., to revise and rename the Urban High-Crime Area Job Tax Credit Program as the "Designated Urban Job Tax Credit Area Program."

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 an area designated under the revised program will receive a tax credit based on the number of its employees.

This section allows qualified new businesses within a designated urban job tax credit area with at least 10 employees to receive a tax credit in the amount of $1,000 for each employee, rather than between $500 and $1,500 per employee. However, a business within a designated urban job tax credit area that is eligible for job tax credits as of December 31, 2005, shall retain the same tax credit amounts that were available to the business as of December 31, 2005, if the business complies with the respective job creation requirements. Existing businesses that hire at least 5 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. This section 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., authorizes the Office of Tourism, Trade, and Economic Development (OTTED) to rank areas that are nominated to be included within the program every five years, rather than every three years. This section provides that an area designated under this section as of December 31, 2005, shall retain designation through December 31, 2010.

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; has a high unemployment rate; has a higher crime rate than in the state as a whole; and is economically distressed, as indicated by specific residential and commercial property characteristics.

The size of a nominated area may range from 3 square miles to 20 square miles depending upon the population within the area. Nominated areas must be near an urban infill and redevelopment area, as defined in this section.

Section 3 amends s. 220.1895, F.S., to conform the corporate income tax component of the Rural Job Tax Credit and the Urban Job High-Crime Area Job Tax Credit programs, to reflect that the

Urban High-Crime Area Job Tax Credit Program has been renamed as the Designated Urban Job Tax Credit Area Program.

Section 4 amends s. 288.99, F.S., to conform the Certified Capital Company Act, to reflect that the Urban High-Crime Area Job Tax Credit Program has been renamed as the Designated Urban Job Tax Credit Area Program.

Section 5 provides an effective date of July 1, 2005.

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:

As more areas are designated as urban job tax credit areas and more businesses are eligible for job tax credits, the state will be required to distribute more sales tax revenue. The program remains capped at $5 million dollars, so the effect will be a revenue loss that remains within the program’s appropriation cap.

B. Private Sector Impact:

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:

OTTED 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 may also experience costs associated with designating communities under the program.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.