



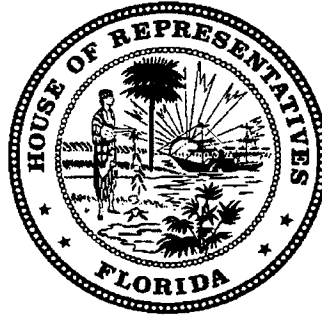
Finance and Tax Committee

Wednesday, March 9, 2011

4:00 p.m.

Morris Hall

MEETING PACKET



Finance and Tax Committee

AGENDA

March 9, 2011
4:00 p.m. – 6:00 p.m.
Morris Hall

- I. Call to Order/Roll Call
- II. Workshop on Possible Modifications to the Corporate Income Tax to Enhance Florida Job
- III. Closing Remarks and Adjournment

**Florida's Corporate
Income Tax**

Finance and Tax Committee

March 9, 2011

**FLORIDA'S CORPORATE INCOME TAX:
POSSIBLE MODIFICATIONS TO ENHANCE
JOB GROWTH**

OUTLINE

- ✘ Purpose & Background
- ✘ Important Policy Questions
- ✘ Potential Modifications

PURPOSE OF THE WORKSHOP

What are possible modifications to the Corporate Income Tax and the Governor's proposal, that would further employment possibilities for Floridians?

BACKGROUND

- ✘ High unemployment in Florida has pushed **job creation to the top of the agenda**
- ✘ For example, **Governor's focus** on creating an **attractive** investment and job creation environment
 - + *Phase out of the Corporate Income Tax*

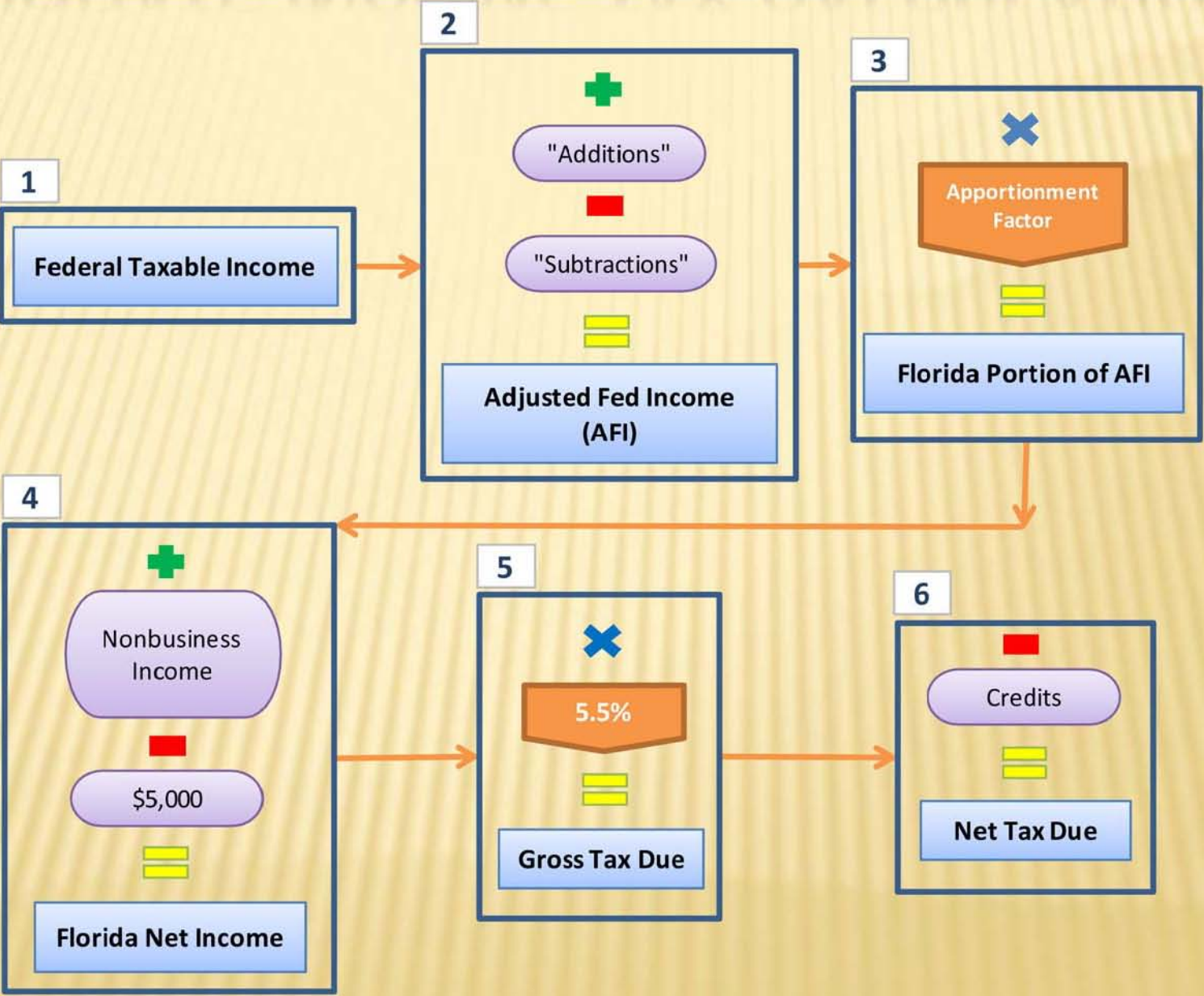
IMPORTANT POLICY QUESTIONS

- ✘ Emphasis only on new jobs? Or retained jobs, too?
- ✘ Focus on particular job types or economic sectors?
- ✘ Does the size of the business impacted matter?

IMPORTANT POLICY QUESTIONS

- ✘ Should jobs be directly targeted or can they be indirectly targeted (for example, through incentives for investment)?
- ✘ How **efficient** is the change?

CORPORATE INCOME TAX CALCULATION



POTENTIAL MODIFICATIONS

- ✘ Cut the Tax Rate
- ✘ Change Apportionment Factors
- ✘ Refine or Expand Existing Credits or Exemptions
- ✘ Create New Credits or Exemptions
- ✘ A Combination of the Above

CUT THE TAX RATE

- ✘ Simplest to understand
- ✘ *Affects all taxpayers...no focus on any particular sector, job type, or business size*
- ✘ *Indirectly targets jobs*
- ✘ *Impacts new, retained and pre-existing jobs*
- ✘ *May not be as efficient as other options*

CHANGE APPORTIONMENT FACTORS

- ✘ **Single Sales Factor Apportionment =**
Determine share of taxes owed to Florida based on share of sales only; payroll and property in the state does not affect tax
- ✘ Can be broadly or narrowly structured

CHANGE APPORTIONMENT FACTORS

- ✘ Implicitly focuses on investment and both new and retained jobs
- ✘ *Can* be focused on industry types and business size
- ✘ More efficient than a simple tax rate cut

REFINE OR EXPAND EXISTING PROVISIONS

✘ Capital Investment Tax Credits

- + Credit for a portion of capital investment expenditures, depending on level of investment
 - 100% for \$100m investment
 - 75% for \$50m - \$100m investment
 - 50% for \$25m - \$50m investment
- + New or expanding facilities
- + At least 100 new jobs
- + In a “High-Impact Sector” (EFI)
- + Can only apply to tax liability of the project

REFINE OR EXPAND EXISTING PROVISIONS

✘ Enterprise Zone Credits

- + Credits for “new” jobs in enterprise zones
 - ✘ 20% - 30% of wages
 - ✘ Lasts for two years
- + Credits for property taxes paid on new/expanded facilities
 - ✘ Lasts for five years
 - ✘ Minimal “new” jobs requirement

REFINE OR EXPAND EXISTING PROVISIONS

- ✘ Enterprise Zone Credits
 - + Directly aimed at jobs or investment
 - + Geographic focus, No focus on any particular sector
 - + Any business size
 - + Relatively efficient for purposes of program

CREATE NEW CREDITS OR EXEMPTIONS

- ✘ Tax credits for:
 - + Research and Development spending
 - + Creation/retention of aerospace jobs
 - + Technology Commercialization
 - + “Green” job creation
 - + Undertaking spaceflight projects
 - + Other?

OTHER: IDEAS FOR CONSIDERATION

- ✘ In the framework of the Capital Investment Tax Credit, create a new credit that:
 - + Has lower minimum investment threshold (e.g., \$5 million)
 - + Is restricted to a narrower set of sectors
 - + Limits qualified expenditures to machinery, equipment, and specialized buildings/structures
 - + Has requirements for minimum numbers of new jobs, based on the size of investment

OTHER: IDEAS FOR CONSIDERATION

- ✘ In the framework of the Capital Investment Tax Credit, create new credits that:
 - + Total 50% of qualified expenditures, carry forward up to 20 years
 - + Can be taken against *all* of a company's tax liability
 - + Offset up to 20% of a company's tax in first year, 40% second year, 60% third year, 100% in remaining years
 - + Are nontransferable
- ✘ Increase the \$5,000 exemption

Discussion