

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 Appropriations Subcommittee on Finance and Tax

BILL: CS/SB 474

INTRODUCER: Appropriations Subcommittee on Finance and Tax and Senator Simpson

SUBJECT: Community Contribution Tax Credit Program

DATE: April 3, 2014

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>Yeatman</u>	<u>CA</u>	Favorable
2.	<u>Fournier</u>	<u>Diez-Arguelles</u>	<u>AFT</u>	Fav/CS
3.	_____	_____	<u>AP</u>	_____

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 474 delays for three years the expiration of the Community Contribution Tax Credit Program. Under this program, businesses that make contributions to eligible projects may receive tax credits, equal to 50 percent of the contribution, which can be taken against sales and use taxes, corporate income taxes, and insurance premium taxes.

The Revenue Estimating Conference has determined that delaying the expiration of the Community Contribution Tax Credit Program will reduce general revenue by \$12.7 million and local revenue by \$1.3 million in Fiscal Years 2015-2016 through 2017-2018.

II. Present Situation:

Community Contribution Tax Credit Program

The Community Contribution Tax Credit Program (Program) was established in 1980 by the Florida Legislature to encourage private sector participation in community revitalization and housing projects.¹ The Program offers tax credits, in the form of refunds, to persons who make contributions to sponsors that have been approved to participate in the program. Eligible project sponsors² under the Program include a wide variety of community organizations, housing organizations, historic preservation organizations, units of state and local government, and regional workforce boards. Eligible projects³ include the construction, improvement or rehabilitation of housing, commercial, industrial or public facilities, and projects that promote

entrepreneurial or job development opportunities for low-income persons. A community contribution must be in the form of cash or other liquid assets; real property; goods or inventory; or other physical resources as identified by the Department of Economic Opportunity (DEO).⁴ Eligible projects that construct or rehabilitate housing for low-income or very-low-income households are not limited to particular locations; other eligible projects must be located in an area designated as an enterprise zone or a Front Porch Florida Community, unless the project is designed to provide high-speed broadband capabilities which include coverage of a rural enterprise zone, in which case the project's infrastructure can be located in any area of a rural county.

The DEO is responsible for marketing the Program¹ in consultation with the Florida Housing Finance Corporation and other statewide and regional housing and financial intermediaries.² The DEO is also responsible for administering the Program by reviewing sponsor project proposals and tax credit applications.³ There are 122 sponsors approved to participate in the Program for the 2013-2014 fiscal year.⁴ After the taxpayer receives approval for community contribution tax credits, it must claim the credit from the Department of Revenue (DOR).

The tax credits are equal to 50 percent of the amount donated up to \$200,000 annually.⁵ The tax credit may be applied toward the donor's sales and use, corporate, or insurance premium tax obligations.⁶ The taxpayer may only apply the credits toward one tax obligation. Unused credits against corporate income taxes and insurance premium taxes may be carried forward for five years.⁷ Unused credits against sales taxes may be carried forward for three years.⁸

The total amount of tax credits, which may be granted for the Community Contribution Tax Credit Program, is \$10.5 million annually for projects that provide homeownership opportunities for low-income and very-low-income households and \$3.5 million for all other projects.⁹ During Fiscal Year 2012-2013, 345 tax credit applications in 36 local governments were approved by the DEO.¹⁰

The Community Contribution Tax Credit Program has grown substantially since its inception. The program began in 1980 with corporate income tax credits limited to \$3 million annually (the cap) and a 1986 expiration date.¹¹ In 1984, its expiration was delayed to 1996 and the credits were extended to insurance premium tax.¹² In 1994, the credit cap was reduced to \$2 million annually and the program's expiration was delayed to 2005.¹³ In 1998, the tax credit cap was

¹ For information on becoming a sponsor or donor, see Florida Department of Economic Opportunity, *CCTCP Program Overview*, available at http://www.floridajobs.org/Community/CCTCP_ProgramOverview.pdf (last visited Jan. 9, 2014).

² Section 220.183(4), F.S.

³ DEO approves projects for a fiscal year. Sponsors can apply for re-certification at the end of each state fiscal year.

⁴ E-mail from Florida Department of Economic Opportunity, Community Contribution Program Staff (Jan. 9, 2014).

⁵ Sections 220.183 (1)(a) and (b), F.S.; 212.08(5)(p).

⁶ See ss. 212.08(5)(p), F.S.; 220.183, F.S.; and 624.5105, F.S.

⁷ Sections 220.183(1)(e), F.S.; and 624.5105, F.S.

⁸ Section 212.08(5)(p)1.b., F.S.

⁹ Sections 212.08(5)(p)1.e., F.S.; 220.183(1)(c), F.S.; and 624.5105(1)(c), F.S.

¹⁰ Department of Economic Opportunity, *supra* note 8.

¹¹ Ch. 80-249, L.O.F.

¹² Ch. 84-356, L.O.F.

¹³ Ch. 94-136, L.O.F.

increased to \$5 million,¹⁴ and, in 1999, the cap was doubled to \$10 million.¹⁵ In 2001, the credit was extended to sales and use tax.¹⁶ In 2005, the cap was increased to \$12 million, the program's expiration date was delayed to 2015, and a portion of the program was set aside for non-housing programs.¹⁷ In 2006, the credit cap was increased to its current \$14 million level.¹⁸ In recent years, this cap has been reached every year.

III. Effect of Proposed Changes:

Section 1 amends s. 212.08, F.S., to delay the expiration date of the application of the community contribution tax credit against the sales and use tax to June 30, 2018.

Section 2 amends s. 220.183, F.S., to delay the expiration date of the application of the community contribution tax credit against the corporate income tax to June 30, 2018.

Section 3 amends s. 624.5105, F.S., to delay the expiration date of the application of the community contribution tax credit against the insurance premium tax to June 30, 2018.

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 has determined that delaying the expiration of the Community Contribution Tax Credit Program will reduce general revenue by \$12.7 million and local revenue by \$1.3 million in Fiscal Years 2015-2016 through 2017-2018.

B. Private Sector Impact:

Eligible project sponsors in the Community Contribution Tax Credit Program will continue to receive contributions through 2018. Likewise, taxpayers will continue to

¹⁴ Ch. 98-219, L.O.F.

¹⁵ Ch. 99-265, L.O.F.

¹⁶ Ch 2001-201, L.O.F.

¹⁷ Ch. 2005-282, L.O.F.

¹⁸ Ch. 2006-78, L.O.F.

receive tax credits for their contributions. The total amount of tax credits that may be granted annually is \$14 million.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 212.08, 220.183, and 624.5105, F.S.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

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

Recommended CS by Appropriations Subcommittee on Finance and Tax on April 2, 2014:

The committee substitute extends the Community Contribution Tax Credit program by three years, instead of ten years as provided in the originally filed bill.

B. Amendments:

None.