

**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.)

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Prepared By: The Professional Staff of the Appropriations Subcommittee on Transportation, Tourism, and Economic Development

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BILL: PCS/SB 302 (652930)

INTRODUCER: Recommended CS by Appropriations Subcommittee on Transportation, Tourism, and Economic Development and Senator Simpson

SUBJECT: Community Contribution Tax Credit Program

DATE: February 19, 2015      REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>White</u>	<u>Yeatman</u>	<u>CA</u>	<b>Favorable</b>
2.	<u>Gusky</u>	<u>Miller</u>	<u>ATD</u>	<b>Recommended Fav/CS</b>
3.	_____	_____	<u>AP</u>	_____

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**Please see Section IX. for Additional Information:**

COMMITTEE SUBSTITUTE - Substantial Changes

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**I. Summary:**

PCS/SB 302 delays the expiration of the Community Contribution Tax Credit (CCTC) Program from June 30, 2016 to June 30, 2025. Under this program, persons that have made contributions to eligible projects may receive tax credits, equal to 50 percent of the contribution, which can be taken against sales and use, corporate income, and insurance premium taxes.

The bill expands the CCTC program to authorize tax credits for persons that contribute to eligible sponsors who provide housing opportunities for persons with special needs. A “person with special needs” means:

- An adult person who has a disabling condition and requires independent living services in order to maintain housing or develop independent living skills;
- A young adult formerly in foster care who is eligible for certain services;
- A survivor of domestic violence; or
- A person receiving veteran’ disability benefits or benefits under the Social Security Disability Insurance (SSDI) program or the Supplemental Security Income (SSI) program.

The CCTC Program currently has 126 approved sponsors that may see declines in charitable contributions if persons decrease their charitable contributions due to the program being scheduled to expire on June 30, 2016.

The Revenue Estimating Conference has determined that delaying the expiration of the Community Contribution Tax Credit Program will reduce general revenue funds by \$19.8 million, and local revenue by \$2.1 million in Fiscal Year 2015-2016.

## II. Present Situation:

### Community Contribution Tax Credit Program

The CCTC Program (Program) was established in 1980 by the Florida Legislature to encourage private sector participation in community revitalization and housing projects.<sup>1</sup> The Program offers tax credits, in the form of refunds, to persons who make contributions to sponsors who have been approved to participate in the Program. Eligible project sponsors<sup>2</sup> 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. An eligible project<sup>3</sup> includes activity undertaken by an eligible sponsor that is designed to:

- Construct, improve or substantially rehabilitate housing that is affordable to low-income households or very-low income households, as those terms are defined in s. 420.9071, F.S.;
- Provide commercial, industrial, or public facilities;
- Improve entrepreneurial and 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).<sup>4</sup> 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 that case, the project's infrastructure can be located in any area of a rural county.

The DEO is responsible for marketing the Program<sup>5</sup> in consultation with the Florida Housing Finance Corporation (FHFC) and other statewide and regional housing and financial intermediaries.<sup>6</sup> The DEO is also responsible for administering the Program by reviewing sponsor project proposals and tax credit applications, which are approved throughout the year.<sup>7</sup> Currently, there are 126 sponsors approved to participate in the Program.<sup>8</sup> After the person receives approval for community contribution tax credits, it must claim the credit from the Department of Revenue (DOR).

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<sup>1</sup> Chapter 80-249, L.O.F.

<sup>2</sup> See ss. 212.08(5)(p)2.c., F.S.; 220.183(2)(c), F.S.; and 624.5105(2), F.S.

<sup>3</sup> See ss. 212.08(5)(p)2.b.; and 220.183(2)(d), F.S. See also s. 220.03(1)(t), F.S.

<sup>4</sup> Sections 212.08(5)(p)2.a., F.S.; 220.183(2)(a), F.S.; and 624.5105(5)(a), F.S.

<sup>5</sup> For information on becoming a sponsor or donor, see DEO, *CCTCP Program Overview*, available at [http://www.floridajobs.org/Community/CCTCP\\_ProgramOverview.pdf](http://www.floridajobs.org/Community/CCTCP_ProgramOverview.pdf) (last visited Jan. 28, 2015).

<sup>6</sup> Section 220.183(4), F.S.

<sup>7</sup> DEO approves projects for a fiscal year. Sponsors can apply for re-certification at the end of each state fiscal year.

<sup>8</sup> *Community Contribution Tax Credit Program – List of Approved Sponsors, Fiscal Year 2014/2015, as of January 30, 2015.*

The tax credits are equal to 50 percent of the amount donated, up to \$200,000 annually.<sup>9</sup> The tax credit may be applied toward the person's sales and use, corporate, or insurance premium tax obligations.<sup>10</sup> A person 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.<sup>11</sup> Unused credits against sales taxes may be carried forward for three years.<sup>12</sup>

The CCTC Program has grown substantially since its inception. The program began in 1980 with corporate income tax credits limited to \$3 million annually (the tax credit cap) and a 1986 expiration date.<sup>13</sup> In 1984, its expiration was delayed to 1996 and the credits were extended to the insurance premium tax.<sup>14</sup> In 1994, the tax credit cap was reduced to \$2 million annually and the program's expiration was delayed to 2005.<sup>15</sup> In 1998, the tax credit cap was increased to \$5 million,<sup>16</sup> and, in 1999, the tax credit cap was doubled to \$10 million.<sup>17</sup> In 2001, the credit was extended to the sales and use tax.<sup>18</sup> In 2005, the tax credit 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 "all other projects".<sup>19</sup> In 2006, the tax credit cap was increased to \$14 million - \$10.5 million for home ownership projects and \$3.5 million for all other projects.<sup>20</sup> In Fiscal Year 2013-2014, the demand for tax credits for home ownership projects equaled the tax credit cap (\$10.5 million). The demand for tax credits for all other projects exceeded the amount available and the tax credits for all other projects were prorated (approximately \$4.4 million was requested and only \$3.5 million was available). In 2014, the program's expiration date was delayed to 2016 and the tax credit cap was increased to the current levels of \$18.4 million annually for projects that provide homeownership opportunities for low-income and very-low-income households and \$3.5 million for all other projects.<sup>21</sup> In the current year, the DEO has approved approximately \$14.2 million of the \$18.4 available for tax credits for homeownership projects to date. Approximately \$4.1 million of tax credits were requested for all other projects, again exceeding the \$3.5 million available for those projects.

## I. 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 from June 30, 2016 to June 30, 2025. The bill also expands the CCTC Program to include sales and use tax credits for contributions made to eligible sponsors of projects that provide housing opportunities for persons with special needs, as that term is defined in s. 420.0004(13), F.S.

<sup>9</sup> Sections 220.183 (1)(a) and (b), F.S.; 212.08(5)(p).

<sup>10</sup> See ss. 212.08(5)(p), F.S.; 220.183, F.S.; and 624.5105, F.S.

<sup>11</sup> Sections 220.183(1)(e), F.S.; and 624.5105, F.S.

<sup>12</sup> Section 212.08(5)(p)1.b., F.S.

<sup>13</sup> Ch. 80-249, L.O.F.

<sup>14</sup> Ch. 84-356, L.O.F.

<sup>15</sup> Ch. 94-136, L.O.F.

<sup>16</sup> Ch. 98-219, L.O.F.

<sup>17</sup> Ch. 99-265, L.O.F.

<sup>18</sup> Ch. 2001-201, L.O.F.

<sup>19</sup> Ch. 2005-282, L.O.F.

<sup>20</sup> Ch. 2006-78, L.O.F.

<sup>21</sup> Ch. 2014-38, L.O.F.; sections 212.08(5)(p)1.e., F.S.; 220.183(1)(c), F.S.; and 624.5105(1)(c), F.S.

**Section 2** amends s. 220.03(1)(t), F.S., the definition of “project” in the Income Tax Code, to include activities undertaken by an eligible sponsor designed to provide housing opportunities for persons with special needs. The bill delays the expiration date for the “project” definition from June 30, 2015 to June 30, 2025, to conform to the CCTC Program’s expiration date.

**Section 3** 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 from June 30, 2016 to June 30, 2025. The bill also expands the CCTC Program to include corporate income tax credits for contributions made to eligible sponsors of projects that provide housing opportunities for persons with special needs, as that term is defined in s. 420.0004(13), F.S.

**Section 4** 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 from June 30, 2016 to June 30, 2025. The bill also expands the CCTC Program to include insurance premium tax credits for contributions made to eligible sponsors of projects that provide housing opportunities for persons with special needs, as that term is defined in s. 420.0004(13), F.S.

**Section 6** provides that the bill takes effect upon becoming law.

## II. Constitutional Issues:

### A. Municipality/County Mandates Restrictions:

None.

### B. Public Records/Open Meetings Issues:

None.

### C. Trust Funds Restrictions:

None.

## III. 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 \$19.8 million, and local revenue by \$2.1 million in Fiscal Year 2015-2016.<sup>22</sup>

### B. Private Sector Impact:

Under CS/SB 302, eligible project sponsors in the CCTC Program will continue to receive contributions through 2025. Likewise, taxpayers will continue to receive tax

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<sup>22</sup> Revenue Estimating Conference, *2015 Session Conference Table*, available at <http://edr.state.fl.us/content/conferences/revenueimpact/2015%20Session%20Conference%20Table.pdf> (Feb. 6, 2015).

credits for their contributions. The total amount of tax credits that may be granted annually is \$21.9 million.

In Fiscal Year 2013-2014, 143 taxpayers requested and received approval for \$10.5 million in community contribution tax credits, for charitable contributions made to 40 eligible sponsors for homeownership projects. Of that amount, approximately \$10.4 million was awarded to taxpayers who made contributions to 36 Habitat for Humanity chapters throughout the state. During that fiscal year, 76 taxpayers requested approximately \$4.4 million and received approval for \$3.5 million on a prorated basis, for charitable contributions made to 30 eligible sponsors for all other projects. Of that amount, approximately \$1.9 million was awarded to taxpayers who made contributions to the Ringling College of Art and Design. Other eligible sponsors who benefitted from the program included Fresh Ministries, Inc., the Florida Aquarium, and the Jacksonville Alliance for KIPP Schools.

C. **Government Sector Impact:**

None.

**IV. Technical Deficiencies:**

None.

**V. Related Issues:**

None.

**VI. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 212.08, 220.03, 220.183, and 624.5105.

**VII. Additional Information:**

A. **Committee Substitute – Statement of Substantial Changes:**

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

**Recommended Barcode 523058 by Appropriations Subcommittee on Transportation, Tourism, and Economic Development on February 18, 2015:** The Committee Substitute expands the CCTC program to authorize tax credits for persons that contribute to eligible sponsors who provide housing opportunities for persons with special needs. A “person with special needs” means:

- An adult person who has a disabling condition and requires independent living services in order to maintain housing or develop independent living skills;
- A young adult formerly in foster care who is eligible for certain services;
- A survivor of domestic violence; or

- A person receiving veteran' disability benefits or benefits under the Social Security Disability Insurance (SSDI) program or the Supplemental Security Income (SSI) program.

The Committee Substitute also amends s. 220.03(1)(t), F.S., the definition of "project" in the Income Tax Code, to include activities undertaken by an eligible sponsor designed to provide housing opportunities for persons with special needs. The bill delays the expiration date for the "project" definition from June 30, 2015 to June 30, 2025, to conform to the CCTC Program's expiration date.

**B. Amendments:**

None.