

**TAX: SALES, CORPORATE, INSURANCE PREMIUM**

**ISSUE:** Amend s.212.08, s. 212.097, s. 220.1895, s.220.191, s. 288.99, F.S.

**BILL NUMBER (S): HB-1313**

**SPONSOR (S):** Representative Detert

**MONTH/YEAR COLLECTION IMPACT BEGINS:** JULY 1, 2005

**DATE OF ANALYSIS:** APRIL 7, 2005

**SECTION 1: NARRATIVE**

- a. Current Law:** 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.  
 Provides for no more than 13 designated Urban Jobs areas.  
 Does not allow waiver of sector requirements to induce location or expansion of a facility in exchange for additional corporate tax credits.
- Proposed Change:** Include targeted industries eligible for the qualified target industry business tax refund under s. 288.106.  
 Provides for the creation of 17 new designated Urban Jobs areas.  
 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.  
 Counts retained jobs to make companies eligible for capital investment credit.

**SECTION 2: DESCRIPTION OF DATA & SOURCES**

Urban Job Tax Credit Program Summary 1999-2004 (Office of Tourism Trade and Economic Development)  
 Discussions with Mr. Burt Von Hoff, Office of Tourism Trade and Economic Development.  
 Review of sample of income estimates .  
 Review of DOR 2003 corporate and sales tax data.

**Section 3: METHODOLOGY ( INCLUDE ASSUMPTIONS AND ATTACH DETAILS )**

- 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%.
- No significant growth is expected for FY 06-07.
- Review reports from prior years; prepare worksheet detailing each impact estimate.

**SECTION 4: PROPOSED FISCAL IMPACT**

State Impact - All Funds	FY 2005-06 Annualized	FY 2005-06 Cash	FY 2006-07 Cash
High			
Middle	4.9	4.9	4.9
Low			

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**SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4 / 22 / 05 )** The conference adopted the proposed estimate. The impact is assumed to be split 80% Sales Tax and 20% Corporate Income Tax.

<b>Consensus Estimate</b>	<b>FY 2005-06 Annualized</b>	<b>FY 2005-06 Cash</b>	<b>FY 2006-07 Cash</b>
General Revenue--Sales	(3.5)	(3.5)	(3.5)
General Revenue--Corporate	(1.0)	(1.0)	(1.0)
State Trust	(Insignificant)	(Insignificant)	(Insignificant)
Total State	(4.5)	(4.5)	(4.5)
Revenue Sharing	(.1)	(.1)	(.1)
Local Gov't Half Cent	(.3)	(.3)	(.3)
Local Option	(.3)	(.3)	(.3)
Local Tax Impact	(.7)	(.7)	(.7)
Total Impact	(5.2)	(5.2)	(5.2)

**SECTION 1**

- (1) Amend s. 212.08(5) (o) 1b and 1c **at page 2 of 17**  
Change definition of “Housing project” and “Mixed-use project”

**Estimated impact \$ 0**

**SECTION 2**

Amend s. 212.097, F.S.

- (1) Amend s. 212.097 title **at page 4 of 17**.  
(2) Amend s. 212.097 (1) (a) **at page 4 of 17** 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 04AF002 (HB-617-2004)

**Estimated impact (\$ .35)m**

- (3) Amend s. 212.097 (1) (a),(b) and ( c ) **at page 5 of 17**, eliminate reference to “qualified high crime”, and insert “designated urban job tax credit”.  
(4) Amend s. 212.097 (1) (e) **at pages 6 - 8 of 17** 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 17 additional designated urban job areas. Create new language to include the area designated by the “Community Tax Relief Act of 2000”.

**Estimated impact (\$2.7)m**

- (5) Amend s. 212.97 to create (1) (f) and (g) to identify criterion for areas to meet for qualification within the respective areas.  
(6) Amend s. 212.097 (2) and (3) **at page 8 and 9 of 17** 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 04AF002 (HB-617-2004)

**Estimated impact (\$ .19)m.**

- (7) Amend s. 212.097 (4) – (6) **at pages 9 – 10 of 17** to remove reference to tier level and high crime and insert reference to urban job tax credit where necessary.  
(8) Amend s. 212.097 (7) (a), (b), ( c ), and (d) **at page 10 -11 of 17** to create criterion that an area designated under this section must meet.  
(9) Amend s. 212.097 (8) – (16) **at pages 12-14 of 17** eliminate reference to communities and insert reference to areas and change size and boundary requirements for some areas.

**SECTION 3**

Amend s. 220.1895, F.S.

- (1) Amend s. 220.1895 **at page 14 of 17** 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 4**

Allows OTTED to waive the sector requirements of the Capital Investment Tax Credit Program to induce the location or expansion of a facility that creates or retains at least 1,000 jobs, provided that 100 are new jobs, pays an average annual wage of at least 130% of the average private sector wage, and makes a cumulative capital investment of at least \$100 million. The bill limits the amount of tax credits to 50% of the increased annual corporate income or premium tax liability generated by or arising out of the qualifying project.

**Estimated impact 2.2million**

**SECTION 5**

Amend s. 288.99, F.S.

- (1) Amend s. 288.99 (2) **at page 16 of 17** to eliminate “high crime” and insert “designated job tax credit”.

**House Bill 1313 (2005)- 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.	\$2,709,103
(c) Provide for a single rate of \$1,000 per job.	\$186,500
Adjust for Limits of Program	-\$540,603
<b>Total effect of HB-1313'05</b>	<b>\$2,700,000</b>

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
2004	17	10	7	863	\$941,000	\$4,059,000
Five Year Totals	86	47	39	11,439	\$12,430,000	\$17,570,000
Average Estimate per Area	14	8	7	1,907	\$2,071,667	\$2,928,333
	1	1	1	147	\$159,359	

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

Assuming no change in the law, an estimated 46% will be claimed in Fy 05-06 **\$2,300,000**

(a) Estimated increase (15%) due to inclusion of QTI see 04AF02	<b>\$345,000</b>
(b) Estimated increase due to addition of 17 new designated areas (\$159,359 X 17)	<b>\$2,709,103</b>
(c) Estimated increase due to single rate of \$1,000 per job. see 04AF0002	<b>\$186,500</b>
<b>Total Estimated impact of HB1313 (2005)</b>	<b>\$3,240,603</b>
Adjust for Limits of Program	<b>-\$540,603</b>
Net effect of HB-1313'05	<b>\$2,700,000</b>

**HB 1313 Amendment  
Capital Investment Tax Credit**

	Low	Middle	High
Number of Firms	1	4	8
Capital Investment/Firm	\$200,000,000	\$200,000,000	\$200,000,000
Capital Investment	\$200,000,000	\$800,000,000	\$1,600,000,000
Net Increase in Annual Income @ 10%	\$20,000,000	\$80,000,000	\$160,000,000
Tax at 5.5%	\$1,100,000	\$4,400,000	\$8,800,000
Tax Credit at 50%	\$550,000	\$2,200,000	\$4,400,000