

TAX: Corporate Income Tax
 ISSUE: State Work Opportunity Corporate Income Tax Credit
 BILL NUMBER(S): SB 2064/HB 1011
 SPONSOR(S): Sen. Siplin, Miller, Hill and Lawson/Rep. Harper
 MONTH/YEAR COLLECTION IMPACT BEGINS: January 1, 2005.
 DATE OF ANALYSIS: March 3, 2004

SECTION 1: NARRATIVE

a. Current Law: Currently, there is no credit against corporate income tax for corporations that hire convicted felons within three years after their release from prison.

b. Proposed Change: Creates s. 220.1893, F.S. Beginning January 1, 2005, the bill provides for a credit against corporate income tax for corporations that hire convicted felons within three years after their release from a state prison. The credit is also available to corporations that hire a person who has been convicted of a felony and is on community control or probation, as those terms are defined by statute. The credit will be computed as 40% of the wages paid to such employees, with a maximum credit of \$2,400 per qualified employee. The credit may be claimed for a maximum of five employees per taxable period.

In the case of a small business, or a minority business enterprise, as those terms are defined by referenced statutes, the credit will be computed as 50% of the wages paid to such employees, with a maximum credit of \$3,000 per qualified employee. The credit may be claimed for a maximum of five employees per taxable period.

SECTION 2: DESCRIPTION OF DATA & SOURCES

REC 3/2004.

Florida Department of Corrections Annual Report FY 2002-2003.

Florida Department of Corrections Release Report FY 2002-2003.

U.S. Small Business Administration, Office of Advocacy, 2003 State Small Business Profile: Florida.

SECTION 3: ASSUMPTIONS & RATIONALE

Of persons under community control, 90% are age between 18-60.

Due to overlap of new releases and people under community control the eligible population is 157,344.

Employment by small and minority business, as defined by statute, is 40%.

Small business participation rate is 10%, large businesses participation rate is 75%.

Cash impact for FY 2004-05 is 50% of the annualized estimate due to the Jan. 1, 2005 effective date.

High estimate assumes 60% of the eligible population become employed, middle estimate assumes 50% employment, and the low estimate assumes 40%.

SECTION 4: METHODOLOGY

See attached spreadsheet.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact—All Funds	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High	(\$113.3) Million	(\$56.6) Million	(\$115.0) Million
Middle	(\$94.4) Million	(\$47.2) Million	(\$95.8) Million
Low	(\$75.5) Million	(\$37.8) Million	(\$76.7) Million

Consensus Estimate: Adopted: 3/19/04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue	(75.5)	(37.8)	(76.7)
Total State Impact			
Total Local Impact			
Total Impact	(75.5)	(37.8)	(76.7)

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1. Ex-felons released from prison or jail within the last 3 years

	Fl inmate population	release total	age 60+	% released age 60+	total 3 yrs under age 60
FY2000	71,233	24,317	324	1.33%	
FY2001	72,007	26,805	369	1.38%	
FY2002	73,553	26,299	339	1.29%	76,389
FY2003		26,599	366	1.38%	78,629

2. Persons under community control

	all Fl	age 18-60	% 18-60
FY2000	149,470	134,523	90.00%
FY2001	152,018	136,816	90.00%
FY2002	153,477	138,129	90.00%
FY2003	152,985	137,687	90.00%

Eligible persons	small business %	max credit per person	participation factor	total potential credit
FY2003	157,344	60.0%	\$2,400	75% \$169,931,250
		40.0%	\$3,000	10% \$18,881,250
				\$188,812,500

impact		FY2005	cash 2005	FY2006	pop #
low	40%	-\$75,525,000	-\$37,762,500	-\$76,657,875	62,938
middle	50%	-\$94,406,250	-\$47,203,125	-\$95,822,344	78,672
high	60%	-\$113,287,500	-\$56,643,750	-\$114,986,813	94,406

assume 1.5% growth rate from FY2005 to FY2006

source: REC 2/2004

Florida Department of Corrections Release Report FY 2002-2003

Florida Department of Corrections Annual Report FY 2002-2003

U.S. Small Business Administration, Office of Advocacy, 2003 State Small Business Profile: Florida