TAX: Corporate Income Tax, Insurance Premium Tax
BILL NUMBER(S): HB809, AS AMENDED
SPONSOR(S): REPRESENTATIVE KILMER
MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2003
DATE OF ANALYSIS: March 28, 2003

SECTION 1: NARRATIVE

a. Current Law:

Sections 220.191, (1) (h), F.S., defines a qualifying project as a new or expanding facility that creates at least 100 new jobs in this state, and is in one of the high impact sectors that Enterprise Florida Inc. has certified pursuant to s.288.106 (6), F.S. . The high impact sectors include, but are not limited to, aviation, aerospace, automotive and Silicon Valley industries. However, s.288.106 (6),F.S., excludes sectors engaged in retail trade, or any firm that is subject to regulation by the Division of Hotels and Restaurants of the Department of Business and Professional Regulation.

b. Proposed Change:

Section 220.191, (1) (h), F.S., redefines a qualifying project target industry (QTI) as an industry that is other wise eligible as a qualified target industry pursuant to s.288.106,F.S. and produces at least 50% of its products or services outside the state.

SECTION 2:DATA AND SOURCES
See Attachment.
SECTION 3: ASSUMPTIONS

SECTION 4 CALCULATIONS
See Attachment

SECTION 5: IMPACT SUMMARY

Adopted 3/28/03

State Impact-All Funds	FY2003-04- Annualized ($millions)	FY2003-04 Cash . ($millions)	FY2004-05 Recurring ($millions)
High	-$13.1	-$.81	-$13.1
Middle	-$10.5	-$.65	-$10.5
Low (All General Revenue)	-$7.87	-$.49	-$7.87

HB809, as amended

Data Source: Florida Enterprise and O.T.T.E.D. staff. March 2003.

Assumptions

1. Reflecting the valuation and mix of capital investment projects for the past 2 years, an estimated $261 million in capital investments will be approved for investment credits against CIT or insurance premium taxes in FY0203.
2. Assume 4 projects will be approved and the valuation of projects will resemble the profiles observed in FY0102 and FY0203.

Ignoring the 100%, 75% and 50% allowances, a 5% annual credit against CIT or insurance premium taxes can be taken.

5% *$120 million=	$6,000,000
5%*$75 million =	$3,750,000
5%*$41 million=	$2,050,000
5%*$26 million=	$1,300,000
	$13,100,000

3. Projects valued in excess of $100 million pertain to new companies; they will become operational and fully profitable for 100% of FY0405.
Projects valued less $30 million are expected to be fully operational and profitable within 1 year.
The 2 other projects will become fully operational in and profitable in the last half of FY0304

4. The Middle estimate assumes that all companies are able to take the full 5% allowed credit against their CIT or IPT liabilities.
The High and Low estimates assume 125% and 75% of the middle estimates will be taken as credits against CIT.

102

Calculations

	Maximum annual credit allowance*		formula based on time required for construction time and commencement of operations	FY0304 cash	FY0304 recurring	FY0405 recurring
1@	5%*$120 million*100%=	$6,000,000			-$6,000,000	-$6,000,000
1@	5%*$75 million * 75%	$2,812,500			-$2,812,500	-$2,812,500
1@	5%*$41 million * 50%=	$1,025,000			-$1,025,000	-$1,025,000
1@	5%*$26 million* 50%=	$650,000			-$650,000	-$650,000
total				-$650,000	-$10,487,500	-$10,487,500

Estimated Fiscal Impact- High Estimate	-$812,500	-$13,109,375	-$13,109,375
Estimated Fiscal Impact- Middle Estimate	-$650,000	-$10,487,500	-$10,487,500
Estimated Fiscal Impact- Low Estimate *	-$487,500	-$7,865,625	-$7,865,625

*The maximum allowable credit does not imply that a company will actually have liabilities sufficient to take the full credit againt CIT or IPT.