

STORAGE NAME: h0743a.edit.doc
DATE: January 30, 2002

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE
ANALYSIS**

BILL #: HB 743
RELATING TO: Rural Economic Development
SPONSOR(S): Representative Kilmer
TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

- (1) COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE YEAS 6
NAYS 0
 - (2) FISCAL POLICY AND RESOURCES
 - (3) COUNCIL FOR COMPETITIVE COMMERCE
 - (4)
 - (5)
-

I. SUMMARY:

HB 743:

- reduces the per unit price from \$5,000 to \$500 of an item of business property which is used in an enterprise zone and is eligible for a state sales tax exemption under chapter 212, Florida Statutes;
- clarifies the use of moneys in the Rural Infrastructure Fund; and
- creates the Rural Economic Development Account within the Economic Development Trust Fund, specifies the use of account funds, and specifies that moneys appropriated to the account shall not be subject to reversion under chapter 216, F.S.

The Revenue Impact Conference estimated that HB 743 would have a \$1.2 million negative effect on all state and local funds for Fiscal Year 2002-2003.

The bill takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

Section 212.08(5)(h), F.S., provides a sales tax exemption for the purchase of certain business property, which is used exclusively in an enterprise zone. Effective July 1, 2001, the items eligible for the exemption must have a sales price of at least \$5,000 per unit and must meet other criteria under the business property definition.¹ According to OTTED, the \$5,000 minimum per unit price does not provide businesses a viable incentive to enhance their business equipment.

Chapter 99-251, Laws of Florida, created the Rural Infrastructure Fund. The fund was designed to "facilitate the planning, preparing, and financing of infrastructure projects in rural communities,"² thereby encouraging job creation, capital investment, and diversification of the state's rural economies. Moneys appropriated to the fund are distributed by OTTED through a grant program. Rural infrastructure grants are to be used to facilitate access by rural communities to federal infrastructure funding and enable local governments to access the resources available pursuant to s. 403.973(18), F.S. (expedited permitting and comprehensive plan amendments).

Section 288.095, F.S., creates and governs the Economic Development Trust Fund. Subsection (2) of s. 288.095, F.S., establishes the Economic Development Incentives Account within the Economic Development Trust Fund and specifies the money shall be used for various economic development tax incentive programs. Moneys in the Economic Development Incentives Account are subject to s. 216.301(1)(a), F.S., relating to the reversion of unspent appropriations. Current law does not provide for other segregated accounts within the Economic Development Trust Fund.

C. EFFECT OF PROPOSED CHANGES:

HB 743 amends s. 212.08(5)(h), F.S., the sales tax exemption for business property used in an enterprise zone, by lowering the minimum per unit price from \$5,000 to \$500.

The bill amends s. 288.0655(2)(b), F.S., the Rural Infrastructure Fund, to include access to state programs and local and private funding as eligible projects. Eligible projects may also include projects which are being conducted to remove regulatory prohibitions to economic growth. The bill creates the Rural Economic Development Account similar to the Economic Development Incentives Account under the Economic Development Trust Fund administered by OTTED.

¹ Please see s. 212.08(5)(h)9.a. – d., F.S.

² Codified at s. 288.0655, F.S.

Moneys appropriated to the new account are to be used for various rural economic development initiatives. Unlike its counterpart, the proposed Rural Economic Development Account would not be subject to the appropriations reversion requirements of s. 216.301, F.S.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 amends s. 212.08(5)(h) d., F.S., relating to the sales tax exemption for business property used in an enterprise zone. The minimum sales price per unit is reduced from \$5,000 to \$500.

Section 2 amends s. 288.0655, F.S., relating to the Rural Infrastructure Fund. This section expands the list of eligible projects to include state programs and programs which facilitate local government or private infrastructure funding efforts. Eligible projects may also include improving any inadequate infrastructure that has been affected negatively by regulatory action.

Section 3 creates the Rural Economic Development Account within the Economic Development Trust Fund. The Rural Economic Development Account shall consist of moneys appropriated for:

- Section 288.018, F.S., Regional Rural Development Grants Program.
- Section 288.065, F.S., Rural Community Development Revolving Loan Fund.
- Section 288.0655, F.S., Rural Infrastructure Fund.
- Repayments under ss. 288.108, 288.065, and 288.0065, F.S.
- Any income associated with the proposed Rural Economic Development Account.

This section prohibits funds in the Rural Economic Development Account from reverting under s. 216.301, F.S., which governs the distribution of undisbursed appropriations.

Section 4 provides that the act shall take effect upon becoming law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Impact Conference estimated that HB 743 would have a \$1.2 million negative effect on all state and local funds for Fiscal Year 2002-2003.

2. Expenditures:

N/A

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Small businesses may benefit from the lowered threshold for the sales tax exemption on business property used in an enterprise zone.

D. FISCAL COMMENTS:

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill would not reduce the authority of counties and municipalities to raise total aggregate revenues.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill is not anticipated to reduce the total aggregate percent of state sales tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON COMMITTEE ON ECONOMIC DEVELOPMENT AND INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Lisa C. Gonzalez

J. Paul Whitfield, Jr.