

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax and Insurance Premium Tax
ISSUE: New Markets Tax Credit Program
BILL NUMBER(S): Strike All Amendment HB293
SPONSOR(S): Representative Weatherford
MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2008
DATE OF ANALYSIS: March 11, 2008
SECTION 1: NARRATIVE

a. Current Law:

There is not a New Markets Tax Credit.

b. Proposed Change:

Provides taxpayers subject to taxes imposed by ss. 220.11 and 624.509, F.S., a credit against corporate income taxes and insurance premium taxes on holdings of “qualified equity investments” in “Qualified Active Low-Income Community Business” or “Qualified Community Development Entity”. The credit amount is equal to the applicable percentage of the adjusted purchase price paid to the issuer of such qualified equity investment.

A tax credit authorized under this section is not refundable or transferable. However, if a qualified equity investment is transferred, the tax credits for future credit allowance dates, if any, transfer with the investment. Credit amounts, including any carryover amounts, from credit allowance dates prior to the date of transfer do not transfer with the qualified equity investment. Insurance companies subject to the insurance premium tax under section 624.509, F.S., must claim the New Markets credits against insurance premium tax.

The Office of Tourism, Trade, and Economic Development (OTTED) can certify qualified equity investments until June 30, 2015, and on a cumulative basis, \$ 105 million in tax credits can be granted, of which no more than \$ 15 million may be claimed per state fiscal year exclusive of tax credits carried forward.

The amount of the tax credit that may be redeemed in any tax year may not exceed the amount of the taxpayer’s state liability for such tax year. Unused credits may be carried forward for use in subsequent tax years; however all unused credits expire December 31, 2029.

This section expires December 31, 2021.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

U.S. Treasury - www.ustreas.gov
 U.S. Community Development Financial Institutions Fund - www.cdfifund.gov
 U.S. Government Accountability Office - Government Auditing Standard – January 2007 Revision - www.gao.gov/govaud/d07162g.pdf

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Assume that the full \$ 15 million in credits is taken each year.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
High	(\$ 15.0 m)	zero	(\$ 15.0 m)
Middle			
Low			

State Impact—All Funds	FY 2010-11 Cash	FY 2011-12 Cash
High	(\$ 15.0 m)	(\$ 15.0 m)
Middle		
Low		

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SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3 / 14 / 08) The conference adopted the proposed estimate, with the impact split 75% Corporate and 25% Insurance Premium Tax.

	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
General Revenue—Corporate	(11.3)		(11.3)
Insurance Premium Tax	(3.7)		(3.7)
State Trust	0	0	0
Total State Impact	(15.0)		(15.0)
Total Local Impact	0		0
Total Impact	(15.0)	0	(15.0)

	FY 2010-11 Cash	FY 2011-12 Cash
General Revenue—Corporate	(11.3)	(11.3)
Insurance Premium Tax	(3.7)	(3.7)
State Trust	0	0
Total State Impact	(15.0)	(15.0)
Total Local Impact	0	0
Total Impact	(15.0)	(15.0)