



also provide technical assistance to the community and businesses in the community in identifying and qualifying for grants related to energy and job creation. Sarasota and Broward County are authorized to apply for designation as pilot program communities. OTTED must submit an interim report regarding the status of the pilot program by February 15, 2010. OTTED must also submit a final report on the program by February 15, 2012, evaluating the program and recommending whether the pilot program should be expanded.

The Revenue Estimating Conference (REC) on February 13, 2009, estimated that the bill would have a recurring negative impact on General Revenue of more than \$3 million annually. Because the committee substitute does not allow for enterprise zone incentives to be available until July 1, 2012, the first negative impact on actual General Revenue collections will not occur until FY 2012-13.

SB 418 creates s. 290.0078 of the Florida Statutes.

## II. Present Situation:

### Enterprise zones in Florida

#### *Basic statistics*

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 56 enterprise zones.

OTTED reports that between October 1, 2007 and September 30, 2008, new businesses numbering 2,719 moved into or were created in enterprise zones and 9,600 new jobs were created by businesses in enterprise zones.<sup>1</sup> More than \$40.3 million in state and nearly \$22.5 million in local-government financial incentives were approved during that same period.

However, while state and local-government incentive funding increased during that reporting period,<sup>2</sup> there were 2,257 fewer new businesses and 1,856 fewer jobs created in enterprise zones than in the previous year.<sup>3</sup> This increase in incentive funding relative to job creation may be tied, in part, to the significant increase in building materials sales tax refunds for condominium projects. (*Please refer to chart on page 4 of this analysis.*)

Over the last 5 years, some 17,462 new businesses have moved into or were created in enterprise zones and 52,629 new jobs have been created.<sup>4</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:

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<sup>1</sup> Florida Enterprise Zone Program Annual Report, October 1, 2007 - September 30, 2008. Published March 1, 2009. On file with the Senate Commerce Committee.

<sup>2</sup> Ibid, page 6 for the amount of state incentives and page 11 for the local-government incentives. State incentives grew by \$4.6 million and the amount of local-government incentives more than doubled, from \$10 million to \$22.47 million.

<sup>3</sup> Ibid, page 1.

<sup>4</sup> Ibid, page 3.

- 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.

No enterprise zone shall be larger than 20 square miles, and be comprised of no more than three non-contiguous parcels.<sup>5</sup>

OTTED 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 8, and no more than 13, members. The agency has the following powers and responsibilities:

- 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, and 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.

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<sup>5</sup> Section 290.0055(4)(a), F.S.

***Available incentives***

Florida's enterprise zones qualify for various incentives from corporate income tax and sales and use tax liabilities. As noted above, OTTED reported that nearly \$40.36 million in state incentives was approved by the Department of Revenue (DOR), between October 1, 2007 and September 30, 2008, for all state enterprise zones. During the same time period, \$22.47 million in incentives was provided by local governing bodies. 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.<sup>6</sup>

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 Enterprise Zones: 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.

**Summary of state incentives offered in the Florida Enterprise Zone Program<sup>7</sup>**

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<sup>6</sup> Ibid, page 11.

<sup>7</sup> Information compiled from several editions of the Florida Enterprise Zone Program annual report.

CATEGORY	FY 07-08	FY 06-07	FY 05-06	FY 04-05	FY 03-04	FY 02-03	FY 01-02
Jobs Tax Credit (SUT)	\$5,732,605	\$6,087,843	\$6,777,250	\$4,729,834	\$2,579,512	\$1,444,543	\$970,148
Jobs Tax Credit (CIT)	\$5,507,311	\$5,919,236	\$4,253,621	\$2,080,397	\$1,086,747	\$800,029	\$1,965,920
Property Tax Credit (CIT)	\$2,184,036	\$2,291,961	\$1,267,999	\$1,668,168	\$507,022	\$272,942	\$303,542
Building Materials (SUT Refund)	\$25,665,025	\$18,855,129	\$7,415,711	\$3,878,421	\$1,356,462	\$533,673	\$456,551
Business Equipment (SUT Refund)	\$1,269,955	\$1,771,396	\$2,940,864	\$1,618,721	\$1,182,582	\$1,874,145	\$2,813,601
Electrical Energy (SUT exemption)	\$606	\$793,179	\$778,090	\$84,516	\$488,937	\$476,251	\$229,789
Total Value of State Incentives	\$40,359,538	\$35,718,744	\$23,433,535	\$14,060,057	\$7,201,262	\$5,401,583	\$6,739,551
# of EZs	56	56	55	53	51	51	47

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 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.

**III. Effect of Proposed Changes:**

Section 1 creates s. 290.0078, F.S, to allow the cities of Hallandale, Hollywood, Pembroke Park, and West Park to apply for and receive one enterprise zone designation. Their proposed enterprise zone may encompass an area up to 20 square miles in size. The cities have until December 31, 2009, to file their application with OTTED. The application must meet the requirements of s. 290.0055, F.S., which establishes some of the criteria and details the process by which a local government seeks an enterprise zone designation.

The section also specifies that notwithstanding s. 290.0065, F.S., limiting the number of enterprise zones in Florida, OTTED may designate one enterprise zone for these four cities. OTTED also is directed to set the initial effective date for the new enterprise zone.

SB 418 does not address the requirement in s. 290.055(4)(a), F.S., that no enterprise zone can be comprised of more than three non-contiguous parcels. Conversations with staff of the City of Hollywood indicate that Hallandale and Hollywood will share one of the non-contiguous parcels designated for the enterprise zone, while Pembroke Pines and West Park will each have a non-contiguous parcel within their jurisdictions.

The Committee Substitute delays the availability in the new zones of the enterprise zone incentives identified in S. 290.007, F.S., until July 1, 2012. These incentives include:

- 1) The enterprise zone jobs credit provided in s. 220.181, F.S.
- (2) The enterprise zone property tax credit provided in s. 220.182, F.S.
- (3) The community contribution tax credits provided in ss. 212.08, 220.183, and 624.5105, F.S.
- (4) The sales tax exemption for building materials used in the rehabilitation of real property in enterprise zones provided in s. 212.08(5)(g), F.S.
- (5) The sales tax exemption for business equipment used in an enterprise zone provided in s. 212.08(5)(h), F.S.
- (6) The sales tax exemption for electrical energy used in an enterprise zone provided in s. 212.08(15), F.S.
- (7) The enterprise zone jobs credit against the sales tax provided in s. 212.096, F.S.
- (8) Discounts by utilities and telecommunications companies of up to 50 percent on tariffed rates for services to small businesses located in an enterprise zone, when authorized by the Public Service Commission.

Section 2 directs OTTED to create an Energy Economic Zone Pilot Program to help communities establish green jobs and promote renewable energy. The pilot program will also provide technical assistance to the community and businesses in the community in identifying and qualifying for grants related to energy and job creation. Sarasota and Broward County are authorized to apply for designation as pilot program communities. OTTED must submit an interim report regarding the status of the pilot program by February 15, 2010. OTTED must also submit a final report on the program by February 15, 2012, evaluating the program and recommending whether the pilot program should be expanded.

Section 3 provides that this act shall take effect July 1, 2009.

#### **IV. Constitutional Issues:**

##### **A. Municipality/County Mandates Restrictions:**

None.

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

None.

C. Trust Funds Restrictions:

None.

**V. Fiscal Impact Statement:**

A. Tax/Fee Issues:

The Revenue Estimating Conference (REC) on February 13, 2009, estimated that the bill would have a recurring negative impact on General Revenue of more than \$3 million annually. Because the committee substitute does not allow for enterprise zone incentives to be available in the new zone until July 1, 2012, the first negative impact on actual General Revenue collections will not occur until FY 2012-13. Eighty percent of the tax loss is estimated to be in state sales tax revenues and 20 percent in state corporate income tax revenues.

The REC also estimated a recurring negative fiscal impact of \$500,000 annually in local option sales tax revenues and state shared revenues.

B. Private Sector Impact:

Indeterminate. However, the impact could be significant to the businesses that locate or already are within the enterprise zone, because of their various tax savings. The general public also could benefit as consumers who shop at new or improved businesses within the enterprise zone. Also, job-seekers could benefit from opportunities afforded them by businesses within the new zone.

C. Government Sector Impact:

Indeterminate. Other than the initial review of the cities' joint application and the decision whether to approve or reject it, the workload on OTTED staff related to the new enterprise zones should not be significant. The workload on OTTED staff related the Energy Economic Zone Pilot Program is unknown, but could be significant. OTTED must submit an interim report regarding the status of the pilot program by February 15, 2010. OTTED must also submit a final report on the program by February 15, 2012, evaluating the program and recommending whether the pilot program should be expanded.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Additional Information:**

- A. **Committee Substitute – Statement of Substantial Changes:**  
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Finance and Tax on April 20, 2009:**

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- (3) The community contribution tax credits provided in ss. 212.08, 220.183, and 624.5105, F.S.
- (4) The sales tax exemption for building materials used in the rehabilitation of real property in enterprise zones provided in s. 212.08(5)(g), F.S.
- (5) The sales tax exemption for business equipment used in an enterprise zone provided in s. 212.08(5)(h), F.S.
- (6) The sales tax exemption for electrical energy used in an enterprise zone provided in s. 212.08(15), F.S.
- (7) The enterprise zone jobs credit against the sales tax provided in s. 212.096, F.S.
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- B. **Amendments:**

None.