

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

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

Prepared By: The Professional Staff of the Commerce Committee

BILL: SB 1572

INTRODUCER: Senator Lynn

SUBJECT: Enterprise zones/Ocala

DATE: April 14, 2008 REVISED: 4/15/08

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Pugh	Cooper	CM	Fav/1 amendment
2.			CA	
3.			FT	
4.			TA	
5.				
6.				

Please see Section VIII. for Additional Information:

- | | | |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input type="checkbox"/> | Statement of Substantial Changes |
| B. AMENDMENTS..... | <input type="checkbox"/> | Technical amendments were recommended |
| | <input type="checkbox"/> | Amendments were recommended |
| | <input checked="" type="checkbox"/> | Significant amendments were recommended |

I. Summary:

SB 1572 creates an opportunity for the city of Ocala to apply for and receive an enterprise zone designation. Ocala's proposed enterprise zone may be located in the city's west end and be up to 5 square miles in size.

Ocala is directed to file its enterprise zone application to the Governor's Office of Tourism, Trade and Economic Development (OTTED) by December 31, 2008. The application must comply with the requirements in s. 290.0055, F.S., OTTED is given discretion to designate an enterprise zone for Ocala, and must establish the enterprise zone's effective date.

SB 1572 creates s. 290.00725 of the Florida Statutes.

II. Present Situation:

Enterprise zones in Florida

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 56 enterprise zones.

OTTED reports that between October 1, 2006 and September 30, 2007, new businesses numbering 4,976 moved into or were created in enterprise zones and 11,456 new jobs were created by businesses in enterprise zones.¹ Nearly \$36 million in state and \$10 million in local financial incentives were approved during that period.

Over the last 5 years, some 17,011 new businesses have moved into or were created in enterprise zones and 48,086 new jobs have been created.²

Sections 290.001-290.016, F.S., authorize the creation of the zones and sets forth criteria and goals for the program. Prior to submitting an application for a zone, a local government body must determine that an area:

- Has chronic extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- Needs rehabilitation or redevelopment for the public health, safety, and welfare of the residents in the county or municipality; and
- Can be revitalized through the inducement of the private sector.

OTTED is responsible for approving applications for enterprise zones, and also approves changes in enterprise zone boundaries when authorized by the Florida Legislature. As part of the application process for an enterprise zone, the county or municipality in which the designation will be located also is responsible for creating an Enterprise Zone Development Agency and an enterprise zone development plan.

As outlined in s. 290.0056, F.S., an Enterprise Zone Development Agency is required to have a board of commissioners of at least 8, and no more than 13, members. The agency has the following powers and responsibilities:

- Assisting in the development, implementation and annual review of the zone and updating the strategic plan or measurable goals;
- Identifying ways to remove regulatory burdens;
- Promoting the incentives to residents and businesses;
- Recommending boundary changes;
- Working with nonprofit development organizations; and
- Ensuring the enterprise zone coordinator receives annual training and works with Enterprise Florida, Inc.

Pursuant to s. 290.0057, F.S., an enterprise zone development plan (or strategic plan) must accompany an application. At a minimum this plan must:

- Describe the community's goal in revitalizing the area;
- Describe how the community's social and human resources—transportation, housing, community development, public safety, and education and environmental concerns—will be addressed in a coordinated fashion;
- Identify key community goals and barriers;

¹ Florida Enterprise Zone Program Annual Report, October 1, 2006 - September 30, 2007. Published March 1, 2008. On file with the Commerce Committee.

² Ibid, page 6.

- Outline how the community is a full partner in the process of developing and implementing this plan;
- Describe the commitment from the local governing body in enacting and maintaining local fiscal and regulatory incentives;
- Identify the amount of local and private resources available and the private/public partnerships;
- Indicate how local, state, and federal resources will all be utilized;
- Identify funding requested under any state or federal program to support the proposed development; and
- Identify baselines, methods, and benchmarks for measuring success of the plan.

Florida's enterprise zones qualify for various incentives from corporate income tax and sales and use tax liabilities. OTTED reports that \$35.7 million in state incentives was approved by the Department of Revenue (DOR), between October 1, 2006 and September 30, 2007, for all state enterprise zones. During the same time period, just over \$10 million in incentives was provided by local governing bodies. Examples of local incentives include: utility tax abatement, reduction of occupational license fees, reduced building permit fees or land development fees, and local funds for capital projects.

Available state sales tax incentives for enterprise zones include:

- **Building Materials Used in the Rehabilitation of Real Property Located in an Enterprise Zone:** Provides a refund for sales taxes paid on the purchase of certain building materials, up to \$5,000 or 97 percent of the tax paid.
- **Business Equipment Used in Enterprise Zones:** Provides a refund for sales taxes paid on the purchase of certain equipment, up to \$5,000 or 97 percent of the tax paid.
- **Rural Enterprise Zone Jobs Credit Against Sales Tax:** Provides a sales and use tax credit for 30 or 45 percent of wages paid to new employees who live within a Rural County.
- **Urban Enterprise Zone Jobs Credit Against Sales Tax:** Provides a sales and use tax credit for 20 or 30 percent of wages paid to new employees who live within the Enterprise Zone.
- **Business Property Used in an Enterprise Zone:** Provides a refund for sales taxes paid on the purchase of certain business property, up to \$5,000 or 97 percent of the tax paid per parcel of property, which is used exclusively in an Enterprise Zone for at least 3 years.
- **Community Contribution Tax Credit:** Provides 50 percent sales tax refund for donations made to local community development projects.
- **Electrical Energy Used in an Enterprise Zone:** Provides 50 percent sales tax exemption to qualified businesses located within an Enterprise Zone on the purchase of electrical energy.

Available state corporate income tax incentives for enterprise zones include:

- **Rural Enterprise Zone Jobs Credit Against Corporate Income Tax:** Provides a corporate income tax credit for 30 or 45 percent of wages paid to new employees who live within a Rural County.
- **Urban Enterprise Zone Jobs Credit against Corporate Income Tax:** Provides a corporate income tax credit for 20 or 30 percent of wages paid to new employees who live within the Enterprise Zone.

- Enterprise Zone Property Tax Credit: Provides a credit against Florida corporate income tax equal to 96 percent of ad valorem taxes paid on the new or improved property.
- Community Contribution Tax Credit: Provides 50 percent credit on Florida corporate income tax or insurance premium tax, or a sales tax refund, for donations made to local community development projects.

Ocala's plans

City staff has said a citizens committee is reviewing two sites in Ocala – in the northwest corner of the city near U.S. 75, State 27, and U.S. 441 and a downtown area – as possible sites for an enterprise zone, because the city is limited on the type of local economic development incentives it has to offer. No specific projects have been identified for the proposed enterprise zone, according to city staff.

III. Effect of Proposed Changes:

Section 1 creates s. 290.00725, F.S., to allow the city of Ocala to seek designation of an enterprise zone, of up to 5 square miles in area, within its western boundary. Ocala has until December 31, 2008, to file its application with OTTED. The application must meet the requirements of s. 290.0055, F.S., which establishes some of the criteria and details the process by which a local government seeks an enterprise zone designation.

The section also specifies that notwithstanding s. 290.0065, F.S., limiting the number of enterprise zones in Florida, OTTED may designate one enterprise zone for Ocala. OTTED also is directed to set the initial effective date for the new enterprise zone.

Section 2 provides that this act shall take effect upon becoming a law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference on January 23, 2008, evaluated SB 1572's identical House companion bill (HB 511) and by consensus adopted a fiscal cash impact of

\$50,000 in FY 2008-2009 and \$120,000 in FY 2009-2010. No fiscal impact analysis has been done by the REC on the Martin County amendment.

B. Private Sector Impact:

Indeterminate. However, the impact could be significant to the businesses that locate or already are within the enterprise zone, because of their various tax savings. The general public also could benefit as consumers who shop at new or improved businesses within the enterprise zone. Also, job-seekers could benefit from opportunities afforded them by businesses within the new zone.

C. Government Sector Impact:

OTTED's analysis³ lists an indeterminate impact on state agencies. OTTED will have a number of duties related to implementation of SB 1572, but does not seek any additional staff or funding, according to its analysis.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Additional Information:

A. Committee Substitute – Statement of Substantial Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

Barcode 678434 by Commerce on April 15, 2008:

Allows Martin County to seek an enterprise zone designation for an area up to 10 square miles within its borders. The county must submit the application required pursuant to s. 290.0055, F.S., to OTTED by December 31, 2008. OTTED may approve the designation, and if it does grant approval, must establish the new zone's effective date. According to testimony by the amendment's sponsor, the Martin County enterprise zone would be located within the city of Indiantown.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

³ On file with the Commerce Committee.