

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 2164

SPONSOR: Senator Sebesta

SUBJECT: Enterprise Zones

DATE: April 3, 2003

REVISED: 04/07/03 \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Cibula</u>	<u>Maclure</u>	<u>CM</u>	<u>Fav/3 amendments</u>
2.	<u>Herrin</u>	<u>Yeatman</u>	<u>CP</u>	<u>Fav/2 amendments</u>
3.	_____	_____	<u>FT</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

## I. Summary:

The bill authorizes the expansion of the St. Petersburg, Immokalee, and Leon County Enterprise zones by an additional 25 acres.

This bill substantially amends s. 290.00675, Florida Statutes.

## II. Present Situation:

### Florida Enterprise Zone Program

The Florida Enterprise Zone Act of 1994 (act), codified in ss. 290.001-290.016, F.S., was created:

to assist local communities, their residents, and the private sector in creating the proper economic and social environment to induce the investment of private resources in productive business enterprises located in severely distressed areas and to provide jobs for residents of such areas.

Section 290.003, F.S.

Under the act, areas of the state meeting specified criteria, including suffering from pervasive poverty, unemployment, and general distress, have been designated as enterprise zones. According to the Office of Tourism, Trade, and Economic Development (OTTED), there are 47 enterprise zones. Certain state and local incentives are authorized to induce private businesses to invest in these enterprise zones.

*State Incentives*

- *Enterprise zone jobs credit against corporate income taxes:* Businesses located in an enterprise zone who pay Florida corporate income taxes are authorized to receive a tax credit against their corporate income tax based on the amount of wages paid to new employees who are either residents of an enterprise zone or participants in a welfare transition program. Section 220.181, F.S.
- *Enterprise zone jobs credit against sales tax:* Businesses located within an enterprise zone who collect and pay Florida sales and use tax are allowed a credit against their sales tax due based on the amount of wages paid to new employees who are either residents of an enterprise zone or participants in a welfare transition program. Section 212.096, F.S.
- *Enterprise zone property tax credit:* New, expanded, or rebuilt businesses located within an enterprise zone are allowed a credit on their Florida corporate income tax based on the amount of property taxes paid. Section 220.182, F.S.
- *Sales tax refund for building materials:* A refund is available for sales taxes paid on the purchase of building materials used in the rehabilitation of real property used in an enterprise zone. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone, the lesser of 97 percent of the sales taxes paid or \$10,000. Section 212.08(5)(g), F.S.
- *Sales tax refund for business property used in an enterprise zone:* A refund is available for sales taxes paid on the purchase of business property with a purchase price of \$5,000 or more purchased by and for use in a business located in an enterprise zone. The amount of the refund is the lesser of 97 percent of the sales taxes paid or \$5,000, or, if 20 percent or more of the business's employees reside in an enterprise zone, the lesser of 97 percent of the sales taxes paid or \$10,000. Section 212.08(5)(h), F.S.

*Local Incentives*

- *Sales tax exemption for electrical energy used in an enterprise zone:* A sales tax exemption is available to qualified businesses located in an enterprise zone on the purchase of electrical energy. The amount of the exemption is equal to 50 percent of the sales taxes otherwise due or 100 percent of the sales taxes otherwise due if 20 percent or more of the business's employees reside in an enterprise zone. This exemption is only available if the municipality in which the business is located has passed an ordinance to exempt the municipal utility taxes on such business. Sections 212.08(15) and 166.231(8), F.S.
- *Economic development ad valorem tax exemption:* Up to 100 percent of the assessed value of improvements to real or tangible property of a new or expanded business located in an enterprise zone may be exempted from property taxes if the voters of a municipality authorize the governing body of the municipality to grant such exemptions. Section 196.1995, F.S.

- *Occupational license tax exemption:* By ordinance the governing body of a municipality may exempt 50 percent of the occupational license tax for businesses located in an enterprise zone. Section 205.054, F.S.
- *Local impact fee abatement or reduction, or low-interest or interest-free loans or grants to businesses.* Section 290.0057(1)(e), F.S.

The total impact of the Enterprise Zone Program is summarized in the table below.

YEAR	NEW OR RELOCATED BUSINESSES	JOBS CREATED	NUMBER OF ZONES	STATE INCENTIVES	LOCAL INCENTIVES
2001-2002	1,244	5,630	47	\$6,739,551	\$ 5,847,694
2000-2001	654	6,394	34	\$4,746,396	\$16,202,894
1999-2000	766	5,141	34	\$5,458,835	\$10,135,657
1998-1999	776	5,305	32	\$5,170,899	\$18,839,076
1997-1998	151	3,572	31	\$4,495,218	\$ 8,853,197
1996-1997	434	4,573		\$4,449,941	\$ 6,803,474
1996-1996	128	2,188		\$ 817,422	\$ 4,252,766

*Source:* Compilation of data from the Office of Tourism, Trade, and Economic Development, *Florida Enterprise Zone Program Annual Report October 1, 2001 - September 30, 2002*, pp. 5 and 6, March 1, 2003.

The Florida Enterprise Zone Act of 1994 is scheduled for repeal on December 31, 2005, as provided by s. 37, ch. 94-136, L.O.F.

**St. Petersburg Enterprise Zone**

The St. Petersburg enterprise zone was created as one of the initial 20 enterprise zones authorized by the enterprise zone program under s. 290.0065, F.S. The size of the enterprise zone is 9.37 square miles. Under s. 290.00675, F.S., an enterprise zone in a community with a population between 235,000 and 245,000 residents was authorized to expand its enterprise zone boundary by an additional 25 acres contiguous with an enterprise zone and consistent with the provisions of s. 290.0055, F.S. Because of the population restrictions in s. 290.00675, F.S., only the St. Petersburg enterprise zone was authorized to expand. Before an application could be submitted to the Office of Tourism, Trade, and Economic Development to expand the boundaries of the St. Petersburg enterprise zone, however, the population within the enterprise zone community grew beyond 245,000 residents. As a result, St. Petersburg was unable to amend its enterprise zone boundary.

**Immokalee Enterprise Zone**

The Immokalee enterprise zone was authorized by s. 290.0065(5)(b) and (8)(a), F.S. The Immokalee enterprise zone consists of 125 square miles.

## **Leon County Enterprise Zone**

The Leon County enterprise zone was authorized by s. 290.00688, F.S., and consists of 19.83 square miles.

### **Local Enterprise Zone Nominating Procedure**

Section 290.0055, F.S., prescribes the local procedures for the nomination of an enterprise zone. Accordingly, the governing bodies or body of a county and/or a municipality must adopt a resolution which:

1. Finds that an area exists in such a county or municipality, or in both the county and one or more municipalities, which chronically exhibits extreme and unacceptable levels of poverty, unemployment, and economic disinvestment;
2. Determines that the rehabilitation, conservation, or redevelopment, or a combination thereof, of such area is necessary in the interest of the public health, safety, and welfare of the residents of such county or municipality, or such county and one or more municipalities; and
3. Determines that the revitalization of such area can occur only if the private sector can be induced to invest its own resources in productive enterprises that build or rebuild the economic viability of the area.

The governing body or bodies of a nominated area must also create an enterprise zone development agency and create and adopt an enterprise zone strategic plan prior to the submission of an application to OTTED. Section 290.0055(1)(b) and (c), F.S. The enterprise zone development agency is responsible for assisting with the development and implementation of the enterprise zone strategic plan. Section 290.0056(8), F.S. The enterprise zone strategic plan is the community's plan for revitalizing the nominated area and contains commitments to enact and maintain local fiscal and regulatory incentives if the nominated area receives an enterprise zone designation. Section 290.0057, F.S.

### **Determination of Poverty, Unemployment, and General Distress**

The Office of Tourism, Trade, and Economic Development may designate the nominated area as an enterprise zone if the selected area suffers from pervasive poverty, unemployment, and general distress. Section 290.0055(4)(d), F.S. To determine whether an area suffers from pervasive poverty, census data must show that the poverty rate for each census block within the nominated area is at least 20 percent. The poverty rate must also exceed 30 percent in at least 50 percent of the census geographic block groups within the nominated area. Section 290.0058(2), F.S. If a census block group within a nominated area has no population, it is considered to have a 20-percent poverty rate. Section 290.0058(2)(c), F.S. Unemployment is evidenced by data indicating that the unemployment rate is equal to or greater than the state's unemployment rate or by evidence indicating severe economic conditions for the area. Section 290.0058(3), F.S. General distress is evidenced by such factors as a high crime rate, abandoned structures, and deteriorated infrastructure or substantial population decline. Section 288.0055(4), F.S.

**III. Effect of Proposed Changes:**

The bill authorizes an enterprise zone with a population between 235,000 and 260,000 residents to expand to include an additional 25 acres. According to the Office of Tourism, Trade, and Economic Development, the enterprise zones meeting these population limitations are the St. Petersburg, Immokalee, and Leon County enterprise zones.

The bill takes effect upon becoming a law.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:****A. Tax/Fee Issues:**

On March 21, 2003, the Revenue Impact Conference determined that this bill would have a recurring \$300,000 negative impact on state revenues and an insignificant impact on local revenues.

**B. Private Sector Impact:**

Businesses located in the addition to the St. Petersburg enterprise zone will have access to multiple economic development and tax incentives.

**C. Government Sector Impact:**

This bill may result in higher costs for the Office of Tourism, Trade, and Economic Development in carrying out activities related to the review and approval of an amendment to an enterprise zone boundary. In addition, the bill may result in increased costs for OTTED and the Department of Revenue to review and approve applications for tax incentives granted to businesses in the expanded area.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

#1 by Commerce, Economic Opportunities, and Consumer Services:

Authorizes an 8.7-square-mile expansion of the Miami-Dade County enterprise zone. This amendment has not been reviewed by the Revenue Impact Conference, but likely will be deemed to have a negative fiscal impact as the result of the availability of tax incentives to businesses in the expanded area. (WITH TITLE AMENDMENT)

#2 by Commerce, Economic Opportunities, and Consumer Services:

Authorizes the creation of a 20-square-mile enterprise zone in Escambia County in addition to the existing enterprise zone in the City of Pensacola. This amendment has not been reviewed by the Revenue Impact Conference but likely will be deemed to have a negative fiscal impact as the result of the availability of tax incentives to businesses in the expanded area. (WITH TITLE AMENDMENT)

#3 by Commerce, Economic Opportunities, and Consumer Services:

Lowers the price of items of business property for use in an enterprise zone which are exempt from sales taxes from \$5,000 to \$500 and authorizes 20 rural enterprise zones to expand their boundaries to a maximum of 20 square miles by extending the application deadline. On March 28, 2003, the Revenue Impact Conference determined that lowering the price of items of business property exempt from sales tax in an enterprise zone would have a recurring \$1.2 million negative impact on state revenues and a \$300,000 negative impact on local revenues. The expansion of the rural enterprise zones has not been reviewed by the Revenue Impact Conference but likely will be deemed to have a negative fiscal impact as the result of an increased tax incentive and the availability of tax incentives to businesses in the expanded areas. (WITH TITLE AMENDMENT).

#1 by Comprehensive Planning:

Authorizes Gadsden County, to apply to OTTED by December 1, 2003 to amend the boundaries of an enterprise zone for the purpose of replacing areas not suitable for development. The replacement of areas not suitable for development in the enterprise zone has not been reviewed by the Revenue Impact Conference, but likely will be deemed to have a negative fiscal impact as the result of an increased tax incentive and the availability of tax incentives to businesses in the replacement areas. (WITH TITLE AMENDMENT).

#2 by Comprehensive Planning:

Allows a county as defined in s. 125.011(1) to apply to OTTED by December 31, 2003 to amend the boundary of an existing enterprise zone for the purpose of replacing an area, not to exceed 75 acres, which is not suitable for development. The area suitable for development must be contiguous to a zoological park and the county must have previously completed a master plan for development of the area. The amendment shall be approved by January 1, 2004 if the enterprise zone remains consistent with the conditions and criteria in s. 290.0055, F.S. The replacement of areas not suitable for development in the enterprise zone has not been reviewed by the Revenue Impact Conference, but likely will be deemed to have a negative fiscal impact as the result of an

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increased tax incentive and the availability of tax incentives to businesses in the replacement areas. (WITH TITLE AMENDMENT).

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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