

TAX: SALES, CORPORATE, INSURANCE PREMIUM

ISSUE: Amend s. 212.08, s. 212.097, s. 220.183, s. 220.1895, s. 220.106, s. 288.99, s. 624.5105 , F.S.

Create s. 212.097(1) (f) and (g), s. 212.097 (16), s. 212.098 (12), F.S.

BILL NUMBER (S): HB-617

SPONSOR (S): Representative Kilmer & Davis

MONTH/YEAR COLLECTION IMPACT BEGINS: Upon becoming Law.

DATE OF ANALYSIS: FEBRUARY 25, 2004

SECTION 1: NARRATIVE

a. Current Law:

- Provides a threshold of \$5,000 for business property refunds under 212.08(5)(h) 9d.
- Excludes targeted industries from definition of “Eligible business” for tax refund under s. 212.097 (1) (a).
- Provides a “Tier” ranking schedule for three levels of distress related to activities of crime and criminal behavior.
- Provides credits of \$1,500, \$1,000 or \$500 of eligible credit per employee, based on the “tier” assignment of the business location.
- Allows for entry into the program regardless of “Income characteristics”, “Education characteristics”, “ Crime characteristics” or “Residential and commercial property related characteristics”.
- Does not allow for transfer of accrued credits of corporations to other businesses for urban or rural tax refunds.
- Provides for expiration of Tax refund program for qualified target industry businesses on June 30, 2004.

b. Proposed Change:

- Include targeted industries eligible for the qualified target industry business tax refund under s. 288.106.
- Replace the “Tier” ranking schedule with a single identification of “**designated urban job tax credit area**”.
- Provide credit of \$1,000 per employee for all eligible businesses.
- Require entry into the program according to, “Income characteristics”, “Education characteristics”, “ Crime characteristics” or “Residential and commercial property related characteristics”.
- Allows for transfer of accrued credits of corporations to other businesses.
- Extends expiration date of Tax refund program for qualified target industry businesses to June 30, 2009.

SECTION 2: DESCRIPTION OF DATA & SOURCES

- Urban Job Tax Credit Program Summary 1999-2003 (Office of Tourism Trade and Economic Development)
- Discussions with Mr. Burt Von Hoff, Office of Tourism Trade and Economic Development.
- Estimate of Business Equipment threshold change from HB-809’03.

SECTION 3: ASSUMPTIONS & RATIONALE

- Assuming no change in the law, 46% of the available credits for the Urban jobs tax credit will continue to be claimed as in the average of the prior 5 years.
- Allowing the targeted industry group to apply for credits will increase the credits by an additional 15%.
- Creation of a single rate of \$1,000 per job, will increase the credits by 8%.
- Allowing for the transfer of Rural and Urban accrued credits will increase the credits claimed by and additional 15%.
- High / Low = + - 10%
- No significant growth is expected for FY 05-06.

SECTION 4: METHODOLOGY

Review reports from prior years; prepare worksheet detailing each impact estimate.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact - All Funds	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High	(\$3.2m)	(\$4.6m)	(\$4.1m)
Middle	(\$2.9m)	(\$4.2m)	(\$3.7m)
Low	(\$2.6m)	(\$3.8m)	(\$3.3m)

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Consensus Estimate Adopted: 2 / 27 /04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue—Sales	(1.5)	(2.6)	(2.2)
GR—Corporate	(1.2)	(1.2)	(1.2)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)
Total State Impact	(2.7)	(3.8)	(3.4)
Revenue Sharing	(.1)	(.1)	(.1)
Local Half Cent	(.1)	(.3)	(.2)
Local Option	(.1)	(.2)	(.1)
Local Tax Impact	(.3)	(.6)	(.4)
Total Impact	(3.0)	(4.4)	(3.8)

SECTION 1

Amend s. 212.08, F.S.

- (1) Amend s. 212.08(5)(h) 9d **at page 6 of 29**

Revise the sales price criteria for characterizing business property from \$5,000 to \$500 per unit.

References: See Impact 03AF001 (HB-809-2003)

Estimated Impact (\$1.3)m

- (2) Amend s. 212.08(5)(o) 1b and 1c **at page 6 and 7 of 29**

Change definition of “Housing project” and “Mixed-use project”

Estimated impact \$ 0

- (3) Amend s. 212.08(5)(q)1e **at page 9 of 29.**

Set aside 15% of the community contribution tax credit pool for first 6 months of Fiscal year for projects located in a rural enterprise zone.

Estimated impact \$ 0

SECTION 2

Amend s. 212.097, F.S.

- (1) Amend s. 212.097 title **at page 14 of 29.**

- (2) Amend s. 212.097 (1) (a) **at page 15 of 29** expanding the definition of “Eligible business” to include targeted industry eligible for the qualified target industry business tax refund under s. 288.106.

References: See Impact 03AF001 (HB-809-2003)

Estimated impact (\$.3)m

- (3) Amend s. 212.097 (1)(a),(b) and (C) **at pages 14 – 16 of 29**, eliminate reference to “qualified high crime”, and insert “designated urban job tax credit”.

- (4) Amend s. 212.097 (1)(e) **at page 17 of 29** Change title, eliminate reference to “qualified high crime”, insert “designated urban job tax credit”. Also eliminate existing ranking criteria and provides new ranking by level of distress. Provide for the creation of 27 additional designated urban job areas.

Estimated impact (\$2.7)m

- (5) Create s. 212.097 (1) (f) and (g) **at page 18 of 29** to define “Central business district” and “Urban”

- (6) Amend s. 212.097 (2) and (3) **at page 18 and 19 of 29** to eliminate reference to “tiers” and insert reference to “designated urban jobs tax credit area”. The amendment also provides that new eligible businesses with at least 10 qualified employees shall receive \$1,000 credit for each employee, eliminating the three levels of credit and employment requirements that presently exist.

References: See Impact 03AF001 (HB-809-2003)

Estimated impact (\$.2)m.

- (7) Amend s. 212.097 (4) – (6) **at pages 19 and 20 of 29** remove reference to tier level and high crime and insert reference to urban job tax credit where necessary.

- (8) Amend s. 212.097 (7) **at page 21 of 29** eliminate presently existing criteria that an area designated under this section must meet, inserting specific income, education, workforce and employment, and crime characteristics, and residential/commercial characteristics which must be met.

- (9) Amend s. 212.097 (8) – (15) **at pages 22-25 of 29** eliminate reference to communities and insert reference to areas and change size and boundary requirements for some areas.

- (10) Create s. 212.097 (16) **at page 25 of 29** to allow eligible businesses to transfer no less than 25% of their remaining unused credits.

References: See Impact 03AF001 (HB-809-2003)

Estimated impact (\$.3)m.

SECTION 3

(1) Create s. 212.098 (12) **at page 26 of 29**, to allow eligible businesses within the Rural Job Tax Credit Program to transfer no less than 25% of their remaining unused credits.

References: See Impact 03AF001 (HB-809-2003)

Estimated impact (\$).2m

SECTION 4

Amend ss. 220.183, F.S.

(1) Amend s. 220.183 (1) (c) **at page 26 of 29** . Set aside 15% of the community contribution tax credit pool for first 6 months of Fiscal year for projects located in a rural enterprise zone.

Estimated impact \$ 0

SECTION 5

Amend s. 220.1895, F.S.

(1) Amend s. 220.1895 **at page 27 of 29** to eliminate references to High Crime Areas and insert Designated Job tax credit areas. Eliminate requirement for OTTED to file a report by February, 2000.

Estimated impact \$ 0

SECTION 6

Amend s. 288.106, F.S.

(1) Amend s. 220.106 (7) **at page 27 of 29** to extend the expiration date of the Tax refund program for qualified target industry businesses to June 30, 2009.

Reference data developed by Mary Ayala for hB-583'04.

Estimated impact \$ 0

SECTION 7

Amend s. 288.99, F.S.

(1) Amend s. 288.99 (2) **at page 28 of 29** to eliminate high crime and insert designated job tax credit.

Estimated impact \$ 0

SECTION 8

Amend s. 624.5105 (1) (c) **at page 28 of 29** to set aside 15% of the Community contribution tax credit pool for the first 6 months for projects located in a rural enterprise zone.

Estimated impact \$ 0

House Bill - 0617 Impact Summary Chart

Bill Section	Issue	FY 04-05 Annualized	FY 04-05 Cash	FY 05-06 Cash
1	Business Equip. Threshold	\$0	(\$1.3m)	(\$.75m)
2	Urban Job Tax Credit Program	(\$2.7m)	(\$2.7m)	(\$2.7m)
3	Rural Job Tax Credit Program	(\$.2m)	(\$.2m)	(\$.2m)
Total House Bill 0617		(\$2.9m)	(\$4.2m)	(\$3.7m)

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Estimate HB-617 (2004)

Section 1 - Change of Threshold for Business Property from \$5,000 to \$500.

House Bill 809 (2003)

FY	Number of Zones	Threshold	Business Count Total / (per zone)	Amount of Claims	Average per business	% Increase (decrease) per business
97-98	31	None	483 / (16)	\$1,288,159	\$2,667	
98-99	32	None	636 / (20)	\$1,739,385	\$2,735	2.55%
99-00	34	None	730 / (22)	\$2,188,606	\$2,998	9.62%
00-01	34	\$5,000	*628 / (19)	\$1,911,472	\$3,044	1.53%
01-02	47	\$5,000	**860 / (19)	\$2,813,601	\$3,272	7.49%
02-03	51	\$5,000	***969 / (19)	\$3,580,500	\$3,500	7.00%

* Number of businesses **decreased** 15% due to \$5,000 limit

** Number of businesses **increased** 36 % due to new zones being added.

*** Estimated, based on two prior years .

Estimated refund if no change is made

Number of zones	Estimated Filers	Estimated average refund	Estimated Total Refunds if no change
51	969	\$3,500	\$3,391,500

Estimated refund if HB-617 passes

Number of zones	Estimated Filers	Estimated average refund	Estimated Total Refunds if no change
51	1,176	\$4,000	\$4,704,000

Estimated Value of expanded exemption **\$1,312,500**

Note: This change would cause an increase in the number of filers and increase the average amount of each refund.

House Bill 617 (2004)- Designated Urban Jobs Tax Credit Area Program.

Section 2 (a) through (d)

(a) Expand Eligible Business to include Qualified Target Industries.	\$345,000
(b) Expand Designated Area to include 17 additional areas.	\$3,004,815
(c) Provide for a single rate of \$1,000 per job.	\$186,500
(d) Allow for transfer of unused credits	\$345,000
Adjust for Limits of Program	-\$1,181,315
Total effect of HB-617'04	\$2,700,000

URBAN JOB TAX CREDIT PROGRAM						
Year	Approved Applications	New	Existing	Jobs	Credits Approved	Credits Remaining
1999	5	2	3	221	\$260,500	\$4,739,500
2000	9	6	3	4,109	\$4,999,500	\$500
2001	22	14	8	2,214	\$2,486,500	\$2,513,500
2002	19	10	9	2,848	\$2,673,500	\$2,326,500
2003	14	5	9	1,184	\$1,069,000	\$3,931,000
Five Year Totals	69	37	32	10,576	\$11,489,000	\$13,511,000
Average Estimate per Area	13.8	7.4	6.4	2115.2	\$2,297,800	\$2,702,200
Area	1	1	0	163	\$176,754	

Total available Credit per year \$5,000,000

Assuming no change in the law, an estimated 46% will be claimed in Fy 04-05 **\$2,300,000**

(a)Estimated increase(15%)due to inclusion of QTI see HB-809 '03	\$345,000
(b)Estimated increase due to addition of 17 new designated areas (\$176,754 X 17)	\$3,004,815
(c)Estimated increase due to single rate of \$1,000 per job. see HB-809 '03	\$186,500
(d)Estimated increase due to allowing transfer of credits (15%) see HB0809 '03	\$345,000
Total Estimated impact of Section 2 HB-617 (2004)	\$3,881,315
Adjust for Limits of Program	-\$1,181,315
Net effect of HB-617'04	\$2,700,000

**House Bill 617 (2004)- Rural Job Tax Credit Program.
Section 3**

Allow for transfer of unused credits

\$180,000

RURAL JOB TAX CREDIT PROGRAM						
Year	Approved Applications	New	Existing	Jobs	Credits Approved	Credits Remaining
1999	0	0	0	0	\$0	\$5,000,000
2000	1	0	1	21	\$21,000	\$4,979,000
2001	3	2	1	465	\$257,000	\$4,743,000
2002	5	2	3	578	\$600,000	\$4,400,000
2003	8	3	5	1,009	\$1,008,000	\$3,992,000
Est. 2004	12	4	8	1,200	\$1,200,000	\$3,800,000

Total available Credit per year

\$5,000,000

Assuming no change in the law, an estimated 24% will be claimed in Fy 04-05

\$1,200,000

Estimated increase due to ability to transfer credits (15%),see HB-809 '03

\$180,000

Total Estimated impact of Section 3 HB-617 (2004)

\$180,000