JEFF ATWATER
President

LARRY CRETUL
Speaker

THE FLORIDA LEGISLATURE

OFFICE OF ECONOMIC AND DEMOGRAPHIC RESEARCH

October 1, 2010

The Honorable Jeff Atwater
President, Florida Senate
409 The Capitol
Tallahassee, FL 32399-1100

Dear President Atwater:

Section 288.106(4)(c)2, F.S., directs the Office of Economic and Demographic Research to:

> "…review and evaluate the methodology and model used to calculate the return on investment of the Qualified Target Industry refund program and report its findings...to the President of Senate and the Speaker of the House of Representatives."

It is an honor to present to you the findings and recommendations of our office. A copy of the final report is attached.

The draft report was shared with key staff at Enterprise Florida, Inc. and the Office of Tourism, Trade and Economic Development. Based on their feedback, several important adjustments were made to the final report. More importantly, meaningful discussion has begun on ways to reconfigure the current model to achieve more realistic projections for state revenues. While the new legislation does not call for further review until the summer of 2013, the Office of Economic and Demographic Research would like to offer ongoing assistance as policymakers hold discussions on the future of all incentive-based programs for economic development and the staff at Enterprise Florida, Inc. and the Office of Tourism, Trade and Economic Development begin to refine and develop their models.

Please do not hesitate to contact me if you have any questions.

Sincerely,

Amy J. Baker

Amy J. Baker
Coordinator

Room 574, Claude Pepper Building, 111 W. Madison Street, Tallahassee, FL 32399-6588 Telephone (850) 487-1402 FAX (850) 922-6436

Attachment: Tax Refund Program for Qualified Target Industry Business: A Review of the Methodology and Model Used in Determining the State's Return on Investment.

CC: David Cooper, Staff Director
Jose Diez-Arguelles, Staff Director

Room 574, Claude Pepper Building, 111 W. Madison Street, Tallahassee, FL 32399-6588 Telephone (850) 487-1402 FAX 922-6436

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October 1, 2010

The Honorable Larry Cretul
Speaker, Florida House of Representatives
420 The Capitol
Tallahassee, FL 32399-1300

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CC: Teresa Tinker, Council Director
Mark Kruse, Staff Director
Don Langston, Council Director

OFFICE OF ECONOMIC
& DEMOGRAPHIC RESEARCH

Tax Refund Program for Qualified Target Industry Business

A review of the methodology and model used in determining the state's return on investment

9/1/2010

The Legislature has directed EDR to review the model and methodology used by Enterprise Florida to calculate the return on investment for the Qualified Target Industry Tax Refund incentive. EDR shall report its findings by September 1 of every 3rd year beginning September 1, 2010.

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Executive Summary

This report was created to meet the requirements of HB 7109, An Act Relating to the Tax Refund Program for Qualified Target Industry Businesses. This bill requires The Office of Economic and Demographic Research (EDR) to review and evaluate the model and methodology used by Enterprise Florida, Inc to determine the state's return on the investment for businesses that participate in the Qualified Target Industry Refund Program. Among other things, this report reviews the model in its current form, which has not yet been modified to meet the requirements of the new legislation. It provides recommendations on both the current model and the changes needed to meet the requirements set forth in the new legislation.

Recommendations to the existing model are intended to move the model incrementally closer to the new return on investment (ROI) requirements set forth by the Legislature. They should be viewed as interim measures, pending completion of the new ROI model that will be ultimately required. While the recommendations may require additional resources, EDR has attempted to identify minimal changes with relatively minor costs. IF EFI and OTTED know of alternative adjustments that are less costly, those alternatives should be pursued. For example, EDR has provided recommendations for the calculations of "other taxes"; if these changes are too costly, EFI could choose to drop that calculation out of the model completely.

While the revisions to the law require that a ROI calculation be made for each QTI project, policymakers should re-evaluate whether this is the best measure for the program. One way to accomplish this is by clearly defining the program's principal purpose and identifying the nature of a successful project. The measure should ultimately reflect those goals. This same discussion should also be held for the other incentive-based programs.

In any circumstances, the payback ratio should be reconfigured to remove unrealistic revenue expectations.

Background

Florida's Qualified Target Industry (QTI) Tax Refund Program authorized in section 288.106, Florida Statutes, is an economic incentives program designed to encourage the creation of high-wage, high-quality jobs and the growth of targeted industries in the state. The program provides new or expanding businesses in a targeted industry that create at least 10 new jobs paying 115 percent of the state average annual wage the opportunity to receive tax refunds of up to $3,000 per new job created, or up to $6,000 in an Enterprise Zone, Brownfield, or a rural county. (There are additional per job incentives of $1,000 for businesses paying 150 percent of the state average annual wage and $2,000 for jobs paying 200 percent of the state average annual wage.) There is a cap of $5 million per single qualified applicant in all years, and no more than 25 percent of the total refund approved may be taken in any single fiscal year.[1]

Today, Enterprise Florida Inc. (EFI) works with businesses and economic development partners to determine whether projects are eligible for the program. A financial commitment from the local community (through the passage of a city or county resolution) is required before a project can be approved at the state level by the Office of Tourism, Trade, and Economic Development (OTTED). Statute requires OTTED to review and evaluate the applicant's expected economic contributions based on the state strategic economic development plan adopted by EFI[2]. A business that is interested in participation in the program must submit a project overview to EFI that specifies the number of jobs to be created, the capital investment to be made and the average wages to be paid. Currently, EFI reviews the application and develops an economic impact analysis for the project. EFI uses RIMS II multipliers provided by the U.S. Department of Commerce's Bureau of Economic Analysis (BEA) and a model developed in-house to determine a payback ratio, "indicating the amount of state taxes and related revenues that will be generated per dollar invested by the state in incentives to the business."[3] Based on the impact analysis, EFI makes a recommendation to OTTED. OTTED reviews the recommendation and gives final approval of the project. OTTED then executes a contract with the business, monitors the project's performance and issues refunds as the objectives are met.

In 2010, House Bill 7109, An Act Relating to the Tax Refund Program for Qualified Target Industry Businesses, was passed and became law (Chapter 2010-136, Laws of Florida). The bill created section 288.106(4)(c)2, Florida Statutes, which directs the Office of Economic and Demographic Research (EDR) to "review and evaluate the methodology and model used to calculate the return on investment" of the tax refund and incentive programs for Qualified Target Industries. In addition to the expected economic contributions currently required, the bill requires OTTED to review and evaluate an application using return on investment as criteria. The bill also defines "return on investment" (ROI) to be the gain in state revenues as a percentage of the state's investment. The investment includes incentives such as state grants, tax exemptions, tax refunds, tax credits, and other state incentives.[4] This report presents EDR's assessment of the current estimating process and issues in implementing the new requirements for determining the return on investment.

Determining Florida's Payback

EFI works with businesses interested in locating or expanding in Florida to determine whether the project is eligible for the QTI refund. If the business appears to be eligible, the applicant provides EFI with a general project overview which EFI puts into an economic model that

[1] Section 288.106(2)(b), F.S.
[2] Section 288.106(3)(c), F.S.
[3] 2009 Incentives Report – A Progress Report on Programs Funded from the Economic Development Incentives Account, Enterprise Florida
[4] Section 288.106(1)(q), F.S.

calculates the benefit to the state in revenue relative to the state's investment in the business. The information used in the model from the overview includes the:

- Total number of new jobs
- Job creation schedule
- Average wage commitment

EFI names the end result from the model a "payback ratio". In their terminology, a payback ratio is a mechanism used to measure the amount of tax revenue returned to the state over a multi-year period for each dollar of tax refunds spent under the QTI Program. EFI's 2009 Incentives Report states that since the program's inception, QTI has had a 10-year payback ratio of $14.52 returned for every $1 spent. The amount of tax revenue returned to the state is estimated by forecasting increased tax revenues created by three types of economic activities that occur during a project's lifecycle:

- operations,
- construction/repair,
- and purchases of machinery and other equipment.

EFI Model Calculations

The applicant provides an estimate of the number of <u>new jobs created directly from the operations</u> of the business. This is used to estimate the number of indirect and induced jobs that result from the increased economic activity. The indirect and induced jobs are calculated by multiplying the number of direct jobs with a RIMS II multiplier for that region and type of industry.[5] The direct, indirect and induced jobs and their prospective earnings are used to estimate operational output and new wages in that region.[6]

The schedule of <u>construction dollars spent</u> determines the total earnings derived from the construction. The model takes the amount spent on construction and multiplies it by the RIMS II multiplier for construction in that region to determine the economic effect across all industries in that region.

The <u>schedule of capital investment in machinery and other non-manufacturing equipment</u> are categorized as either manufacturing equipment, Research & Development equipment, or other non-manufacturing equipment (computers, office furniture, etc.) The estimated number of direct and indirect jobs created in the region due to the increased output from the capital investment is derived by combining the investment with a multiplier for each category and

[5] RIMS II multipliers are regional input-output multipliers that can be used to estimate the impact of a final-demand change on total gross output, earnings, employment, and value added.

[6] The regions used in EFI's model are based on multi-county areas in the state. They are grouped as: Apalachee, Central, East Central, East Coast, North/Central, Northeast, South, Southwest, West, West Central

increasing it by the wholesale/transportation margin[7] for Florida. Earnings are derived by adjusting the total investment (deflated to 2007 dollars[8] and combined with the wholesale and transportation margin) and then using a RIMS multiplier to calculate the direct and indirect earnings against the adjusted investment dollars.

The probability that the project will lead to strong business growth in Florida is graded based on the estimated long term commitment, investment, size of the workforce, and stability of the industry. These scores are based not on objective criteria, but on EFI's reviewer's experience with similar industries. Using pre-determined probabilities assigned to the various scores, the annual range after 5 years is between 40% and 95%. A lower grade will reduce the estimated fiscal impact of a project in the out years.

Refund Request is a straightforward calculation. A business may receive a maximum of 25 percent of the total refund approved in any fiscal year. There is a cap of $5 million per single qualified applicant across all years. The refunds must be granted on taxes paid, which includes sales tax, corporate income tax, and ad valorem tax. **For the purposes of the current calculation, this is the state's investment in the program.**

The use of RIMS II multipliers is an accepted method for estimating financial impacts by deploying specific regional input-output (I-O) multipliers. It is used for impact analysis when geographical and industrial detailed information on the initial changes in output, earnings or employment associated with a project or program are available. The multipliers can then be used to estimate the total impact (direct, indirect and induced) of the project on regional output, earnings, or employment.

EFI Fiscal Impact

Total Fiscal Impact is the estimated tax revenue resulting from the economic impact of project operations, construction, and purchases of machinery and other equipment. In the model, this is a calculated number based on uniform effective tax rates. **Estimated taxes on the output and earnings that may be generated by the project is deemed the payback to the state.**

[7] Final demand changes are expressed as producer prices. The difference between the price a consumer pays for a good at retail (purchaser price) and the producer price the manufacturer receives includes the cost of transporting the goods and the wholesale retail markups. Transactions in commodities are valued at producers' prices in the input-output (I-O) accounts. Producers' prices exclude wholesale and retail trade margins and transportation costs, but they include excise and sales taxes collected and remitted by producers. Transportation costs and trade margins are shown as separate purchases by the users of the commodities. The sum of the producers' value, transportation costs, and trade margins equals the purchasers' value.

[8] EFI's model uses 2007 as the base year to adjust for inflation. Estimates are expressed as current dollars in the base year of the model.

Project Operations Fiscal Impact is the sales tax, "other" taxes and fees and corporate income tax revenues generated from the operations of the project. The fiscal impact analysis assumes tax revenue collection on all earnings and increased output due to the operations, including the multiplier effect.

Sales Tax Revenue is calculated by multiplying an effective sales tax rate by the estimated direct sales (output) and indirect sales (output). The effective sales tax rate is calculated by dividing the total state portion of sales tax in a fiscal year (using Revenue Estimating Conference (REC) estimates) by the total output in private sectors likely to generate sales taxes. (EFI makes this determination.) The direct sales/output of the project operations are calculated by taking the earnings of the operations (new jobs multiplied by average wage as provided in the businesses project application) and dividing it by the percent of industry earnings as a ratio to all costs for that type of industry.[9] The indirect and induced portion is then generated by applying a multiplier to the direct sales/output estimate. The direct and indirect sales/output are added together, and multiplied by the effective tax rate to get projected sales tax revenue.

For example: EFI wants to determine the sales tax revenue of a new data processing facility in Brevard County. The applicant provides the average salary ($40,000) and number of projected new jobs (100). The total compensation ($4,000,000) is then divided by the percent of the information industry's total output that is spent on employee compensation. (See Table 1.) The estimated earnings would then be divided by the compensation as a percentage of sector output ($4,000,000/20.7%) to calculate the expected total direct output of $19,321,524. The regional multiplier for the information industry operations (2.1288)[10] would be applied to the direct output of $19,321,524 to calculate the indirect output ($41,131,660). The total output ($60,453,184) is multiplied by the effective sales tax rate (1.86%) to determine the total sales tax revenue as a result of the total output of the data processing facility operations ($1,124,429).

[SEE TABLE ON NEXT PAGE]

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[9] Source: Bureau of Economic Analysis; The Use of Commodities by Industries Before Redefinitions (1997 to 2008)

[10] This multiplier represents the total dollar change in output that occurs in all industries for each additional dollar of output delivered to final demand by the corresponding industry (RIMS II multipliers (2002/2007),Total Multipliers for Output, Earnings, Employment, and Value Added by Detailed Industry, East Central Florida)

Table 1.

Commodities / Industries		51
IOCode	Name	Information
11	Agriculture, forestry, fishing, and hunting	0.7
21	Mining	1299.5
22	Utilities	6773.6
23	Construction	8808.2
31G	Manufacturing	79380.2
42	Wholesale trade	13956.3
44RT	Retail trade	203.4
48TW	Transportation and warehousing	18058.9
51	Information	157378.1
FIRE	Finance, insurance, real estate, rental, and leasing	69930.1
PROF	Professional and business services	175875.7
6	Educational services, health care, and social assistance	335.1
7	Arts, entertainment, recreation, accommodation, and food services	27814.7
81	Other services, except government	11146.7
G	Government	5014.2
Used	Scrap, used and secondhand goods	0.4
Other	Noncomparable imports and rest-of-the-world adjustment /1/	13526.1
	Sum of Intermediate Selected	**589501.9**
	Intermediate Not Selected	**0**
	Total Intermediate	**589501.9**
V001	Compensation of employees	244951.5
V002	Taxes on production and imports, less subsidies	41114.9
V003	Gross operating surplus	307640.8
	Sum of Value Added Selected	**593707.3**
	Sum of Value Added Not Selected	**0**
	Total Value Added	**593707.3**
	Total Industry Output	**1183209.1**

Compensation as a % of Sector Output	**20.7%**

<u>"Other Tax" Revenue</u> is calculated by multiplying the total earnings of the operations by the effective tax rate for taxes other than corporate and sales tax. The effective "other tax" rate is determined by dividing all "other taxes" estimated by the REC for a fiscal year by the total personal income for the state by calendar year released by BEA. The "other taxes" include fees and licenses, gross receipts tax, documentary stamp tax, medical and hospital fees, corporate filing fees, severance tax, slot machine, citrus taxes, etc. The revenue forecasts used by EFI appear to be updated once a year.

<u>Corporate Income Tax Revenue</u> is derived by multiplying an effective corporate income tax rate against the project's projected total output. The direct output is given a 50-100% if the business is exempt from corporate income tax. The model does not indicate how the exemption is determined. The effective corporate income tax rate is calculated by dividing the total corporate income tax in a fiscal year (using REC estimates) by the total output in private sectors. This list contains the same sectors used for the sales tax effective rate. The 50-100%

reduction is based on the amount of the applicant's investment.[11] EFI has explained that this reduction is used for another incentives program.

Construction Fiscal Impact is calculated by adding the sales tax collected on materials, the sales tax on indirect output and the "other tax" revenues from earnings.

To calculate the sales tax on purchased materials, the construction dollars provided in the project application (deflated to 2007 dollars) are multiplied by the percent of the construction project that is materials[12] and that product is then multiplied by the state sales tax rate (6%).

Sales tax on indirect output is derived by multiplying the construction dollars by the RIMS II multiplier for construction final demand in output in that region times the effective sales tax rate on total output.

"Other taxes" on earnings is calculated by taking the estimated construction dollars (deflated to 2007 dollars) times the RIMS II multiplier for construction final demand in earnings in that region times the effective "other tax" rate.

Fiscal Impact of Machinery and Other Equipment is calculated by adding the sales tax on non-structure purchases, sales tax on indirect output from manufacturing equipment, sales tax on indirect output other equipment and "other tax" on total earnings. Sales tax on non-structure purchases is calculated by taking the sum of taxable manufacturing investment and non-manufacturing investment (deflated) times the state sales tax rate. The investment dollars are provided by the applicant in the original project overview.

The sales tax on indirect output of purchasing manufacturing equipment is calculated by taking the taxable manufacturing investment (deflated) times the RIMS II multiplier for machinery demand in output times the effective sales tax rate on output.

The sales tax on indirect output of purchasing other equipment is calculated by taking the taxable non-manufacturing investment (deflated) times the RIMS II multiplier for non-manufacturing equipment demand in output times the effective sales tax rate on output.

"Other tax" revenue is projected on the total earnings generated by the capital investment on machinery and other equipment.

[11] If estimated investment is less than $50 million 50% of the direct sales/output is assumed to be exempt; if the estimated investment is less than $100 million, 75% of the direct sales/output is assumed to be exempt; if the investment is greater than $100 million, 100% of the direct sales/output is assumed to be exempt.

[12] There is no reference in EFI's model that indicates where this number is derived from (69%).

Effective tax rates are categorized as an effective sales tax rate, effective "other tax" rate or an effective corporate income tax rate. The effective sales tax rate is the result of taking the total general sales and use tax estimated to be collected during a fiscal year and dividing it by the total output in private sectors that were believed to generate sales tax[13]. The "other" tax rate is the fiscal year collection forecast of taxes and fees other than corporate and sales tax divided by Total Personal Income[14]. An effective corporate income tax rate is calculated by taking the total corporate income tax collection divided by the total output of private industries likely to collect sales tax.

Findings on EFI Model

NEW OR EXPANDING PROJECTS

A. Construction analysis

In EFI's model, the fiscal impact of construction is the total of the sales tax on the purchased materials, the sales tax on indirect output, and "other tax" revenues from the earnings of new direct and indirect (and induced) jobs created from the project.

BEA's RIMS handbook[15] includes case studies that illustrate four types of projects in which a RIMS II multiplier can be used in estimating a fiscal impact. The first case study, *Constructing and Operating a Sports Facility* describes the impact of the construction and operations of a sports facility on a regional economy using RIMS II multipliers.

In the handbook, BEA recommends estimating the economic impact of a new or expanding facility in two phases, (separately treating the construction and the operations) to determine the fiscal impact. EFI's model separately calculates the fiscal impact of construction and operations, but also calculates the fiscal impact of the purchase of machinery and other equipment.

There are three methods that can be used to estimate the impact of construction:

- Using data on final-demand changes,
- Using data on initial changes in earnings and employment (BEA's recommended method)[16], or
- Using data on changes in the bill-of-goods.

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[13] Gross output in private sectors data provided by Global Insight, June 2010

[14] Source: BEA Annual State Personal Income. ww.bea.gov SA1-3 Personal Income Table 2008

[15] REGIONAL MULTIPLIERS: A User Handbook for the Regional Input-Output Modeling System (RIMS II) 1997

[16] See footnote 15.

The investment in construction is a change in final demand for the construction, maintenance and repair industry because construction is a final good. The change in final demand is determined using the multipliers for output, earnings, and employment. EFI's model closely follows BEA's case study in estimating the economic impact of the construction of a new facility. However, the calculation of the fiscal impact for construction may be overstated as:

- EFI indicates that 69% of a construction project is materials. Data published by BEA shows that this percentage was closer to 50% in 2008.[17]
- A refund is already available for sales taxes paid on the purchase of building materials used to rehabilitate real property located in an Enterprise Zone.
- Adding "other tax" revenues on the earnings from construction jobs assumes that these are new jobs created solely for this project. Construction jobs are normally temporary contract positions that move on after completion. EFI should research how the size of the construction project impacts employment in the construction trade.

B. Operations Analysis

In BEA's case study, the revenues and jobs from operations of the new facility are used to determine the increase in final demand. EFI's model estimates the output by applying industry data on wages as a percentage of sector output to the estimated earnings of new employees for the project. The data is broken into 16 industries. In their review of the QTI Refund Program in 2005, Global Insight[18] recommended that EFI ask QTI applicants to provide estimates of the increase in output to make the calculations more straightforward. BEA recommends using the bill of goods method to determine the economic impact of a new facility's operations. Unfortunately, this information is not available from the project overview.

Using data on final-demand changes requires the amount of investment in the construction of the facility, which is information provided in the project overview of a QTI applicant. Using data on initial changes in earnings and employment or on changes in the bill-of-goods requires the number of construction jobs and associated earnings and the goods and services purchased. This data is not available in the QTI project overview.

Effective Tax Rates

A major driver of the payback ratio is the effective tax rates. The effective sales tax rate is derived from taking the total general sales and use tax estimated to be collected during a fiscal year and dividing it by the total output in private sectors that were believed to generate sales

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[17] The Use of Commodities by Industries before Redefinitions for 2008, http://www.bea.gov/industry/iotables/
[18] Florida Qualified Target Industry Tax Refund Program, An Independent Analysis, Collins Center for Public Policy Inc, Global Insight February 2005

tax[19]. These industries include utilities, wholesale and retail trade, transportation, construction, hospitals and manufacturing. As used in the EFI analysis, the effective tax rates are problematic as:

- The effective sales tax rate does not appear to take into consideration the structure of sales tax collection in Florida. The above industries generally do not generate taxable output except for retail trade and utilities (and even then, sales tax and gross receipts on utilities are generally exempt for industrial manufacturers).[20]
- The model presented to EDR to review used an old forecast of general sales and use tax collection that was not updated to reflect actual fiscal year collections. The forecast was greater than actual collections in that fiscal year (FY 08/09).
- The effective sales tax rate is a generalized assumption that all sales tax collected can be divided by the output of business sectors likely to collect sales tax and that rate will apply to the output of any industry applying for the QTI refund program. This assumes the output of a specific industry to reflect the behavior of all industries, which is unlikely.
- The effective "other" tax rate included taxes and fees that are industry specific. For example, a call center would not pay a severance tax on oil and gas extraction or phosphate mining, nor would they pay a tobacco or alcohol tax. Included are taxes generally paid by private citizens as well, including motor vehicle fees, documentary stamp taxes, Article V fees, and gross receipts.
- A very small percentage of corporations are structured as corporations that are liable for paying corporate income tax. A good way to filter these corporations out is to request on the overview whether the business is a C-corporation or liable for federal income tax.

Effective Sales Tax Rate

The unique structure of each business and its outputs, as well as existing economic incentives program, needs to be taken into account when considering the possible tax revenue from those outputs. Many of the targeted industries do not have taxable output/sales, nor do they make taxable purchases of some items. Incorporating Florida's specific tax structure would yield more accurate results. The main type of business operations that participate in the QTI refund program are: Headquarters, Manufacturers, Distribution Centers, Call Centers, Research and Development, IT, and Business Office Services. [21] Many of these industries' end products are a service. Except for a few exceptions, services are not taxed in Florida. Existing exemptions and other incentives programs (Brownfield Redevelopment, Enterprise Zones or other economically

[19] Global Insight, June 2010
[20] Section 203.01(3)(d), Florida Statutes, Section 212.08(7)(ff)(2), Florida Statutes
[21] The Florida Senate – Interim Report 2010-211 December 2009 "Sunset Review of the Qualified Target Industry Tax Refund Incentive Program, Section 288.106, F.S."

distressed areas) are also not taken into consideration. An estimated 27 percent of completed or active projects are located in these areas[22].

For example: a particular manufacturing project's operations are determined to create total direct and indirect output of $32 million (calculated based on earnings). However, a portion of the direct output or sales of the manufacturer is non-taxable because the applicant ships it directly out of the state. The manufacturer also purchases equipment from a local wholesaler, but items used to manufacture a finished product are taxable to the end user, therefore the purchases are exempt from sales tax[23]. While the applicant includes the value of machinery equipment, this information is not used. On the other hand, it is fair in most circumstances for the model to assume that sales or use tax must be paid on all non-machinery equipment purchases. Except in this case, the manufacturer is located within an Enterprise Zone and purchases made over $5000 and are used for 3 years in the Enterprise Zone are refunded on sales tax paid up to 97%. All of these circumstances make the $32 million overstated.

Effective "Other Tax" Rate

The effective "other tax" rate is used to determine the increased revenues expected from new jobs created in Florida. These taxes and fees include those that are generally paid by businesses (such as corporate filings fees, severance taxes, pari-mutuels, etc.). They should be filtered out of the calculation for taxes and fees mostly paid by individuals (such a motor vehicle and license fees, documentary stamp tax, cigarette tax, etc.) The model logic should be revisited for estimating increased revenues on earnings due to the direct, indirect and induced economic effect of creating new jobs.

Moreover, it is questionable to what extent new jobs in Florida would increase the revenue from taxes and fees mainly paid by individuals. The incentives can be used to current Floridian residents. Many of the taxes and fees already imposed on Floridians would not increase based on the person's income, and there is no personal income tax in Florida. For example, if John Smith is hired to work at ABC Project Call Center, being paid 15% more than his current job, his increased earnings will not dramatically change how much he pays in cigarette taxes, park fees or gas taxes. With these types of taxes and fees, an incremental wage increase does not necessarily result in increased revenues to the state. Additional disposable income probably wouldn't alter the amount of cigarettes he smokes, the number of times he goes to the park, or his gas consumption. At the very least, the relationship between increased income and high taxes and fees paid is not one-to-one. This rate may be too burdensome to calculate and it may be more efficient and simpler to not calculate revenue from other taxes and fees altogether.

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[22] See footnote 21.

[23] Florida Department of Revenue – Manufacturers Standard Industry Guide r.08/10

Effective Corporate Income Tax Rate

Corporate income tax is paid by a small portion of businesses in Florida. Only those companies who have taxable federal income tax are required to file and pay state corporate income taxes. Using an effective rate that encompasses the output of all industries does not likely reflect the fiscal impact of increased output by corporate income tax payers. The applicant should be asked if the business is required to file a Florida corporate income tax return and the expected increased output from the project. The indirect output should be not used to calculate increased corporate income tax revenue since such a small portion of businesses in Florida pay corporate income tax.

Payback ratio

The term "payback ratio" is not a standardized economic or accounting concept, nor is it synonymous with "return on investment". As used in EFI's model, the payback ratio appears to represent the full impact of the industry on the economy, assuming for state purposes that none of the human or capital resources were otherwise employed. If this were not the case, then only the incremental changes would be relevant. Relative to a true ROI, the payback ratio overstates the benefit.

Probability

EFI uses a probability factor to represent the likelihood that the jobs created under the program will exist over time. Global Insight recommended in their 2005 report that EFI use a more advanced tool such as the @Risk add-in. This tool would perform simulations to determine the probability that the projected jobs would disappear over time. A Senate review of the QTI program in 2009[24] indicated that 57% of the QTI projects were inactive, terminated, vacated, withdrawn, or pending these statuses. (NOTE: OTTED indicates that this percentage includes applicants who choose not to locate the project in Florida.) Another method to measure the risk is to use available data on previous and existing projects. Rather than a subjective assignment of the risk factor, past business behavior would provide better insight into the future behavior of applicants.

[24] See footnote 21.

First Year Recommendations for EFI's Model

Payback ratio mechanism

- Request that the applicant provide the expected increased output from the operations. This information will help avoid using a broad industry wide average. If this data is not provided, using industry data narrowed down to the NAICS code will be more accurate.[25]
- Separately estimate business sales tax using taxable purchases and personal sales tax expenditures using income spent on taxable items, rather than using an effective sales tax rate on output. The Internal Revenue Service (IRS)[26] provides a table annually for each state on expected sales tax paid based on income and number of exemptions. For expenditures on taxable business purchases, use the percentage of output that is related to retail trade and secondhand goods[27].
- Unless there a plausible explanation for basing the effective corporate income tax rate on total output of industries that are likely to pay sales tax, use a different method to determine the fiscal impact of corporate income tax. Identify which businesses are corporate income tax payers and request the project's estimated increased output. If a business is required to pay corporate income tax, estimate corporate income tax on the increased output.
- Update the compensation percentage of construction output.
- Create a matrix for "other taxes" that distinguishes taxes and fees paid by private citizens and businesses.
- Use state RIMS multipliers. Generally, as economic activity within a region decreases, the region depends more on imports. As leakage due to imports increases, the multiplier effect is reduced.[28] The size of the multiplier varies with the size of a community. A state multiplier would better reflect the fiscal impact of increased economic activity statewide.
- Timing of fiscal impacts. The current methodology assumes that 100% of the indirect revenue will be created in the same fiscal year. It would be beneficial to review the timing of the indirect outputs and evaluate whether 100% of the impact would be felt the first year.

[25] The North American Industry Classification System (NAICS) is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.
[26] http://www.irs.gov/pub/irs-pdf/i1040sca.pdf
[27] The Use of Commodities by Industry before Redefinitions 2008 - http://www.bea.gov/industry/iotables/
[28] DOEKSEN, GERALD A., AND CHARLES H. LITTLE, "Estimation of the Leakage of Output and Income from a Regional Economy Using Input-Output Analysis,"

- Compare EFI's results with other similar models. The Minnesota IMPLAN Group has created an input/output model that is similar to RIMS. This model is also used in regional economic impact assessment. It estimates different state and local taxes and may be useful in this type of analysis.
- Enhance the probability grade to include data on the success of past projects.

Long Term ROI Recommendations

Section 288.106(2)(q), F.S., defines "return on investment" to mean "the gain in state revenues as a percentage of the state's investment. The state's investment includes state grants, tax exemptions, tax refunds, tax credits, and other state incentives." Section 288.106(4)(c), F.S., requires OTTED to evaluate each QTI application based on the project's economic contributions and the project's return on investment. Conceptually, the return on investment (ROI) is a straightforward calculation that differs from the payback ratio in several key respects. The bullets below highlight these differences:

- **What question does ROI typically answer?**
  Is there --- and what is --- the financial return to the state for investing in a program, process, initiative, or performance improvement solution?

- **What question does the Payback Ratio used by EFI answer?**
  How many resources (human and capital) are touched --- directly or indirectly --- by the broadest possible scope of the project? And, what is the value to state government if 100% of these resources were taxable and attributed to the project, regardless of their deployment prior to or in the absence of the project's commencement.

- **Does the new statutory language change current practice?**
  Yes. The payback ratio is not the same thing as the ROI. Among other things, the payback ratio limits the state's investment to the parameters of the QTI program. The statutory ROI clearly requires the inclusion of the entire array of state incentives available to the project, regardless of their origin or program affiliation. Ultimately, each applicant must be asked to identify the state incentives it expects to receive, as well as their projected value. This information should then be used within the calculation.

  Further, the statutory emphasis on state tax revenue lifts the analysis from the determination of a localized benefit to an evaluation of the incremental state benefit. This means that simple movement from one location or deployment in Florida to another is offsetting and produces no inherent value. For a project to develop new value, the capital investment, new hires and / or indirect or induced expenditures:

  - Would have to use resources that come from outside of the state,

- Be used for the first time within the state, or
- Be used to a greater extent than they otherwise would have been.

- **Is the ROI the best measure for the QTI program?**
  It depends on what policymakers want to know and how they define success for the QTI Tax Refund Program. ROI is a good measure for programs and initiatives that are expected to generate additional revenues for the state or to pay for themselves. It is not an appropriate measure for a program's overall value, inclusive of all positive externalities and social benefits. In economics, positive externalities are "spill-over" effects: benefits not captured by or transmitted through the price or payment, but which have positive effects on unrelated third parties. A social benefit is a gain to the general public. These concepts are more fully addressed within the framework of a cost-benefit analysis.

  Moreover, providing incentives to the new or expanding businesses currently targeted by the QTI Tax Refund Program does not readily translate to increased tax revenue. Targeted industries such as the research and development, high technology, or manufacturing sectors generally do not have taxable output. The direct return to the state's accounts will necessarily be suppressed for these types of projects.

  To determine the best measure for the QTI program, policymakers must decide whether the program is primarily designed (1) to provide temporary financial assistance that will – at a minimum – be repaid directly to the state's accounts, or (2) to improve Florida's overall economy, regardless of whether there is any return to the state's accounts. The current program design is actually mixed. For example, greater subsidies are given to projects in more distressed communities (i.e., brownfield areas and enterprise zones) which make it more unlikely that those projects will have a positive ROI or compare favorably to other projects on this measure.

- **What is the calculation for ROI?**
  The ROI calculation has the following form:

  ROI = [(Expected Tax Revenue Minus Any Costs) / State's Investment] x 100

  [NOTE: Tax revenue can also be anticipated from alternative state investments, but since there is currently no standardized approach to looking at all options, it may be acceptable to measures these projects against themselves.]

  Where:

  Expected Tax Revenue Minus Any Costs = the *incremental* increase in expected state tax revenue *clearly* associated with the project

  State's Investment = the dollar value of all state grants, tax exemptions, tax refunds, tax credits, and other state incentives used by the project

- **Is it possible to have a negative ROI?**
  Yes. If the costs to the state are greater than the expected tax revenues, the ROI will become negative. This result does not mean that the project has no value; it may have intangible benefits that have not been quantified. Even so, policymakers may find it important to compare the project's measured value relative to other projects. In this regard, they may accept that some degree of subsidization will be involved in achieving a desired outcome but desire an objective measure to determine the degree of that support.

- **What is the time horizon for the analysis?**
  To have an unbiased analysis, expected tax revenues and the state's investment must be measured over the same time period. A common horizon should also ameliorate project deployment differences between years. Likewise, competing or funded projects should only be compared to other projects within its cohort (initial ROI, revised ROI after 1 year of operation, etc.). For example, ROIs computed prior to implementation are comparable, but ROI calculations made prior to project commencement should not be interspersed with revised calculations made after the projects are underway. To accurately portray the evolution of the project lifecycle, the initial ROI should be included with any subsequent presentation of a revised ROI for that project.

- **What follow-up should be done to compare the actual to the projection?**
  After-the-fact reporting is an important quality improvement tool. ROIs that are updated to reflect actual paid refunds and state tax submissions would be essential to a well designed process. This means the conversion to ROI measurement should include agreements with the appropriate agencies and successful applicants to receive actual results and hard data.

EDR recognizes that it may take some time for EFI and OTTED to develop a pure ROI model. To this point, EDR has provided some short-term recommendations for the EFI model that will immediately improve the accuracy of the results used today. Over the longer term, EFI will need to develop a new model that comports with the statutes. We would expect the migration to a new model to be complete no later than December 2011 and well before the publication date for the next report, September 2013.

SB 1178 (Chapter 2010-101, Laws of Florida) directs the Office of Economic and Demographic Research (EDR) to develop protocols and procedures to use in special impact sessions of consensus estimating conferences to evaluate proposed legislation based on tools and models not generally employed by the conferences, including cost-benefit, return-on-investment, or dynamic scoring techniques, when suitable and appropriate for the legislation being evaluated. These protocols, procedures and tools – available in December – should be helpful to EFI and OTTED in the design of their new model.

Concluding Recommendation

While the revisions to the law require that a ROI calculation be made for each QTI project, policymakers should re-evaluate whether this is the best measure for the program. One way to accomplish this is by clearly defining the program's principal purpose and identifying the nature of a successful project. The measure should ultimately reflect those goals. This same discussion should also be held for the other incentive-based programs (SEE APPENDIX A).

In any circumstances, the payback ratio should be reconfigured to remove unrealistic revenue expectations.

Appendix A

Incentive Program	Statutory Reference	Statutory Requirement Language for ROI / Payback	Minimum ROI / Payback Requirement	Tool Used by EFI
Qiualified Target Industry (QTI) Tax Refund	288.106(4)(c)2	(4)(c)Each application meeting the requirements of paragraph (b) must be submitted to the office for determination of eligibility. The office shall review and evaluate each application based on, but not limited to, the following criteria: 2.The return on investment of the proposed award of tax refunds under this section and the return on investment for state incentives proposed for the project. The Office of Economic and Demographic Research shall review and evaluate the methodology and model used to calculate the return on investment and report its findings by September 1 of every 3rd year, beginning September 1, 2010, to the President of the Senate and the Speaker of the House of Representatives. *"Return on Investment" also defined in (1)q	NA	RIMS II based Excel Model
Quick Action Closing Fund (QACF)	288.1088(2)b	(2)There is created within the Office of Tourism, Trade, and Economic Development the Quick Action Closing Fund. Projects eligible for receipt of funds from the Quick Action Closing Fund shall: (b)Have a positive payback ratio of at least 5 to 1.	Payback of 5 to 1	RIMS II based Excel Model
Innovation Incentive Program (IIF)	?88.1089(4)(b) and (d	(4)To qualify for review by the office, the applicant must, at a minimum, establish the following to the satisfaction of Enterprise Florida, Inc., and the office: (b)A research and development project must: 3.Provide the state, at a minimum, a break-even return on investment within a 20-year period. (d)For an alternative and renewable energy project in this state, the project must: 2.Provide the state, at a minimum, a break-even return on investment within a 20-year period;	Break-even return on investment within a 20-year period	REMI
Qualified Defense and Space Contractor (QDSC)	288.1045	NA	NA	RIMS II based Excel Model
Brownfield Bonus (BFB)	288.107	NA	NA	RIMS II based Excel Model
High Impact Performance Incentive (HIPI)	288.108	NA	NA	RIMS II based Excel Model
Capital Investment Tax Credit (CITC)	220.191	NA	NA	RIMS II based Excel Model

Appendix B

H7109 GENERAL BILL/CS by Economic Development & Community Affairs Policy Council; Economic Development Policy (EDCA); Carroll; (CO-SPONSORS) Dorworth; Fresen; Hasner; Holder; Horner; Mayfield; Plakon; Poppell; Tobia; Weatherford; T. Williams; Wood (Similar CS/CS/S 1856, Compare CS/CS/H 1509, CS/2ND ENG/S 1752)

Qualified Target Industry Tax Refund Program [WPSC]; Establishes schedule for OTTED to review & revise list of target industries & submit report to Governor & Legislature; revises criteria for evaluating applications for program; requires consideration of state's return on investment in evaluating applications for participation in program; requires EDR to submit reports to Legislature evaluating calculation of state's return on investment for program, etc. EFFECTIVE DATE: 07/01/2010.

A bill to be entitled

An act relating to the tax refund program for qualified target industry businesses; amending s. 288.106, F.S.; providing legislative findings and declarations; revising and providing definitions; establishing a schedule for the Office of Tourism, Trade, and Economic Development to review and revise the list of target industries and submit a report to the Governor and Legislature; revising the criteria for evaluating applications for the program; requiring consideration of the state's return on investment in evaluating applications for participation in the program; requiring the Office of Economic and Demographic Research to submit reports to the Legislature evaluating the calculation of the state's return on investment for the program; requiring that additional provisions be included in tax refund agreements; redesignating the economic-stimulus exemption as the "economic recovery extension"; revising the date by which qualified target industry businesses may request economic recovery extensions; authorizing waiver of a requirement that qualified target industry businesses annually provide proof of taxes paid under certain conditions; requiring the Office of Tourism, Trade, and Economic Development to submit reports to the Governor and Legislature concerning the failure of qualified target industry businesses to complete their tax refund agreements; deleting obsolete provisions; revising the date by which a target industry business may be certified as qualified for the program; conforming cross-references; amending ss. 288.1089 and 290.00677, F.S.; conforming provisions to changes made by *the act; amending ss. 159.803, 220.191, and 288.107, F.S.; conforming cross-references; providing an effective date.*

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 288.106, Florida Statutes, is amended to read:

288.106 Tax refund program for qualified target industry businesses.-

(1) LEGISLATIVE FINDINGS AND DECLARATIONS.-The Legislature finds that retaining and expanding existing businesses in the state, encouraging the creation of new businesses in the state, attracting new businesses from outside the state, and generally providing conditions favorable for the growth of target industries creates high-quality, high-wage employment opportunities for residents of the state and strengthens the state's economic foundation. The Legislature also finds that incentives narrowly focused in application and scope tend to be more effective in achieving the state's economic development goals. The Legislature further finds that higher-wage jobs reduce the state's share of hidden costs, such as public assistance and subsidized health care associated with low-wage jobs. Therefore, the Legislature declares that it is the policy of the state to encourage the growth of higher-wage jobs and a diverse economic base by providing state tax refunds to qualified target industry businesses that originate or expand in the state or that relocate to the state.

(2)~~(1)~~ DEFINITIONS.-As used in this section:

(a) "Account" means the Economic Development Incentives Account within the Economic Development Trust Fund established under s. 288.095.

(b)~~(u)~~ "Authorized local economic development agency" means a ~~any~~ public or private entity, including an entity ~~those~~ defined in s. 288.075, authorized by a county or municipality to promote the general business or industrial interests of that county or municipality.

(c)~~(b)~~ "Average private sector wage in the area" means the statewide private sector average wage or the average of all private sector wages and salaries in the county or in the standard metropolitan area in which the business is located.

(d)~~(c)~~ "Business" means an employing unit, as defined in s. 443.036, that ~~which~~ is registered for unemployment compensation purposes with the state agency providing unemployment tax collection services under contract with the Agency for Workforce Innovation through an interagency agreement

pursuant to s. 443.1316, or a subcategory or division of an employing unit that ~~which~~ is accepted by the state agency providing unemployment tax collection services as a reporting unit.

(e)~~(d)~~ "Corporate headquarters business" means an international, national, or regional headquarters office of a multinational or multistate business enterprise or national trade association, whether separate from or connected with other facilities used by such business.

(f)~~(n)~~ "Director" means the Director of the Office of Tourism, Trade, and Economic Development.

(g)~~(f)~~ "Enterprise zone" means an area designated as an enterprise zone pursuant to s. 290.0065.

(h)~~(g)~~ "Expansion of an existing business" means the expansion of an existing Florida business by or through additions to real and personal property, resulting in a net increase in employment of not less than 10 percent at such business.

(i)~~(h)~~ "Fiscal year" means the fiscal year of the state.

(j)~~(i)~~ "Jobs" means full-time equivalent positions, including, but not limited to, positions obtained from a temporary employment agency or employee leasing company or through a union agreement or coemployment under a professional employer organization agreement, that result ~~as that term is consistent with terms used by the Agency for Workforce Innovation and the United States Department of Labor for purposes of unemployment compensation tax administration and employment estimation, resulting~~ directly from a project in this state. The term does not include temporary construction jobs involved with the construction of facilities for the project or any jobs previously included in any application for tax refunds under s. 288.1045 or this section.

(k)~~(j)~~ "Local financial support" means funding from local sources, public or private, that ~~which~~ is paid to the Economic Development Trust Fund and that ~~which~~ is equal to 20 percent of the annual tax refund for a qualified target industry business. A qualified target industry business may not provide, directly or indirectly, more than 5 percent of such funding in any fiscal year. The sources of such funding may not include, directly or indirectly, state funds appropriated from the General Revenue Fund or any state trust fund, excluding tax revenues shared with local governments pursuant to law.

(l)~~(k)~~ "Local financial support exemption option" means the option to exercise an exemption from the local financial support requirement available to any applicant whose project is located in a brownfield area, a rural city, or a rural community ~~county with a population of 75,000 or fewer or a county with a population of 125,000 or fewer which is contiguous to a county with a population of 75,000 or fewer~~. Any applicant that exercises this option is ~~shall~~ not ~~be~~ eligible for more than 80 percent of the total tax refunds allowed such applicant under this section.

(m)~~(l)~~ "New business" means a business that applies for a tax refund under this section before beginning operations ~~which heretofore did not exist~~ in this state~~, first beginning operations on a site located in this state~~ and that is a legal entity ~~clearly~~ separate from any other commercial or industrial operations owned by the same business.

(n)~~(e)~~ "Office" means the Office of Tourism, Trade, and Economic Development.

(o)~~(m)~~ "Project" means the creation of a new business or expansion of an existing business.

(p)~~(q)~~ "Qualified target industry business" means a target industry business ~~that has been~~ approved by the office ~~director~~ to be eligible for tax refunds under ~~pursuant to~~ this section.

(q) "Return on investment" means the gain in state revenues as a percentage of the state's investment. The state's investment includes state grants, tax exemptions, tax refunds, tax credits, and other state incentives.

~~(r) "Rural county" means a county with a population of 75,000 or fewer or a county with a population of 100,000 or fewer which is contiguous to a county with a population of 75,000 or fewer.~~

(r)~~(s)~~ "Rural city" means a city having ~~with~~ a population of 10,000 or fewer ~~less~~, or a city having ~~with~~ a population of greater than 10,000 but fewer ~~less~~ than 20,000 that ~~which~~ has been determined by the office ~~of Tourism, Trade, and Economic Development~~ to have economic characteristics such as, but not limited to, a significant percentage of residents on public assistance, a significant percentage of residents with income below the poverty level, or a significant percentage of the city's employment base in agriculture-related industries.

(s)~~(t)~~ "Rural community" means:

1. A county having ~~with~~ a population of 75,000 or fewer.

2. A county having ~~with~~ a population of 125,000 or fewer that ~~which~~ is contiguous to a county having ~~with~~ a population of 75,000 or fewer.

3. A municipality within a county described in subparagraph 1. or subparagraph 2.

For purposes of this paragraph, population shall be determined in accordance with the most recent official estimate pursuant to s. 186.901.

(t)~~(o)~~ "Target industry business" means a corporate headquarters business or any business that is engaged in one of the target industries identified pursuant to the following criteria developed by the office in consultation with Enterprise Florida, Inc.:

1. Future growth.-Industry forecasts should indicate strong expectation for future growth in both employment and output, according to the most recent available data. Special consideration should be given to businesses that export goods ~~Florida's growing access~~ to, or provide services in, international markets and businesses that replace domestic and international ~~or to replacing~~ imports of goods or services.

2. Stability.-The industry should not be subject to periodic layoffs, whether due to seasonality or sensitivity to volatile economic variables such as weather. The industry should also be relatively resistant to recession, so that the demand for products of this industry is not typically ~~necessarily~~ subject to decline during an economic downturn.

3. High wage.-The industry should pay relatively high wages compared to statewide or area averages.

4. Market and resource independent.-The location of industry businesses should not be dependent on Florida markets or resources as indicated by industry analysis, except for businesses in the renewable energy industry. ~~Special consideration should be given to the development of strong industrial clusters which include defense and homeland security businesses.~~

5. Industrial base diversification and strengthening.-The industry should contribute toward expanding or diversifying the state's or area's economic base, as indicated by analysis of employment and output shares compared to national and regional trends. Special consideration should be given to industries that strengthen regional economies by adding value to basic products or building regional industrial clusters as indicated by industry analysis. Special consideration should also be given to the development of strong industrial clusters that include defense and homeland security businesses.

6. Economic benefits.-The industry is expected to ~~should~~ have strong positive impacts on or benefits to the state or ~~and~~ regional economies.

The term does ~~office, in consultation with Enterprise Florida,~~

~~Inc., shall develop a list of such target industries annually and submit such list as part of the final agency legislative budget request submitted pursuant to s. 216.023(1). A target industry business may~~ not include any business ~~industry~~ engaged in retail industry activities; any electrical utility company; any phosphate or other solid minerals severance, mining, or processing operation; any oil or gas exploration or production operation; or any business ~~firm~~ subject to regulation by the Division of Hotels and Restaurants of the Department of Business and Professional Regulation. By January 1 of every 3rd year, beginning January 1, 2011, the office, in consultation with Enterprise Florida, Inc., economic development organizations, the State University System, local governments, employee and employer organizations, market analysts, and economists, shall review and, as appropriate, revise the list of such target industries and submit the list to the Governor, the President of the Senate, and the Speaker of the House of Representatives.

(u)~~(p)~~ "Taxable year" means taxable year as defined in s. 220.03(1)(y).

(3)~~(2)~~ TAX REFUND; ELIGIBLE AMOUNTS.-

(a) There shall be allowed, from the account, a refund to a qualified target industry business for the amount of eligible taxes certified by the office that ~~director which~~ were paid by the ~~such~~ business. The total amount of refunds for all fiscal years for each qualified target industry business must be determined pursuant to subsection (4) ~~(3)~~. The annual amount of a refund to a qualified target industry business must be determined pursuant to subsection (6) ~~(5)~~.

(b)1. Upon approval by the office ~~director~~, a qualified target industry business shall be allowed tax refund payments equal to $3,000 multiplied by ~~times~~ the number of jobs specified in the tax refund agreement under subparagraph (5)~~(4)~~(a)1., or equal to $6,000 multiplied by ~~times~~ the number of jobs if the project is located in a rural community ~~county~~ or an enterprise zone.

2. ~~Further,~~ A qualified target industry business shall be allowed additional tax refund payments equal to $1,000 multiplied by ~~times~~ the number of jobs specified in the tax refund agreement under subparagraph (5)~~(4)~~(a)1.~~,~~ if such jobs pay an annual average wage of at least 150 percent of the average private sector wage in the area, or equal to $2,000 multiplied by ~~times~~ the number of jobs if such jobs pay an annual average wage of at least 200 percent of the average private sector wage in the area.

(c) A qualified target industry business may not receive *refund payments of more than 25 percent of the total tax refunds specified in the tax refund agreement under subparagraph (5)~~(4)~~(a)1. in any fiscal year. Further, a qualified target industry business may not receive more than $1.5 million in refunds under this section in any single fiscal year, or more than $2.5 million in any single fiscal year if the project is located in an enterprise zone. A qualified target industry business may not receive more than $5 million in refund payments under this section in all fiscal years, or more than $7.5 million if the project is located in an enterprise zone. ~~Funds made available pursuant to this section may not be expended in connection with the relocation of a business from one community to another community in this state unless the Office of Tourism, Trade, and Economic Development determines that without such relocation the business will move outside this state or determines that the business has a compelling economic rationale for the relocation and that the relocation will create additional jobs.~~*

(d)~~(c)~~ After entering into a tax refund agreement under subsection (5) ~~(4)~~, a qualified target industry business may:

1. Receive refunds from the account for the following taxes due and paid by that business beginning with the first taxable year of the business that ~~which~~ begins after entering into the agreement:

a. Corporate income taxes under chapter 220.

b. Insurance premium tax under s. 624.509.

2. Receive refunds from the account for the following taxes due and paid by that business after entering into the agreement:

a. Taxes on sales, use, and other transactions under chapter 212.

b. Intangible personal property taxes under chapter 199.

c. Emergency excise taxes under chapter 221.

d. Excise taxes on documents under chapter 201.

e. Ad valorem taxes paid, as defined in s. 220.03(1).

f. State communications services taxes administered under chapter 202. This provision does not apply to the gross receipts tax imposed under chapter 203 and administered under chapter 202 or the local communications services tax authorized under s. 202.19.

~~The addition of state communications services taxes administered under chapter 202 is remedial in nature and retroactive to October 1, 2001. The office may make supplemental tax refund payments to allow for tax refunds for communications services~~

~~taxes paid by an eligible qualified target industry business after October 1, 2001.~~

(e)~~(d)~~ However, a qualified target industry business may not receive a refund under this section for any amount of credit, refund, or exemption previously granted to that business for any of the ~~such~~ taxes listed in paragraph (d). If a refund for such taxes is provided by the office, which taxes are subsequently adjusted by the application of any credit, refund, or exemption granted to the qualified target industry business other than as provided in this section, the business shall reimburse the account for the amount of that credit, refund, or exemption. A qualified target industry business shall notify and tender payment to the office within 20 days after receiving any credit, refund, or exemption other than one provided in this section.

(f) Refunds made available under this section may not be expended in connection with the relocation of a business from one community to another community in the state unless the office determines that, without such relocation, the business will move outside the state or determines that the business has a compelling economic rationale for relocation and that the relocation will create additional jobs.

(g)~~(e)~~ A qualified target industry business that fraudulently claims a refund under this section:

1. Is liable for repayment of the amount of the refund to the account, plus a mandatory penalty in the amount of 200 percent of the tax refund which shall be deposited into the General Revenue Fund.

2. Commits ~~Is guilty of~~ a felony of the third degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

(4)~~(3)~~ APPLICATION AND APPROVAL PROCESS.-

(a) To apply for certification as a qualified target industry business under this section, the business must file an application with the office before the business decides ~~has made the decision~~ to locate ~~a new business~~ in this state or before the business decides ~~had made the decision~~ to expand its ~~an~~ existing operations ~~business~~ in this state. The application must ~~shall~~ include, but need ~~is~~ not be limited to, the following information:

1. The applicant's federal employer identification number and, if applicable, ~~the applicant's~~ state sales tax registration number.

2. The proposed permanent location of the applicant's facility in this state at which the project ~~is or~~ is to be located.

3. A description of the type of business activity or product covered by the project, including a minimum of a five-digit NAICS code for all activities included in the project. As used in this paragraph, "NAICS" means those classifications contained in the North American Industry Classification System, as published in 2007 by the Office of Management and Budget, Executive Office of the President, and updated periodically.

4. The proposed number of net new full-time equivalent Florida jobs at the qualified target industry business as of December 31 of each year included in the project and the average wage of those jobs. If more than one type of business activity or product is included in the project, the number of jobs and average wage for those jobs must be separately stated for each type of business activity or product.

5. The total number of full-time equivalent employees employed by the applicant in this state, if applicable.

6. The anticipated commencement date of the project.

7. A brief statement explaining ~~concerning~~ the role that the estimated tax refunds to be requested will play in the decision of the applicant to locate or expand in this state.

8. An estimate of the proportion of the sales resulting from the project that will be made outside this state.

9. A resolution adopted by the governing board of the county or municipality in which the project will be located, which resolution recommends that the project ~~certain types of businesses~~ be approved as a qualified target industry business and specifies ~~states~~ that the commitments of local financial support necessary for the target industry business exist. Before ~~In advance of~~ the passage of such resolution, the office may also accept an official letter from an authorized local economic development agency that endorses the proposed target industry project and pledges that sources of local financial support for such project exist. For the purposes of making pledges of local financial support under this subparagraph ~~subsection~~, the authorized local economic development agency shall be officially designated by the passage of a one-time resolution by the local governing board ~~authority~~.

10. Any additional information requested by the office.

(b) To qualify for review by the office, the application of a target industry business must, at a minimum, establish the following to the satisfaction of the office:

1.a. The jobs proposed to be created ~~provided~~ under the application, pursuant to subparagraph (a)4., must pay an estimated annual average wage equaling at least 115 percent of the average private sector wage in the area where the business is to be located or the statewide private sector average wage. In determining the average annual wage, the office shall include only new proposed jobs, and wages for existing jobs shall be excluded from this calculation.

b. The office may waive the average wage requirement at the request of the local governing body recommending the project and Enterprise Florida, Inc. The office may waive the wage requirement ~~may only be waived~~ for a project located in a brownfield area designated under s. 376.80 or in a rural city, rural community, ~~or county~~ or ~~in an~~ enterprise zone ~~and~~ only if ~~when~~ the merits of the individual project or the specific circumstances in the community in relationship to the project warrant such action. If the local governing body and Enterprise Florida, Inc., make such a recommendation, it must be transmitted in writing, and the specific justification for the waiver recommendation must be explained. If the office ~~director~~ elects to waive the wage requirement, the waiver must be stated in writing, and the reasons for granting the waiver must be explained.

2. The target industry business's project must result in the creation of at least 10 jobs at the ~~such~~ project and, in the case of ~~if~~ an expansion of an existing business, must result in a net increase in employment of at least 10 percent at the business. ~~Notwithstanding the definition of the term "expansion of an existing business" in paragraph (1)(g),~~ At the request of the local governing body recommending the project and Enterprise Florida, Inc., the office may waive this requirement for a business ~~define an "expansion of an existing business"~~ in a rural community or ~~an~~ enterprise zone ~~as the expansion of a business resulting in a net increase in employment of less than 10 percent at such business~~ if the merits of the individual project or the specific circumstances in the community in relationship to the project warrant such action. If the local governing body and Enterprise Florida, Inc., make such a request, the request must be transmitted in writing, and the specific justification for the request must be explained. If the office ~~director~~ elects to grant the request, the grant must be stated in writing, and the reason for granting the request must be explained.

3. The business activity or product for the applicant's project must be ~~is~~ within an industry ~~or industries that have been~~ identified by the office as a target industry business ~~to be high-value-added industries~~ that contributes ~~contribute to the area and~~ to the economic growth of the state and the area in which the business is located, that produces ~~produce~~ a higher

standard of living for residents of this state in the new global economy, or that can be shown to make an equivalent contribution to the area's ~~area~~ and state's economic progress. ~~The director must approve requests to waive the wage requirement for brownfield areas designated under s. 376.80 unless it is demonstrated that such action is not in the public interest.~~

(c) Each application meeting the requirements of paragraph (b) must be submitted to the office for determination of eligibility. The office shall review and evaluate each application based on, but not limited to, the following criteria:

1. Expected contributions to the state's economy, consistent with the state strategic economic development plan adopted by Enterprise Florida, Inc.~~, taking into account the long-term effects of the project and of the applicant on the state economy.~~

2. The return on investment of the proposed award of tax refunds under this section and the return on investment for state incentives proposed for the project. The Office of Economic and Demographic Research shall review and evaluate the methodology and model used to calculate the return on investment and report its findings by September 1 of every 3rd year, beginning September 1, 2010, to the President of the Senate and the Speaker of the House of Representatives ~~economic benefit of the jobs created by the project in this state, taking into account the cost and average wage of each job created~~.

3. The amount of capital investment to be made by the applicant in this state.

4. The local financial commitment and support for the project.

5. The effect of the project on the ~~local community, taking into account the~~ unemployment rate in ~~for~~ the county where the project will be located.

6. The effect of the award ~~any tax refunds granted pursuant to this section~~ on the viability of the project and the probability that the project would ~~will~~ be undertaken in this state if such tax refunds are granted to the applicant~~, taking into account the expected long-term commitment of the applicant to economic growth and employment in this state~~.

7. The expected long-term commitment of the applicant to economic growth and employment in ~~to~~ this state resulting from the project.

8. A review of the business's past activities in this state or other states, including whether such business has been subjected to criminal or civil fines and penalties. This

subparagraph does not require the disclosure of confidential information.

(d) Applications shall be reviewed and certified pursuant to s. 288.061. The office shall include in its review projections of the tax refunds the business would be eligible to receive in each fiscal year based on the creation and maintenance of the net new Florida jobs specified in subparagraph (a)4. as of December 31 of the preceding state fiscal year. If appropriate, the office ~~director~~ shall enter into a written agreement with the qualified target industry business pursuant to subsection (5) ~~(4)~~.

(e) The office ~~director~~ may not certify any target industry business as a qualified target industry business if the value of tax refunds to be included in that letter of certification exceeds the available amount of authority to certify new businesses as determined in s. 288.095(3). However, if the commitments of local financial support represent less than 20 percent of the eligible tax refund payments, or to otherwise preserve the viability and fiscal integrity of the program, the office ~~director~~ may certify a qualified target industry business to receive tax refund payments of less than the allowable amounts specified in paragraph (3)~~(2)~~(b). A letter of certification that approves an application must specify the maximum amount of tax refund that will be available to the qualified industry business in each fiscal year and the total amount of tax refunds that will be available to the business for all fiscal years.

(f) This section does not create a presumption that an applicant will ~~shall~~ receive any tax refunds under this section. However, the office may issue nonbinding opinion letters, upon the request of prospective applicants, as to the applicants' eligibility and the potential amount of refunds.

(5)~~(4)~~ TAX REFUND AGREEMENT.-

(a) Each qualified target industry business must enter into a written agreement with the office that ~~which~~ specifies, at a minimum:

1. The total number of full-time equivalent jobs in this state that will be dedicated to the project, the average wage of those jobs, the definitions that will apply for measuring the achievement of these terms during the pendency of the agreement, and a time schedule or plan for when such jobs will be in place and active in this state.

2. The maximum amount of tax refunds that ~~which~~ the qualified target industry business is eligible to receive on the project and the maximum amount of a tax refund that the

qualified target industry business is eligible to receive for each fiscal year, based on the job creation and maintenance schedule specified in subparagraph 1.

3. That the office may review and verify the financial and personnel records of the qualified target industry business to ascertain whether that business is in compliance with this section.

4. The date by which, in each fiscal year, the qualified target industry business may file a claim under subsection (6) ~~(5)~~ to be considered to receive a tax refund in the following fiscal year.

5. That local financial support will be annually available and will be paid to the account. The office ~~director~~ may not enter into a written agreement with a qualified target industry business if the local financial support resolution is not passed by the local governing body ~~authority~~ within 90 days after the office ~~he or she~~ has issued the letter of certification under subsection (4) ~~(3)~~.

6. That the office may conduct a review of the business to evaluate whether the business is continuing to contribute to the area's or state's economy.

7. That in the event the business does not complete the agreement, the business will provide the office with the reasons the business was unable to complete the agreement.

(b) Compliance with the terms and conditions of the agreement is a condition precedent for the receipt of a tax refund each year. The failure to comply with the terms and conditions of the tax refund agreement results in the loss of eligibility for receipt of all tax refunds previously authorized under this section and the revocation by the office ~~director~~ of the certification of the business entity as a qualified target industry business, unless the business is eligible to receive and elects to accept a prorated refund under paragraph (6)(e) ~~(5)(d)~~ or the office grants the business an economic recovery extension ~~economic-stimulus exemption~~.

1. A qualified target industry business may submit~~, in writing,~~ a request to the office for an economic recovery extension ~~economic-stimulus exemption~~. The request must provide quantitative evidence demonstrating how negative economic conditions in the business's industry, the effects of ~~the impact of~~ a named hurricane or tropical storm, or specific acts of terrorism affecting the qualified target industry business have prevented the business from complying with the terms and conditions of its tax refund agreement.

2. Upon receipt of a request under subparagraph 1., the

office has ~~director shall have~~ 45 days to notify the requesting business, in writing, whether ~~if~~ its extension ~~exemption~~ has been granted or denied. In determining whether ~~if~~ an extension ~~exemption~~ should be granted, the office ~~director~~ shall consider the extent to which negative economic conditions in the requesting business's industry have occurred in the state or the effects of ~~the impact of~~ a named hurricane or tropical storm or specific acts of terrorism affecting the qualified target industry business have prevented the business from complying with the terms and conditions of its tax refund agreement. The office shall consider current employment statistics for this state by industry, including whether the business's industry had substantial job loss during the prior year, when determining whether an extension ~~exemption~~ shall be granted.

3. As a condition for receiving a prorated refund under paragraph (6)(e) ~~(5)(d)~~ or an economic recovery extension ~~economic-stimulus exemption~~ under this paragraph, a qualified target industry business must agree to renegotiate its tax refund agreement with the office to, at a minimum, ensure that the terms of the agreement comply with current law and office procedures governing application for and award of tax refunds. Upon approving the award of a prorated refund or granting an economic recovery extension ~~economic-stimulus exemption~~, the office shall renegotiate the tax refund agreement with the business as required by this subparagraph. When amending the agreement of a business receiving an economic recovery extension ~~economic-stimulus exemption~~, the office may extend the duration of the agreement for a period not to exceed 2 years.

4. A qualified target industry business may submit a request for an economic recovery extension ~~economic-stimulus exemption~~ to the office in lieu of any tax refund claim scheduled to be submitted after January 1, 2009, but before July 1, 2012 ~~2011~~.

5. A qualified target industry business that receives an economic recovery extension ~~economic-stimulus exemption~~ may not receive a tax refund for the period covered by the extension ~~exemption~~.

(c) The agreement must be signed by the director and by an authorized officer of the qualified target industry business within 120 days after the issuance of the letter of certification under subsection (4) ~~(3)~~, but not before passage and receipt of the resolution of local financial support. The office may grant an extension of this period at the written request of the qualified target industry business.

(d) The agreement must contain the following legend, clearly printed on its face in bold type of not less than 10 points in size: "This agreement is not ~~neither~~ a general obligation of the State of Florida, nor is it backed by the full faith and credit of the State of Florida. Payment of tax refunds is ~~are~~ conditioned on and subject to specific annual appropriations by the Florida Legislature ~~of moneys~~ sufficient to pay amounts authorized in section 288.106, Florida Statutes."

(6)~~(5)~~ ANNUAL CLAIM FOR REFUND.-

(a) To be eligible to claim any scheduled tax refund, a qualified target industry business that has entered into a tax refund agreement with the office under subsection (5) ~~(4)~~ must apply by January 31 of each fiscal year to the office for the tax refund scheduled to be paid from the appropriation for the fiscal year that begins on July 1 following the January 31 claims-submission date. The office may, upon written request, grant a 30-day extension of the filing date.

(b) The claim for refund by the qualified target industry business must include a copy of all receipts pertaining to the payment of taxes for which the refund is sought and data related to achievement of each performance item specified in the tax refund agreement. The amount requested as a tax refund may not exceed the amount specified for the relevant fiscal year in that agreement.

(c) The office may waive the requirement for proof of taxes paid in future years for a qualified target industry business that provides the office with proof that, in a single year, the business has paid an amount of state taxes from the categories in paragraph (3)(d) that is at least equal to the total amount of tax refunds that the business may receive through successful completion of its tax refund agreement.

(d)~~(c)~~ A tax refund may not be approved for a qualified target industry business unless the required local financial support has been paid into the account for that refund. If the local financial support provided is less than 20 percent of the approved tax refund, the tax refund must be reduced. In no event may the tax refund exceed an amount that is equal to 5 times the amount of the local financial support received. Further, funding from local sources includes any tax abatement granted to that business under s. 196.1995 or the appraised market value of municipal or county land conveyed or provided at a discount to that business. The amount of any tax refund for such business approved under this section must be reduced by the amount of any such tax abatement granted or the value of the land granted,~~;~~ and the limitations in subsection (3) ~~(2)~~ and paragraph (4)~~(3)~~(e) must be reduced by the amount of any such tax abatement or the value of the land granted. A report listing all sources of the local financial support shall be provided to the office when such support is paid to the account.

(e)~~(d)~~ A prorated tax refund, less a 5-percent penalty, shall be approved for a qualified target industry business if ~~provided~~ all other applicable requirements have been satisfied and the business proves to the satisfaction of the office ~~director~~ that:

1. It has achieved at least 80 percent of its projected employment; and ~~that~~

2. The average wage paid by the business is at least 90 percent of the average wage specified in the tax refund agreement, but in no case less than 115 percent of the average private sector wage in the area available at the time of certification, or 150 percent or 200 percent of the average private sector wage if the business requested the additional per-job tax refund authorized in paragraph (3)~~(2)~~(b) for wages above those levels. The prorated tax refund shall be calculated by multiplying the tax refund amount for which the qualified target industry business would have been eligible, if all applicable requirements had been satisfied, by the percentage of the average employment specified in the tax refund agreement which was achieved, and by the percentage of the average wages specified in the tax refund agreement which was achieved.

(f)~~(e)~~ The office ~~director~~, with such assistance as may be required from ~~the office,~~ the Department of Revenue~~,~~ or the Agency for Workforce Innovation, shall, by June 30 following the scheduled date for submission of the tax refund claim, specify by written order the approval or disapproval of the tax refund claim and, if approved, the amount of the tax refund that is authorized to be paid to the qualified target industry business for the annual tax refund. The office may grant an extension of this date on the request of the qualified target industry business for the purpose of filing additional information in support of the claim.

(g)~~(f)~~ The total amount of tax refund claims approved by the office ~~director~~ under this section in any fiscal year must not exceed the amount authorized under s. 288.095(3).

(h)~~(g)~~ This section does not create a presumption that a tax refund claim will be approved and paid.

(i)~~(h)~~ Upon approval of the tax refund under paragraphs ~~(c),~~ (d), ~~and~~ (e), and (f), the Chief Financial Officer shall issue a warrant for the amount specified in the written order. If the written order is appealed, the Chief Financial Officer may not issue a warrant for a refund to the qualified target *industry business until the conclusion of all appeals of that order.*

(7)~~(6)~~ ADMINISTRATION.-

(a) The office may ~~is authorized to~~ verify information provided in any claim submitted for tax credits under this section with regard to employment and wage levels or the payment of the taxes to the appropriate agency or authority, including the Department of Revenue, the Agency for Workforce Innovation, or any local government or authority.

(b) To facilitate the process of monitoring and auditing applications made under this section ~~program~~, the office may provide a list of qualified target industry businesses to the Department of Revenue, to the Agency for Workforce Innovation, or to any local government or authority. The office may request the assistance of those entities with respect to monitoring jobs, wages, and the payment of the taxes listed in subsection (3) ~~(2)~~.

(c) Funds specifically appropriated for ~~the~~ tax refunds ~~refund program~~ for qualified target industry businesses under this section may not be used by the office for any purpose other than the payment of tax refunds authorized by this section.

(d) Beginning with tax refund agreements signed after July 1, 2010, the office shall attempt to ascertain the causes for any business's failure to complete its agreement and shall report its findings and recommendations to the Governor, the President of the Senate, and the Speaker of the House of Representatives. The report shall be submitted by December 1 of each year beginning in 2011.

~~(7) Notwithstanding paragraphs (4)(a) and (5)(c), the office may approve a waiver of the local financial support requirement for a business located in any of the following counties in which businesses received emergency loans administered by the office in response to the named hurricanes of 2004: Bay, Brevard, Charlotte, DeSoto, Escambia, Flagler, Glades, Hardee, Hendry, Highlands, Indian River, Lake, Lee, Martin, Okaloosa, Okeechobee, Orange, Osceola, Palm Beach, Polk, Putnam, Santa Rosa, Seminole, St. Lucie, Volusia, and Walton. A waiver may be granted only if the office determines that the local financial support cannot be provided or that doing so would effect a demonstrable hardship on the unit of local government providing the local financial support. If the office grants a waiver of the local financial support requirement, the state shall pay 100 percent of the refund due to an eligible business. The waiver shall apply for tax refund applications made for fiscal years 2004-2005, 2005-2006, and 2006-2007.~~

(8) EXPIRATION.-An applicant may not be certified as qualified under this section after June 30, 2020 ~~2010~~. A tax refund agreement existing on that date shall continue in effect in accordance with its terms.

Section 2. Subsection (11) of section 159.803, Florida Statutes, is amended to read:

159.803 Definitions.-As used in this part, the term:

(11) "Florida First Business project" means any project which is certified by the Office of Tourism, Trade, and Economic Development as eligible to receive an allocation from the Florida First Business allocation pool established pursuant to s. 159.8083. The Office of Tourism, Trade, and Economic Development may certify those projects meeting the criteria set forth in s. 288.106(4)~~(3)~~(b) or any project providing a substantial economic benefit to this state.

Section 3. Paragraph (h) of subsection (1) of section 220.191, Florida Statutes, is amended to read:

220.191 Capital investment tax credit.-

(1) DEFINITIONS.-For purposes of this section:

(h) "Qualifying project" means:

1. A new or expanding facility in this state which creates at least 100 new jobs in this state and is in one of the high-impact sectors identified by Enterprise Florida, Inc., and certified by the office pursuant to s. 288.108(6), including, but not limited to, aviation, aerospace, automotive, and silicon technology industries;

2. A new or expanded facility in this state which is engaged in a target industry designated pursuant to the procedure specified in s. 288.106(2)(t)~~(1)(o)~~ and which is induced by this credit to create or retain at least 1,000 jobs in this state, provided that at least 100 of those jobs are new, pay an annual average wage of at least 130 percent of the average private sector wage in the area as defined in s. 288.106(2)~~(1)~~, and make a cumulative capital investment of at least $100 million after July 1, 2005. Jobs may be considered retained only if there is significant evidence that the loss of jobs is imminent. Notwithstanding subsection (2), annual credits against the tax imposed by this chapter shall not exceed 50 percent of the increased annual corporate income tax liability or the premium tax liability generated by or arising out of a project qualifying under this subparagraph. A facility that qualifies under this subparagraph for an annual credit against the tax imposed by this chapter may take the tax credit for a period not to exceed 5 years; or

3. A new or expanded headquarters facility in this state

which locates in an enterprise zone and brownfield area and is induced by this credit to create at least 1,500 jobs which on average pay at least 200 percent of the statewide average annual private sector wage, as published by the Agency for Workforce Innovation or its successor, and which new or expanded headquarters facility makes a cumulative capital investment in this state of at least $250 million.

Section 4. Paragraph (e) of subsection (1), subsection (2), paragraphs (a) and (d) of subsection (4), and paragraph (b) of subsection (5) of section 288.107, Florida Statutes, are amended to read:

288.107 Brownfield redevelopment bonus refunds.-

(1) DEFINITIONS.-As used in this section:

(e) "Eligible business" means:

1. A qualified target industry business as defined in s. 288.106(2)~~(1)(o)~~; or

2. A business that can demonstrate a fixed capital investment of at least $2 million in mixed-use business activities, including multiunit housing, commercial, retail, and industrial in brownfield areas, or at least $500,000 in brownfield areas that do not require site cleanup, and that ~~which~~ provides benefits to its employees.

(2) BROWNFIELD REDEVELOPMENT BONUS REFUND.-Bonus refunds shall be approved by the office as specified in the final order ~~issued by the director~~ and allowed from the account as follows:

(a) A bonus refund of $2,500 shall be allowed to any qualified target industry business as defined in ~~by~~ s. 288.106 for each new Florida job created in a brownfield area that ~~which~~ is claimed on the qualified target industry business's annual refund claim authorized in s. 288.106(6)~~(5)~~.

(b) A bonus refund of up to $2,500 shall be allowed to any other eligible business as defined in subparagraph (1)(e)2. for each new Florida job created in a brownfield area that ~~which~~ is claimed under an annual claim procedure similar to the annual refund claim authorized in s. 288.106(6)~~(5)~~. The amount of the refund shall be equal to 20 percent of the average annual wage for the jobs created.

(4) PAYMENT OF BROWNFIELD REDEVELOPMENT BONUS REFUNDS.-

(a) To be eligible to receive a bonus refund for new Florida jobs created in a brownfield area, a business must have been certified as a qualified target industry business under s. 288.106 or eligible business as defined in paragraph (1)(e) and must have indicated on the qualified target industry business tax refund application form submitted in accordance with s. 288.106(4)~~(3)~~ or other similar agreement for other eligible business as defined in paragraph (1)(e) that the project for which the application is submitted is or will be located in a brownfield area and that the business is applying for certification as a qualified brownfield business under this section, and must have signed a qualified target industry business tax refund agreement with the office that ~~which~~ indicates that the business has been certified as a qualified target industry business located in a brownfield area and specifies the schedule of brownfield redevelopment bonus refunds that the business may be eligible to receive in each fiscal year.

(d) After entering into a tax refund agreement as provided in s. 288.106 or other similar agreement for other eligible businesses as defined in paragraph (1)(e), an eligible business may receive brownfield redevelopment bonus refunds from the account pursuant to s. 288.106(3)(d)~~(2)(c)~~.

(5) ADMINISTRATION.-

(b) To facilitate the process of monitoring and auditing applications made under this program, the office may provide a list of qualified target industry businesses to the Department of Revenue, to the Agency for Workforce Innovation, to the Department of Environmental Protection, or to any local government authority. The office may request the assistance of those entities with respect to monitoring the payment of the taxes listed in s. 288.106(3)~~(2)~~.

Section 5. Paragraph (s) of subsection (2) of section 288.1089, Florida Statutes, is amended to read:

288.1089 Innovation Incentive Program.-

(2) As used in this section, the term:

(s) "Rural area" means a rural city or~~,~~ rural community~~, or rural county~~ as defined in s. 288.106.

Section 6. Section 290.00677, Florida Statutes, is amended to read:

290.00677 Rural enterprise zones; special qualifications.-

(1) Notwithstanding the enterprise zone residency requirements set out in s. 212.096(1)(c), eligible businesses as defined in ~~by~~ s. 212.096(1)(a)~~,~~ located in rural enterprise zones as defined in ~~by~~ s. 290.004~~,~~ may receive the basic minimum credit provided under s. 212.096 for creating a new job and hiring a person residing within the jurisdiction of a rural community ~~county,~~ as defined in ~~by~~ s. 288.106(2)~~(1)(r)~~. All other provisions of s. 212.096, including, but not limited to, those relating to the award of enhanced credits, apply to such businesses.

(2) Notwithstanding the enterprise zone residency

requirements set out in s. 220.03(1)(q), businesses as defined in ~~by~~ s. 220.03(1)(c)~~,~~ located in rural enterprise zones as defined in s. 290.004~~,~~ may receive the basic minimum credit provided under s. 220.181 for creating a new job and hiring a person residing within the jurisdiction of a rural community ~~county,~~ as defined in ~~by~~ s. 288.106(2)~~(1)(r)~~. All other provisions of s. 220.181, including, but not limited to, those relating to the award of enhanced credits, apply to such businesses.

Section 7. This act shall take effect July 1, 2010.

CODING: Words ~~stricken~~ are deletions; words underlined are additions.