

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 Committee on Commerce and Tourism

BILL: SB 982

INTRODUCER: Senator Gruters

SUBJECT: Tax Refund Program for Qualified Target Industry Businesses

DATE: March 8, 2021

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Reeve	McKay	CM	Pre-meeting
2.			FT	
3.			AP	

I. Summary:

SB 982 reauthorizes the Qualified Target Industry Tax Refund Program by repealing the June 30, 2020, deadline for applicants to be certified for the program.

The bill takes effect July 1, 2021.

II. Present Situation:

Qualified Target Industry Tax Refund Program

The Qualified Target Industry (QTI) Tax Refund Program was created by the Legislature in 1994¹ to encourage the creation and retention of high-quality, high-wage jobs by providing a state grant equal to the amount paid for certain state and local taxes² to eligible businesses creating jobs in certain target industries.³ The amount of the tax refund awarded through the program is determined by the number of jobs created by, the average annual wages paid by, and the location of the eligible business. As of June 30, 2020, no additional applicants may be certified under the program; existing agreements made prior to this date will continue in effect according to their terms.⁴

In order to be eligible to receive a grant, a business must apply to be certified as a qualified target industry business with the Department of Economic Opportunity (DEO).⁵ Businesses must be

¹ Chapter 94-136, s. 76, Laws of Fla.

² Tax refunds may be claimed for the following taxes paid: sales and use taxes, corporate income taxes, insurance premium taxes, intangible personal property taxes, excise taxes, ad valorem taxes, certain state communication services taxes, excise taxes on documents. *See* s. 288.106(3)(9), F.S.

³ Section 288.106(1), F.S.

⁴ Section 288.106(9), F.S.

⁵ Section 288.106(4), F.S.

engaged in one of Florida's target industries as identified by the DEO and Enterprise Florida, Inc. (EFI).⁶ The current qualified target industries are aviation and aerospace; corporate headquarters; clean technology; defense and homeland security; financial and professional services; global logistics and trade; information technology; life sciences; manufacturing; and research and development.⁷

Additionally, a business applying for certification as a qualified target industry business must meet the following requirements:

- A business's project must create at least 10 new jobs, or create a net employment increase of at least 10 percent in the case of an expansion of an existing business. The DEO is authorized to waive this requirement for a business in a rural community or an enterprise zone;⁸
- New jobs must pay an annual average wage of at least 115 percent of the average private sector wage in a business's area or the statewide private sector average wage. The DEO is authorized to waive this requirement for a business in a brownfield area, a rural city, a rural community, or an enterprise zone.⁹ Jobs created by a manufacturing project in any location within the state may pay an annual average wage of at least 100 percent of the average private sector wage in a business's area;¹⁰ and
- A business must receive a local funding match, paid by public or private sources, equal to 20 percent of the annual tax refund. The existence of local financial support must be confirmed by a resolution adopted by the governing body of the county or municipality where the business is located.¹¹ A business located in a brownfield area, a rural city, or a rural community is authorized to exercise an exemption from the local financial support requirement, but the business would not be eligible for more than 80 percent of the total tax refunds originally allowed.¹²

Qualified target industry businesses are eligible to receive a tax refund equal to \$3,000 per newly created job. If a business is located in a rural community or an enterprise zone, the amount is increased to \$6,000 per created job.¹³ Qualified target industry businesses may also be eligible for the following additional tax refund payments:¹⁴

- \$1,000 per created job if such jobs pay an average annual wage of at least 150 percent of the average private sector wage in a business's area;
- \$2,000 per created job if such jobs pay an average annual wage of at least 200 percent of the average private sector wage in a business's area;
- \$1,000 per created job if a business's local financial support is equal to the state's incentive award; and

⁶ Section 288.106(2)(q), F.S. Every three years, beginning January 1, 2011, DEO must consult with EFI, economic development organizations, the State University System, local governments, employee and employer organizations, market analysts, and economists to review and revise the list of target industries. Target industries are determined according to criteria found in statute.

⁷ Florida Department of Economic Opportunity, *2020 Incentives Report*, 12, available at http://floridajobs.org/docs/default-source/reports-and-legislation/2019-2020-annual-incentives-report-final.pdf?sfvrsn=af674ab0_2 (last visited Mar. 8, 2021).

⁸ Section 288.106(4)(b)2., F.S.

⁹ Section 288.106(4)(b)1.a., F.S.

¹⁰ Section 288.106(4)(b)1.b., F.S.

¹¹ Section 288.106(4)(a)10., F.S.

¹² Section 288.106(2)(k), F.S.

¹³ Section 288.106(3)(b)1., F.S.

¹⁴ Section 288.106(3)(b), F.S.

- \$2,000 per created job if a business falls within one of the designated high-impact sectors¹⁵ or increases exports of its goods through a seaport¹⁶ or airport in the state by at least 10 percent by value or tonnage in each of the years the business receives a tax refund payment.

A qualified target industry business cannot receive more than \$1.5 million in any fiscal year, or more than \$2.5 million in any fiscal year if the business is located in an enterprise zone.¹⁷ The total state share of payments may not exceed \$35 million.¹⁸

In Fiscal Year 2019-2020, the last fiscal year during which applicants could be certified under the program, 7,890 jobs were created by 159 businesses actively participating in the program. The total number of jobs created exceeded the number of total new jobs expected to be created by 3,068.¹⁹

QTI Agreement

Each qualified target industry business must enter into a written agreement with the DEO that specifies certain criteria that must be met in order to be eligible for a payment, including receipts showing the amount of taxes paid and data showing that the business met its performance requirements.²⁰ Compliance with the terms and conditions of the agreement is a condition precedent for the receipt of a tax refund each year unless the department grants the business an economic recovery extension.²¹

In the event of negative economic conditions in a business's industry, a named hurricane or tropical storm, or specific acts of terrorism, a qualified target industry business may request an economic recovery extension. The request must provide evidence detailing how the aforementioned conditions have prevented a business from carrying out the terms of its agreement.²² Upon approval, the DEO will renegotiate a business's agreement. Agreements may not be extended for more than 2 years, and a business that receives an extension may not receive a tax refund for the period covered by the extension.²³ Requests for an economic recovery

¹⁵ Pursuant to s. 288.108(6), F.S., EFI must consult with the DEO, economic development organizations, the State University System, local governments, employee and employer organizations, market analysts, and economists every three years, beginning January 1, 2011, to review the designated high-impact sectors. The sectors currently designated as high impact are clean energy, life sciences, financial services, information technology, silicon technology, transportation equipment manufacturing, and corporate headquarters. See Department of Economic Opportunity, *2020 Annual Incentives Report*, 52, available at https://floridajobs.org/docs/default-source/reports-and-legislation/2019-2020-annual-incentives-report-final.pdf?sfvrsn=af674ab0_2 (last visited Mar. 8, 2021).

¹⁶ Section 288.106(3)(b)4.b., F.S., limits seaports to the ports of Jacksonville, Tampa, Port Everglades, Miami, Port Canaveral, Ft. Pierce, Palm Beach, Port Manatee, Port St. Joe, Panama City, St. Petersburg, Pensacola, Fernandina, and Key West.

¹⁷ Section 288.106(3)(c), F.S.

¹⁸ Section 288.095(3)(a), F.S.

¹⁹ *Supra* note 7, at 7-8.

²⁰ Section 288.106(5)(a), F.S. The DEO may waive the requirement for proof of taxes paid in future years for a business that provides the DEO with proof that, in a single year, the business has paid an amount of certain state taxes that is at least equal to the total amount of payments that the business would receive through successful completion of its agreement.

Section 288.106(6), F.S.

²¹ Section 288.106(5)(b), F.S.

²² Section 288.106(5)(b)1., F.S.

²³ Section 288.106(5)(b)3., F.S.

extension were permitted in lieu of any claim scheduled between January 1, 2009, and July 1, 2012.²⁴

III. Effect of Proposed Changes:

The bill repeals s. 288.106(9), F.S., which prohibits the certification of applicants after June 30, 2020. In effect, the bill permanently reauthorizes the QTI program.

The bill takes effect July 1, 2021.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill may have a significant yet indeterminate fiscal impact on future state expenditures. Payment of QTI contracts or agreements are subject to specific annual

²⁴ Section 288.106(5)(b)1., F.S.

appropriation by the legislature.²⁵ The annual funding cap of \$35 million, pursuant to s. 288.095(3)(a), F.S., still applies.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 288.106 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

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

None.

B. Amendments:

None.

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

²⁵ Section 288.106(5)(d), F.S.