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# Economic Development & Tourism Subcommittee

Wednesday, February 13, 2013  
9:00 AM –11:00 AM  
12 HOB

## Meeting Packet

**Will Weatherford**  
Speaker

**Carlos Trujillo**  
Chair



**The Florida House of Representatives**  
**Economic Development and Tourism Subcommittee**

**Will Weatherford**  
Speaker

**Carlos Trujillo**  
Chair

**Meeting Agenda**  
**Wednesday, February 13, 2013**  
**Room 12, House Office Building**  
**9:00 a.m. – 11:00 a.m.**

- I. Call to Order**
- II. Roll Call**
- III. Welcome and Opening Remarks**
- IV. HB 101 – Enterprise Zones/City of Lake Worth**
- V. HB 135 – Spaceport Territory**
- VI. HB 255 – Enterprise Zones/City of Delray Beach**
- VII. HB 4013 – Tax Refund Programs**
- VIII. Adjournment**



## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 101 Enterprise Zones/City of Lake Worth

**SPONSOR(S):** Kerner and others

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 270

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee		Tecler <i>AT</i>	West <i>EW</i>
2) Finance & Tax Subcommittee			
3) Economic Affairs Committee			

### SUMMARY ANALYSIS

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 65 enterprise zones.

The bill provides authority for the City of Lake Worth in Palm Beach County to apply to the Department of Economic Opportunity for designation of an enterprise zone of up to 5 square miles. The application must be submitted by December 31, 2013. The Department must establish the initial effective date of the enterprise zone.

The bill has not been scored by the Revenue Estimating Conference (REC). However, in the 2011 Legislative Session, the Legislature authorized an enterprise zone of a similar size in the city of Palm Bay. For that site, the REC adopted a negative recurring impact of \$100,000 on state funds and an insignificant impact on local revenues.

The bill provides an effective date of January 1, 2014.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

##### Enterprise Zones

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 65 enterprise zones.<sup>1</sup>

##### Designation Process

Sections 290.001-290.016, F.S., authorize the creation of enterprise zones and establish criteria and goals for the program. Prior to submitting an application for an enterprise zone, a local government body must determine that an area:

- Has chronic extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- Needs rehabilitation or redevelopment for the public health, safety, and welfare of the residents in the county or municipality; and
- Can be revitalized through the inducement of the private sector.

An area nominated by a county or municipality, or a county and one or more municipalities together, for designation as an enterprise zone must meet the following criteria:

- The selected area does not exceed 20 square miles.
- The selected area must have a continuous boundary, or consist of not more than three noncontiguous parcels, and
- The selected area does not exceed the following mileage limitation:<sup>2</sup>

<b>Community Population</b>	<b>Mileage Limit</b>
150,000 or more	20 sq. mi.
50,000 - 149,999	10 sq. mi.
20,000 - 49,999	5 sq. mi.
7,500 - 19,999	3 sq. mi.
7,499 or less	3 sq. mi.

The Department of Economic Opportunity is responsible for approving applications for enterprise zones, and also approves changes in enterprise zone boundaries when authorized by the Florida Legislature. As part of the application process for an enterprise zone, the county or municipality in which the designation will be located also is responsible for creating an Enterprise Zone Development Agency and an enterprise zone development plan.

As outlined in s. 290.0056, F.S., an Enterprise Zone Development Agency is required to have a board of commissioners of at least eight, and no more than 13, members. The agency has the following powers and responsibilities:

<sup>1</sup> 2013 Fact Sheet, Florida Enterprise Zone Program, The Department of Economic Opportunity, on file with the Economic Development & Tourism Subcommittee.

<sup>2</sup> Section 290.055(4)(a) and (b), F.S.

- Assisting in the development, implementation and annual review of the zone and updating the strategic plan or measurable goals;
- Identifying ways to remove regulatory burdens;
- Promoting the incentives to residents and businesses;
- Recommending boundary changes;
- Working with nonprofit development organizations; and
- Ensuring the enterprise zone coordinator receives annual training and works with Enterprise Florida, Inc.

Pursuant to s. 290.0057, F.S., an enterprise zone development plan (or strategic plan) must accompany an application. At a minimum this plan must:

- Describe the community's goal in revitalizing the area;
- Describe how the community's social and human resources—transportation, housing, community development, public safety, education, and environmental concerns—will be addressed in a coordinated fashion;
- Identify key community goals and barriers;
- Outline how the community is a full partner in the process of developing and implementing this plan;
- Describe the commitment from the local governing body in enacting and maintaining local fiscal and regulatory incentives;
- Identify the amount of local and private resources available and the private/public partnerships;
- Indicate how local, state, and federal resources will all be utilized;
- Identify funding requested under any state or federal program to support the proposed development; and
- Identify baselines, methods, and benchmarks for measuring success of the plan.

#### Available Incentives

Florida's enterprise zones qualify for various incentives from corporate income tax and sales and use tax liabilities. Examples of local incentives include: utility tax abatement, reduction of occupational license fees, reduced building permit fees or land development fees, and local funds for capital projects.

Available state sales tax incentives for enterprise zones include:

- Building Materials Used in the Rehabilitation of Real Property Located in an Enterprise Zone  
Provides a refund for sales taxes paid on the purchase of certain building materials, up to \$5,000 or 97 percent of the tax paid.
- Business Equipment Used in an Enterprise Zone  
Provides a refund for sales taxes paid on the purchase of certain equipment, up to \$5,000 or 97 percent of the tax paid.
- Rural Enterprise Zone Jobs Credit against Sales Tax  
Provides a sales and use tax credit for 30 or 45 percent of wages paid to new employees who live within a rural county.
- Urban Enterprise Zone Jobs Credit against Sales Tax  
Provides a sales and use tax credit for 20 or 30 percent of wages paid to new employees who live within the enterprise zone.
- Business Property Used in an Enterprise Zone  
Provides a refund for sales taxes paid on the purchase of certain business property, up to \$5,000 or 97 percent of the tax paid per parcel of property, which is used exclusively in an enterprise zone for at least 3 years.
- Community Contribution Tax Credit  
Provides 50 percent sales tax refund for donations made to local community development projects.
- Electrical Energy Used in an Enterprise Zone

Provides 50 percent sales tax exemption to qualified businesses located within an enterprise zone on the purchase of electrical energy.

Available state corporate income tax incentives for enterprise zones include:

- Rural Enterprise Zone Jobs Credit against Corporate Income Tax  
Provides a corporate income tax credit for 30 or 45 percent of wages paid to new employees who live within a rural county.
- Urban Enterprise Zone Jobs Credit against Corporate Income Tax  
Provides a corporate income tax credit for 20 or 30 percent of wages paid to new employees who live within the enterprise zone.
- Enterprise Zone Property Tax Credit  
Provides a credit against Florida corporate income tax equal to 96 percent of ad valorem taxes paid on the new or improved property.
- Community Contribution Tax Credit  
Provides a 50-percent credit on Florida corporate income tax or insurance premium tax, or a sales tax refund, for donations made to local community development projects.

### **Effect of Proposed Changes**

The bill provides authority for City of Lake Worth in Palm Beach County to apply to the Department of Economic Opportunity for designation of an enterprise zone of up to 5 square miles. The application must be submitted by December 31, 2013. The Department must establish the initial effective date of the enterprise zone.

The bill provides an effective date of January 1, 2014.

#### **B. SECTION DIRECTORY:**

**Section 1:** Creates s. 290.00791, F.S., authorizing the City of Lake Worth to apply to the Department of Economic Opportunity for designation of an enterprise zone.

**Section 2:** Provides an effective date of January 1, 2014.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

##### **1. Revenues:**

The bill has not been scored by the Revenue Estimating Conference (REC). However, in the 2011 Legislative Session, the Legislature authorized an enterprise zone of a similar size in the city of Palm Bay. For that site, the REC adopted a negative recurring impact of \$100,000 on state funds.

##### **2. Expenditures:**

None.

#### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

##### **1. Revenues:**

The bill has not been scored by the REC. However, in the 2011 Legislative Session, the Legislature authorized an enterprise zone of a similar size in the city of Palm Bay. For that site, the REC estimated an insignificant fiscal impact on local revenues.

##### **2. Expenditures:**

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill has the potential to positively impact the economy of the designated area through job growth and capital investment.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**



1                                   A bill to be entitled  
 2           An act relating to enterprise zones; creating s.  
 3           290.00791, F.S.; authorizing the City of Lake Worth to  
 4           apply to the Department of Economic Opportunity for  
 5           designation of an enterprise zone; providing an  
 6           application deadline and requirements for the area of  
 7           the enterprise zone; requiring the department to  
 8           establish the effective date of the enterprise zone;  
 9           providing an effective date.

10  
 11   Be It Enacted by the Legislature of the State of Florida:

12  
 13           Section 1. Section 290.00791, Florida Statutes, is created  
 14   to read:

15           290.00791 Enterprise zone designation for the City of Lake  
 16   Worth.—The City of Lake Worth may apply to the department for  
 17   designation of one enterprise zone encompassing an area not to  
 18   exceed 5 square miles within the City of Lake Worth. The  
 19   application must be submitted by December 31, 2013, and must  
 20   comply with the requirements of s. 290.0055. Notwithstanding s.  
 21   290.0065 limiting the total number of enterprise zones  
 22   designated and the number of enterprise zones within a  
 23   population category, the department may designate one enterprise  
 24   zone under this section. The department shall establish the  
 25   initial effective date of the enterprise zone designated under  
 26   this section.

27           Section 2. This act shall take effect January 1, 2014.



**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 135 Spaceport Territory

**SPONSOR(S):** Goodson

**TIED BILLS:** IDEN./SIM. **BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee		Tecler <i>AT</i>	West <i>PW</i>
2) Local & Federal Affairs Committee			
3) Economic Affairs Committee			

**SUMMARY ANALYSIS**

The bill amends s. 331.304, F.S., to designate the Space Coast Regional Airport and Industrial Park in Titusville as spaceport territory. As a result of the bill, new and expanding businesses engaged in spaceport activities and located at the facility, may be eligible for a tax exemption on machinery and equipment pursuant to s. 212.08, F.S.

The bill has not been scored by the Revenue Estimating Conference. However, the bill may have a negative recurring fiscal impact on state funds related to this tax exemption.

The bill will take effect upon becoming a law.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Present Situation

##### Commercial Space Industry

With the retirement of the Space Shuttle Program in July of 2010, the United States will increasingly rely on the private sector for the transportation of cargo and passengers to the International Space Station, low Earth orbit, and beyond. Historically, the commercial space industry has focused primarily on putting payloads, such as satellites, into orbit using expendable launch systems. As the industry shifts its focus toward space tourism, expendable launch systems are slowly being replaced by reusable systems capable of transporting humans and general cargo into space. In response, several states have developed or proposed commercial spaceports in order to capture a greater share of what is anticipated to be a growing market in the near future.<sup>1</sup>

##### *Federal Regulations*

The Office of Commercial Space Transportation within the Federal Aviation Administration (FAA) is the federal agency responsible for regulating and facilitating the safe operations of the U.S. commercial space transportation industry. The Commercial Space Launch Act of 1984, as amended, authorizes the FAA to establish licensing and regulatory requirements for launch vehicles, launch sites, and reusable suborbital rockets.<sup>2</sup> The FAA's launch regulations and licensing procedures apply to all commercial launches taking place within U.S. territory, and for launches being conducted abroad by U.S. companies. In general, the FAA does not license launch sites owned or operated by agencies of the U.S. government.<sup>3</sup> Since 1984, the FAA has licensed the operation of eight FAA-approved launch sites, including the Cape Canaveral Spaceport and the spaceport at Cecil Field.<sup>4</sup>

##### Spaceports in Florida

Currently, Florida has two federally owned spaceports and two FAA licensed commercial spaceports. The Cape Canaveral Air Force Station and the National Aeronautics and Space Administration's Kennedy Space Center are owned and operated by the federal government. The two FAA licensed commercial spaceports in Florida include the Cape Canaveral Spaceport, operated by Space Florida, and the Cecil Field Spaceport, operated by the Jacksonville Aviation Authority. The Space Launch Site Operator licenses for the Cape Canaveral Spaceport and Cecil Field Spaceport were issued in 1999 and 2010 respectively.

##### *Space Coast Regional Airport and Industrial Park*

The Space Coast Regional Airport and Industrial Park is located about 5 miles south of Titusville and features a 7,319 foot runway. The airport is governed by the Titusville-Cocoa Airport Authority and serves as a corporate and commercial charter aviation facility. The Airport Authority is currently seeking a Space Launch Site Operator license from the FAA.

##### Spaceport Territories Designated in the Florida Statutes

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<sup>1</sup> Florida, Alaska, California, New Mexico, Oklahoma, and Virginia currently have FAA approved launch sites. Colorado, Hawaii, Texas and Wyoming are seeking FAA licensure of proposed launch sites.

<sup>2</sup> 51 U.S.C. Ch. 509, §§ 50901-23.

<sup>3</sup> The FAA also exempts certain classes of small rockets from licensure.

<sup>4</sup> California Spaceport, Kodiak Launch Complex (AK), Mid-Atlantic Regional Spaceport (VA), Mojave Air and Space Port (CA), Clinton-Sherman Industrial Airpark (OK), and Spaceport America (NM).

Section 331.304, F.S., provides that certain real property in the following areas constitute a spaceport territory:

- Brevard County and within the 1998 boundaries of Patrick Air Force Base, Cape Canaveral Air Force Station, or John F. Kennedy Space Center,
- Santa Rosa, Okaloosa, Gulf, and Walton Counties and within the 1997 boundaries of Eglin Air Force Base,
- Duval County which is included within the boundaries of Cecil Airport and Cecil Commerce Center, and
- Real property licensed as a spaceport by the Federal Aviation Administration, and designated as spaceport territory by the board of directors of Space Florida.

Currently, Space Coast Regional Airport and Industrial Park is not designated as a "spaceport territory" in the Florida Statutes.

### **Effect of Proposed Changes**

The bill amends s. 331.304, F.S., to designate certain real property within the boundaries of Space Coast Regional Airport and Industrial Park as spaceport territory.

Section 212.08, F.S., provides a tax exemption for machinery and equipment purchased for a new or expanding business in a spaceport territory. This bill will allow new and expanding businesses located at the Space Coast Regional Airport and Industrial Park, to be eligible for this exemption. In order to qualify, a business must be engaged in spaceport activities, as defined by s. 212.02(22), F.S.<sup>5</sup>

The bill will take effect upon becoming a law.

#### **B. SECTION DIRECTORY:**

**Section 1:** Adds subsection (5) to s. 331.304, F.S., designating the Space Coast Regional Airport and Industrial Park as spaceport territory.

**Section 2:** Provides for an effective date of upon becoming a law.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

##### **1. Revenues:**

The bill has not been scored by the Revenue Estimating Conference (REC). However, a tax exemption on machinery and equipment purchased is available for a new or expanding business within the boundaries of the Space Coast Regional Airport and Industrial Park. In the 2012 Legislative Session, the Legislature designated the Cecil Airport and Cecil Commerce Center as spaceport territory. Cecil Airport and Cecil Commerce Center, a larger territory than the proposed site in this bill, was estimated by the REC to have a negative recurring fiscal impact of \$100,000 on state funds related to this tax exemption.

##### **2. Expenditures:**

None.

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<sup>5</sup> The term "Spaceport Activities" means activities directed or sponsored by Space Florida on spaceport territory pursuant to its powers and responsibilities under the Space Florida Act.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

**1. Revenues:**

The bill has not been scored by the Revenue Estimating Conference. However, the fiscal impact on local revenues is likely to be insignificant.

**2. Expenditures:**

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

The bill may facilitate the development of new aerospace-related businesses in the Titusville area.

**FISCAL COMMENTS:**

None.

**III. COMMENTS**

**A. CONSTITUTIONAL ISSUES:**

**1. Applicability of Municipality/County Mandates Provision:**

The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

**2. Other:**

None.

**B. RULE-MAKING AUTHORITY:**

None.

**C. DRAFTING ISSUES OR OTHER COMMENTS:**

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

HB 135

2013

1                                   A bill to be entitled  
 2           An act relating to spaceport territory; amending s.  
 3           331.304, F.S.; revising spaceport territory for  
 4           purposes of the Space Florida Act to include certain  
 5           property; providing an effective date.

6  
 7   Be It Enacted by the Legislature of the State of Florida:

8  
 9           Section 1. Subsection (5) is added to section 331.304,  
 10          Florida Statutes, to read:

11           331.304 Spaceport territory.—The following property shall  
 12          constitute spaceport territory:

13           (5) Certain real property located in Brevard County which  
 14          is included within the boundaries of Space Coast Regional  
 15          Airport and Space Coast Regional Airport Industrial Park.

16           Section 2. This act shall take effect upon becoming a law.



Amendment No.

COMMITTEE/SUBCOMMITTEE ACTION

ADOPTED \_\_\_\_\_ (Y/N)  
ADOPTED AS AMENDED \_\_\_\_\_ (Y/N)  
ADOPTED W/O OBJECTION \_\_\_\_\_ (Y/N)  
FAILED TO ADOPT \_\_\_\_\_ (Y/N)  
WITHDRAWN \_\_\_\_\_ (Y/N)  
OTHER

1 Committee/Subcommittee hearing bill: Economic Development &  
2 Tourism Subcommittee  
3 Representative Goodson offered the following:

4  
5 **Amendment**

6 Remove line 15 and insert:

7 Airport, Space Coast Regional Airport Industrial Park, and  
8 Spaceport Commerce Park.





**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 255 Enterprise Zones/City of Delray Beach  
**SPONSOR(S):** Berman and others  
**TIED BILLS:** IDEN./SIM. **BILLS:** SB 574

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee		Tecler <i>AT</i>	West <i>RW</i>
2) Finance & Tax Subcommittee			
3) Economic Affairs Committee			

**SUMMARY ANALYSIS**

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 65 enterprise zones.

The bill provides authority for the City of Delray Beach in Palm Beach County to apply to the Department of Economic Opportunity for designation of an enterprise zone of up to 10 square miles. The application must be submitted by December 31, 2013. The Department must establish the initial effective date of the enterprise zone.

The bill has not been scored by the Revenue Estimating Conference (REC). However, in the 2011 Legislative Session, the Legislature authorized an enterprise zone of a similar size in Martin County. For that site, the REC adopted a negative recurring impact of \$100,000 on state funds and an insignificant impact on local revenues.

The bill provides an effective date of January 1, 2014.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

##### Enterprise Zones

The Florida Enterprise Zone Program was created in 1982 to encourage economic development in economically distressed areas of the state by providing incentives and inducing private investment. Currently, Florida has 65 enterprise zones.<sup>1</sup>

##### Designation Process

Sections 290.001-290.016, F.S., authorize the creation of enterprise zones and establish criteria and goals for the program. Prior to submitting an application for an enterprise zone, a local government body must determine that an area:

- Has chronic extreme and unacceptable levels of poverty, unemployment, physical deterioration, and economic disinvestment;
- Needs rehabilitation or redevelopment for the public health, safety, and welfare of the residents in the county or municipality; and
- Can be revitalized through the inducement of the private sector.

An area nominated by a county or municipality, or a county and one or more municipalities together, for designation as an enterprise zone must meet the following criteria:

- The selected area does not exceed 20 square miles.
- The selected area must have a continuous boundary, or consist of not more than three noncontiguous parcels, and
- The selected area does not exceed the following mileage limitation:<sup>2</sup>

Community Population	Mileage Limit
150,000 or more	20 sq. mi.
50,000 - 149,999	10 sq. mi.
20,000 - 49,999	5 sq. mi.
7,500 - 19,999	3 sq. mi.
7,499 or less	3 sq. mi.

The Department of Economic Opportunity is responsible for approving applications for enterprise zones, and also approves changes in enterprise zone boundaries when authorized by the Florida Legislature. As part of the application process for an enterprise zone, the county or municipality in which the designation will be located also is responsible for creating an Enterprise Zone Development Agency and an enterprise zone development plan.

As outlined in s. 290.0056, F.S., an Enterprise Zone Development Agency is required to have a board of commissioners of at least eight, and no more than 13, members. The agency has the following powers and responsibilities:

<sup>1</sup> 2013 Fact Sheet, Florida Enterprise Zone Program, The Department of Economic Opportunity, on file with the Economic Development & Tourism Subcommittee.

<sup>2</sup> Section 290.055(4)(a) and (b), F.S.

- Assisting in the development, implementation and annual review of the zone and updating the strategic plan or measurable goals;
- Identifying ways to remove regulatory burdens;
- Promoting the incentives to residents and businesses;
- Recommending boundary changes;
- Working with nonprofit development organizations; and
- Ensuring the enterprise zone coordinator receives annual training and works with Enterprise Florida, Inc.

Pursuant to s. 290.0057, F.S., an enterprise zone development plan (or strategic plan) must accompany an application. At a minimum this plan must:

- Describe the community's goal in revitalizing the area;
- Describe how the community's social and human resources—transportation, housing, community development, public safety, education, and environmental concerns—will be addressed in a coordinated fashion;
- Identify key community goals and barriers;
- Outline how the community is a full partner in the process of developing and implementing this plan;
- Describe the commitment from the local governing body in enacting and maintaining local fiscal and regulatory incentives;
- Identify the amount of local and private resources available and the private/public partnerships;
- Indicate how local, state, and federal resources will all be utilized;
- Identify funding requested under any state or federal program to support the proposed development; and
- Identify baselines, methods, and benchmarks for measuring success of the plan.

#### Available Incentives

Florida's enterprise zones qualify for various incentives from corporate income tax and sales and use tax liabilities. Examples of local incentives include: utility tax abatement, reduction of occupational license fees, reduced building permit fees or land development fees, and local funds for capital projects.

Available state sales tax incentives for enterprise zones include:

- Building Materials Used in the Rehabilitation of Real Property Located in an Enterprise Zone  
Provides a refund for sales taxes paid on the purchase of certain building materials, up to \$5,000 or 97 percent of the tax paid.
- Business Equipment Used in an Enterprise Zone  
Provides a refund for sales taxes paid on the purchase of certain equipment, up to \$5,000 or 97 percent of the tax paid.
- Rural Enterprise Zone Jobs Credit against Sales Tax  
Provides a sales and use tax credit for 30 or 45 percent of wages paid to new employees who live within a rural county.
- Urban Enterprise Zone Jobs Credit against Sales Tax  
Provides a sales and use tax credit for 20 or 30 percent of wages paid to new employees who live within the enterprise zone.
- Business Property Used in an Enterprise Zone  
Provides a refund for sales taxes paid on the purchase of certain business property, up to \$5,000 or 97 percent of the tax paid per parcel of property, which is used exclusively in an enterprise zone for at least 3 years.
- Community Contribution Tax Credit  
Provides 50 percent sales tax refund for donations made to local community development projects.
- Electrical Energy Used in an Enterprise Zone

Provides 50 percent sales tax exemption to qualified businesses located within an enterprise zone on the purchase of electrical energy.

Available state corporate income tax incentives for enterprise zones include:

- Rural Enterprise Zone Jobs Credit against Corporate Income Tax  
Provides a corporate income tax credit for 30 or 45 percent of wages paid to new employees who live within a rural county.
- Urban Enterprise Zone Jobs Credit against Corporate Income Tax  
Provides a corporate income tax credit for 20 or 30 percent of wages paid to new employees who live within the enterprise zone.
- Enterprise Zone Property Tax Credit  
Provides a credit against Florida corporate income tax equal to 96 percent of ad valorem taxes paid on the new or improved property.
- Community Contribution Tax Credit  
Provides a 50-percent credit on Florida corporate income tax or insurance premium tax, or a sales tax refund, for donations made to local community development projects.

### **Effect of Proposed Changes**

The bill provides authority for City of Delray Beach in Palm Beach County to apply to the Department of Economic Opportunity for designation of an enterprise zone of up to 10 square miles. The application must be submitted by December 31, 2013. The Department must establish the initial effective date of the enterprise zone.

The bill provides an effective date of January 1, 2014.

#### **B. SECTION DIRECTORY:**

**Section 1:** Creates s. 290.0079, F.S., authorizing the City of Delray Beach to apply to the Department of Economic Opportunity for designation of an enterprise zone.

**Section 2:** Provides an effective date of January 1, 2014.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### **A. FISCAL IMPACT ON STATE GOVERNMENT:**

##### **1. Revenues:**

The bill has not been scored by the Revenue Estimating Conference (REC). However, in the 2011 Legislative Session, the Legislature authorized an enterprise zone of a similar size in Martin County. For that site, the REC adopted a negative recurring impact of \$100,000 on state funds.

##### **2. Expenditures:**

None.

#### **B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

##### **1. Revenues:**

The bill has not been scored by the REC. However, in the 2011 Legislative Session, the Legislature authorized an enterprise zone of a similar size in Martin County. For that site, the REC estimated an insignificant fiscal impact on local revenues.

##### **2. Expenditures:**

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill has the potential to positively impact the economy of the designated area through job growth and capital investment.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

1                                   A bill to be entitled  
 2           An act relating to enterprise zones; creating s.  
 3           290.0079, F.S.; authorizing the City of Delray Beach  
 4           to apply to the Department of Economic Opportunity for  
 5           designation of an enterprise zone; providing an  
 6           application deadline and requirements for the area of  
 7           the enterprise zone; requiring the department to  
 8           establish the effective date of the enterprise zone;  
 9           providing an effective date.

10  
 11   Be It Enacted by the Legislature of the State of Florida:

12  
 13           Section 1. Section 290.0079, Florida Statutes, is created  
 14   to read:

15           290.0079 Enterprise zone designation for the City of  
 16   Delray Beach.—The City of Delray Beach may apply to the  
 17   department for designation of one enterprise zone encompassing  
 18   an area not to exceed 10 square miles within the City of Delray  
 19   Beach. The application must be submitted by December 31, 2013,  
 20   and must comply with the requirements of s. 290.0055.  
 21   Notwithstanding s. 290.0065 limiting the total number of  
 22   enterprise zones designated and the number of enterprise zones  
 23   within a population category, the department may designate one  
 24   enterprise zone under this section. The department shall  
 25   establish the initial effective date of the enterprise zone  
 26   designated under this section.

27           Section 2. This act shall take effect January 1, 2014.





**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** HB 4013 Tax Refund Programs  
**SPONSOR(S):** Santiago  
**TIED BILLS:** IDEN./SIM. **BILLS:** SB 236

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Economic Development & Tourism Subcommittee		Collins <i>RC</i>	West <i>RW</i>
2) Finance & Tax Subcommittee			
3) Economic Affairs Committee			

**SUMMARY ANALYSIS**

The bill eliminates the maximum amount of tax refunds a business could receive over all fiscal years for both the Qualified Target Industry and Qualified Defense and Space Flight Business Programs. The limits imposed on the percentage of total award and the dollar amount a qualifying project could receive in a given fiscal year would remain in effect.

The bill may have an indeterminate negative fiscal impact on state funds. These programs, however, are subject to annual appropriation by the Legislature.

The bill has an effective date of July 1, 2013.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Current Situation

##### Qualified Target Industry Tax Refund

The Qualified Target Industry Tax Refund (QTI), established in 1995, serves to attract new high quality, high wage jobs for Floridians. Tax refunds are made to qualifying, pre-approved businesses creating new jobs within Florida's target industries. All QTI projects include a performance-based contract with the state, which outlines specific milestones that must be achieved and verified by the state prior to payment of refunds.

This incentive requires that 20 percent of the award comes from the local city or county government, but that may be reduced by one-half for a qualified target industry business located in the counties of Bay, Escambia, Franklin, Gadsden, Gulf, Jefferson, Leon, Okaloosa, Santa Rosa, Wakulla or Walton. The reduction in local match is determined by DEO and based on a determination that the project facilitates economic development, growth, or new employment within the previously referenced counties, and is in the best interest of the state.

The program also requires that a project must propose to create at least 10 new jobs, or in the case of a business expansion must result in a net increase in employment of at least 10 percent at that business. The jobs proposed to be created or retained must pay an average annual wage of at least 115% of the average private sector wage in the area where the business is located, or the statewide private sector average wage. The statewide private sector average wage being used currently is \$40,555<sup>1</sup>.

The amount of the refund is based on the average wages paid by the business, number of jobs created, and where in the state the eligible business chooses to locate or expand. The minimum tax refund is \$3,000 per employee, and the maximum amount is \$11,000 per employee over the term of the incentive agreement. Jobs created in rural communities and enterprise zones, as well as those paying higher annual average wages are eligible for more incentives.

##### Qualified Defense and Space Contractor Tax Refund

The Qualified Defense and Space Contractor Tax Refund (QDSC), established in 1996, serves to attract new high quality, high wage jobs for Floridians in the defense and space industries. Tax refunds are made to qualifying, pre-approved businesses bidding on new competitive contracts or consolidating existing defense or space contracts. This incentive is a partnership between the State and local community—20 percent of the award comes from the local city or county government. All QDSC projects include a performance-based contract with the State of Florida, which outlines specific milestones that must be achieved and verified by the State prior to payment of refunds.

Like QTI, the program requires that jobs created by a QDSC project have an average annual wage of at least 115% of the average private sector wage in the area where the business is located, or the statewide private sector average wage.

The amount of the refund is based on the average wages paid by the business, number of jobs created, and where in the state the eligible business chooses to locate or expand. The minimum tax refund is \$3,000 per employee, and the maximum amount is \$8,000 per employee over the term of the incentive agreement.

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<sup>1</sup> Enterprise Florida Inc., *State of Florida Incentives Average Wage Requirements*; 2012  
STORAGE NAME: h4013.EDTS  
DATE: 2/6/2013

### QTI/QDSC Program Limits

Sections 288.106 and 288.1045, Florida Statutes, set the criteria for the QTI and QDSC programs. Included in these criteria are limits on awards for qualified projects under both programs. The limits include:

- The QTI and QDSC programs limit applicants to 25 percent of the total tax refunds in any given fiscal year.
- The QDSC program limits applicants to \$2.5 million in tax refunds in any given fiscal year.
- The QTI program limits applicants to \$1.5 million in tax refunds in any given fiscal year or \$2.5 million if the project is located within an enterprise zone.
- The QDSC program limits applicants to \$7 million in tax refunds over all fiscal years.
- The QTI program limits applicants to \$7 million in tax refunds over all fiscal years, or \$7.5 million if the project is located within an enterprise zone.

### Proposed Changes

The bill eliminates the maximum amount of tax refunds a business could receive over all fiscal years for the QTI and QDSC programs. The limits imposed on the percentage of total award and dollar amount a qualified project could receive in a single fiscal year would remain in effect.

#### B. SECTION DIRECTORY:

Section 1: Amends s. 288.1045 F.S., by removing program limits for applicants to the Qualified Defense Contractor or Space Flight Business Tax Refund Program.

Section 2: Amends s. 288.106 F.S., by removing program limits for applicants to the Qualified Target Industry Tax Refund Program.

Section 3: Provides an effective date of July 1, 2013.

## **II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

None.

##### 2. Expenditures:

This bill could increase the number of businesses who would qualify for future awards by removing a lifetime cap on receipt of the eligible tax refunds. The amount of additional awards, if any, is unknown, but could have a negative fiscal impact on state funds. However, both the QTI and QDSC programs' funding are subject to an annual appropriation in the General Appropriation Act, so any additional impact would require specific Legislative appropriation. Further, both programs are included in an annual cap of \$35 million in total awards issued by the Department of Economic Opportunity for programs funded through the Economic Development Incentives Account<sup>2</sup>.

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

None.

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<sup>2</sup> Section 288.095(3)(a) F.S.  
STORAGE NAME: h4013.EDTS  
DATE: 2/6/2013

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill would increase the number of jobs created or retained in the state if additional businesses that qualify for the tax refund programs decide to locate or expand.

D. FISCAL COMMENTS:

None.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not require a reduction of the percentage of state tax shared with municipalities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

### IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

HB 4013

2013

1                                   A bill to be entitled  
 2           An act relating to tax refund programs; amending ss.  
 3           288.1045 and 288.106, F.S.; deleting caps on tax  
 4           refunds for qualified defense contractors and space  
 5           flight businesses and for qualified target industry  
 6           businesses; providing an effective date.

7  
 8   Be It Enacted by the Legislature of the State of Florida:

9  
 10           Section 1. Present paragraphs (d) through (h) of  
 11           subsection (2) of section 288.1045, Florida Statutes, are  
 12           redesignated as paragraphs (c) through (g), respectively, and  
 13           present paragraph (c) of that subsection is amended, to read:

14           288.1045 Qualified defense contractor and space flight  
 15           business tax refund program.—

16           (2) GRANTING OF A TAX REFUND; ELIGIBLE AMOUNTS.—

17           ~~(c) A qualified applicant may not receive more than \$7~~  
 18           ~~million in tax refunds pursuant to this section in all fiscal~~  
 19           ~~years.~~

20           Section 2. Paragraph (c) of subsection (3) of section  
 21           288.106, Florida Statutes, is amended to read:

22           288.106 Tax refund program for qualified target industry  
 23           businesses.—

24           (3) TAX REFUND; ELIGIBLE AMOUNTS.—

25           (c) A qualified target industry business may not receive  
 26           refund payments of more than 25 percent of the total tax refunds  
 27           specified in the tax refund agreement under subparagraph  
 28           (5)(a)1. in any fiscal year. Further, a qualified target

HB 4013

2013

29 | industry business may not receive more than \$1.5 million in  
30 | refunds under this section in any single fiscal year, or more  
31 | than \$2.5 million in any single fiscal year if the project is  
32 | located in an enterprise zone. ~~A qualified target industry~~  
33 | ~~business may not receive more than \$7 million in refund payments~~  
34 | ~~under this section in all fiscal years, or more than \$7.5~~  
35 | ~~million if the project is located in an enterprise zone.~~

36 |       Section 3. This act shall take effect July 1, 2013.