HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB FTC 12-07 Economic Development
SPONSOR(S): Finance & Tax Committee
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Finance & Tax Committee		Aldridge	Langston

SUMMARY ANALYSIS

The bill contains several provisions designed to encourage economic development in Florida. These are:

<u>New Markets Development Program</u>
The bill increases the total amount of tax credits available to be allocated for the program from $97.5 million to $195 million. The bill also increases from six to seven the number of years that a qualified community development entity is prohibited from making cash interest payments in excess of their operating income on long term debt securities issued as qualified investments.

<u>Sales Tax Exemptions</u>
The bill modifies several sales tax exemptions and creates a new one:

- The current sales tax exemption for electricity used for production or processing of agricultural products on the farm is expanded to include electricity used directly or indirectly in a packinghouse where fruits and vegetables are packed or otherwise prepared for market or shipment.
- The exemption qualification threshold for increase in productive output in the current sales tax exemption for industrial machinery and equipment used by an expanding business is lowered from 10 percent to 5 percent.
- The current minimum aircraft weight requirement for the sales tax exemptions on repair and maintenance parts and labor for aircraft is lowered from 15,000 pounds maximum certified takeoff weight to 2,000 pounds maximum certified takeoff weight.
- A new sales tax exemption is created for the purchase of certain chemicals, machinery, parts, and equipment used and consumed in the manufacture or fabrication of aircraft engines and gas turbine engines.

<u>Entertainment Industry Financial Incentive Program</u>
The bill removes the prohibition on allowing television pilots into the general production queue if more than 25 percent of credits over the history of the program have been granted to television. The bill also creates a requirement that a production wishing to claim credits for expenditures related to principal photography must have at least 50 percent of principal photography shooting days spent within Florida or must have spent at least $10 million on qualified production expenditures within this state.

<u>Cigarette Tax Distributions</u>
The bill provides that beginning July 1, 2012, through June 30, 2020:

- One percent of net cigarette tax collections will be directed to be used by the Department of Health in conjunction with the Sanford-Burnham Medical Research Institute for biomedical research.
- The current H. Lee Moffitt Cancer Center and Research Institute funding distribution will increase from 1.47 percent to 2.75 percent of net cigarette tax collections.

<u>Enterprise Zones</u>
The bill permits Charlotte and Citrus Counties to apply for designation of enterprise zones.

<u>Corporate Income Tax Exemption</u>
The bill increases the current corporate income tax exemption from net income from $25,000 to $50,000.

Estimated FY 2012-13 revenue impacts of the bill are -$48.1 million (-$115.5 million recurring) to the state, and -$6.9 million (-$13.2 million recurring) to local governments. Also see FISCAL ANALYSIS section for details.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

New Markets Development Program

Current Situation

Under the New Markets Development Program, federally-certified Community Development Entities (CDE), which have entered into allocation agreements with the U.S. Treasury, have the ability to apply to the Department of Economic Opportunity (DEO) for a certification of Florida tax credits. The CDE must show that it is prepared to invest capital into qualified businesses in Florida's low-income communities. The certification process includes proof of the CDE's eligibility, identification of its investors, description of the investments to be raised by the CDE, information regarding how the investments will be used, and a description of the CDE's efforts to partner with local community-based groups. DEO is also able to request additional information needed to verify continued certification. DEO certifies qualified applications on a first-come, first-served basis. Once DEO certifies a CDE's qualified equity investment, the CDE has 30 days to raise its investment capital (the qualified equity investment) and then 12 months to invest a minimum of 85 percent of the purchase price in qualified low-income investments. Thereafter, the CDE must annually report to DEO information including:

- Audited financial statements;
- The industries for the investments;
- The counties investments were made in; the number of jobs created; and
- Verification that the average wages paid are at least equal to 115 percent of the federal poverty income guidelines for a family of four.

Any failure by a CDE to follow either Florida or federal law may result in the state recapturing tax credits claimed, together with interest and penalties.

Current law prohibits a CDE from making cash payments on long-term debt securities that are qualified investments in excess of the CDE's operating income for six years following the issuance of the security. Current administration of the program requires interest payments to be deducted from operating income for purposes of the above determination, which creates an artificial limitation on the ability of CDEs to make interest payments.

Tax Credits

The New Markets Tax Credit Program (NMTC) allows a tax credit to be taken against corporate income tax or insurance premium tax. This credit may be claimed after the investment has been made and held for a minimum of two years. Therefore, no credit can be claimed in the first two years after the investment has been made. In year three the credit is worth seven percent of the investment, and from the fourth year through the seventh year the credit is worth eight percent. Over seven years this credit totals 39 percent of the total investment. Any unused portion of the tax credit may be carried forward for future tax years; however, all tax credits expire on December 31, 2022. The program has a cap of $97.5 million on the total of tax credits allowed to be allocated to all investments. No more than $17.5 million in tax credits may be claimed in the third fiscal year and no more than $20 million in tax credits may be claimed in any of the subsequent four fiscal years. The NMTC does not allow the transfer or sale of tax credits, but does allow a tax credit to "travel" with the purchase of an investment to a new owner.

Federal New Markets Tax Credit

The State New Markets Development Program was mirrored after the federal program. The Federal New Markets Tax Credit[1] (NMTC) Program permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in designated CDEs. The CDE must in turn invest the qualified equity investments in low-income communities. The credit provided to the investor totals 39 percent of the cost of the investment and is claimed over a seven-year period. In each of the first three years, the investor receives a credit equal to five percent of the total amount paid for the stock or capital interest at the time of purchase. For the final four years, the value of the credit is six percent annually. Investors may not redeem their investments in CDEs prior to the conclusion of the seven-year period. An organization wishing to receive allocations under the federal NMTC Program must be certified as a CDE by the US Department of Treasury. To qualify as a CDE, an organization must:

- Be a domestic corporation or partnership at the time of the certification application;
- Demonstrate a primary mission of serving, or providing investment capital for low-income communities or low-income persons; and
- Maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.

As stated above, both the federal program and the state program provide credits totaling 39 percent of the investment over a seven year period. Therefore, a qualified taxpayer with a qualified investment approved for both the federal and state program could receive 78 percent of the purchase price of the investment in tax credits over seven years. In addition to the tax credits that are received, the investor also has the potential to receive benefit from the results of the investment and eventual return of their principal.

Proposed Changes

The bill amends s. 288.9914(3), F.S., increasing the total amount of tax credits available to be allocated for the existence of the program from $97.5 million to $195 million, also increasing the amount of tax credits available in a single year from $20 million to $40 million.

The bill also amends s. 288.9915(1), F.S., increasing from six to seven the number of years that a qualified community development entity is prohibited from making cash interest payments in excess of their operating income on long term debt securities issued as qualified investments. The bill further provides that interest expense on debt securities will not be included in the calculation of operating income for purposes of the above limitation.

Electricity used in Packinghouses Sales Tax Exemption

Current Situation

Generally, the sale of electrical power or energy in Florida for non-residential purposes is subject to sales tax at the rate of seven percent.[2] Section 212.08(5)(e), F.S., provides an exemption from this tax for electricity used directly or indirectly for production or processing of agricultural products on the farm, including electricity used for packing fresh fruit and vegetables in a packinghouse located on a farm.

Proposed Changes

The bill amends s. 212.08(5)(e), F.S., to specifically provide that electricity used directly or indirectly in a packinghouse is also exempt from the taxes imposed by ch. 212, F.S. The bill defines a

[1] Federal New Markets Tax Credit Program. http://www.cdfifund.gov/what_we_do/programs_id.asp?programID=5 (last visited January 29, 2012)

[2] Section 212.05(1)(e)1.c., F.S.

packinghouse to mean any building or structure where fruits and vegetables are packed or otherwise prepared for market or shipment in fresh form for wholesale distribution.

The bill specifies that the tax exemption does not apply to electricity used in buildings or structures where agricultural products are sold at retail.

Industrial Machinery and Equipment used by an Expanding Business Sales Tax Exemption

Current Situation

Generally, the sale at retail of tangible personal property, including industrial machinery and equipment, in Florida is subject to sales tax.[3] Section 212.08(5)(b)2., provides an exemption for the purchase of industrial machinery and equipment by an expanding business under specified conditions:

- The industrial machinery and equipment must be purchased for exclusive use by an expanding facility engaged in spaceport activities or for use in expanding manufacturing facilities or plant units that manufacture, process, compound, or produce for sale items of tangible personal property at fixed locations in this state, and must be used to increase the productive output of the expanded facility or business by not less than 10 percent, following the complete installation of the industrial machinery and equipment.
- "Productive output" is defined as the number of units produced by a single plant, product line, or operation in a single continuous 12-month period.[4]
- "Industrial machinery and equipment" is defined as tangible personal property or other property that has a depreciable life of three years or more and that is used as an integral part in the manufacturing, processing, compounding, or production of tangible personal property for sale or is exclusively used in spaceport activities.[5]

Proposed Changes

The bill reduces from 10 percent to 5 percent the required increase in productive output in order to qualify for the exemption.

Aircraft Engine and Gas Turbine Engine Sales Tax Exemption

Current Situation

Generally, the sale at retail of tangible personal property in Florida is subject to sales tax.[6] This includes the sale or use of items consumed in manufacturing and fabricating aircraft engines and gas turbine engines. Items that become component parts of engines can be purchased tax exempt, as purchases for resale. Gas turbine engines are used in a variety of applications, including power generation, marine activities, and aviation.

Proposed Changes

The bill creates an exemption from the tax imposed under ch. 212, F.S., for chemicals, machinery, parts, and equipment used and consumed in the manufacture or fabrication of aircraft engines and gas turbine engines, including cores, electrical discharge machining supplies, brass electrodes, ceramic guides, reamers, grinding and deburring wheels, Norton vortex wheels, argon, nitrogen, helium, fluid abrasive cutters, solvents and soaps, boroscopes, penetrants, patterns, dies, and molds consumed in the production of castings.

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[3] Section 212.05(1)(a), F.S.
[4] Section 212.08(5)(b)6.b., F.S.
[5] Section 212.08(5)(b)6.a., F.S. This statute also specifies certain items that are included and/or excluded from the definition.
[6] Section 212.05(1)(a), F.S.

Aircraft Repair and Maintenance Parts, Labor, and Equipment Sales Tax Exemptions

Current Situation

Generally, the retail sale of repair parts and labor are subject to sales tax in Florida.[7]

Section 212.08(7)(ee), F.S., provides a exemptions for aircraft repair and maintenance labor charges for "qualified aircraft",[8] for aircraft of more than 15,000 pounds maximum certified takeoff weight, and for rotary wing aircraft of more than 10,000 pounds maximum certified takeoff weight.

Section 212.08(7)(rr), F.S., provides an exemption for equipment, parts, and replacement engines used in aircraft repair and maintenance for "qualified aircraft", for aircraft of more than 15,000 pounds maximum certified takeoff weight, and for rotary wing aircraft of more than 10,300 pounds maximum certified takeoff weight.

Proposed Changes

The bill changes one of the criteria for these exemptions by lowering the weight requirement for aircraft from being required to be more than 15,000 pounds maximum certified takeoff weight to being more than 2,000 pounds maximum certified takeoff weight. The bill does not affect the current exemptions for qualified aircrafts or rotary wing aircraft.

Entertainment Industry Financial Incentive Program

Current Situation

The Office of Film and Entertainment ("OFE") currently administers the Entertainment Industry Financial Incentive Program, which awards transferrable tax credits for certain expenditures associated with film, television, and digital media productions. Generally, the credits are 20 percent of qualified expenditures, with additional amounts available in certain circumstances. Sections 288.1254 and 288.1258, F.S., govern the administration of this incentive program.

The aggregate amount of tax credits authorized is $53.5 million for fiscal year 2010-11, $74.5 million for fiscal year 2011-12, and $42 million for each of fiscal years 2012-13, 2013-14 and 2014-15. Any portion of the maximum annual amount of tax credits that is not certified as of the end of a fiscal year shall be carried forward and made available for certification during the following two fiscal years. If the total amount of certified credits applied for in any particular fiscal year exceeds the aggregate amount of credits authorized, such excess must be treated as having been applied for on the first day of the next fiscal year in which credits remain available for allocation. Any tax credits awarded to a certified production company may be carried forward for a maximum of five years from the date of the award.

<u>Queues</u>

There are currently three separate categories, or "queues" of productions eligible for the tax credit.

General Production Queue

- Ninety-four percent of tax credits authorized in any state fiscal year must go to this queue. A qualified production that demonstrates a minimum of $625,000 in qualified expenditures is

[7] Sections 212.05(1)(a) and 212.02(16), F.S.
[8] "Qualified aircraft" are certain aircraft of less than 10,000 pounds maximum certified takeoff weight. See Section 212.02(33), F.S. To be eligible for the exemptions under s. 212.08(7), F.S., qualified aircraft purchasers or lessees must also comply with s. 212.0801, F.S., requiring participating in university flight training or research programs.

eligible for tax credits equal to 20 percent of its actual qualified expenditures, up to a maximum of $8 million in credits.

- A qualified production spanning multiple state fiscal years may combine qualified expenditures from such fiscal years to satisfy the $625,000 threshold. Certain off-season productions are eligible for an additional five percent tax credit. Any production that spends at least 85 percent of its expenditures within an "underutilized region" may receive an additional five percent tax credit. The program also provides an additional 15 percent credit on qualified expenditures that are compensation paid to specified students. There is a five percent bonus credit for filming at least 50 percent of principal photography at a "qualified production facility".
- A qualified high-impact television series is allowed first position in this queue under certain circumstances. High impact television series are allowed to apply for no more two successive seasons of credits even if the second season has not yet been picked up by a network.
- Any new television series or television pilot is prohibited from being allowed into the general production queue if more than 25 percent of credits over the history of the program have been granted to television. This provision is currently binding in effect.

Commercial and Music Video Queue

- Three percent of tax credits authorized in any state fiscal year must go to this queue.
- The credit is 20 percent of qualified expenditures, up to a maximum of $500,000, if:
    - A minimum of $100,000 in qualified expenditures per commercial or music video; and
    - A total of $500,000 in qualified expenditures.
- Surplus tax credits remaining in this queue at the end of the fiscal year rollover into the new fiscal year under the general production queue.

Independent and Emerging Media Production Queue

- Three percent of tax credits authorized in any state fiscal year must go to this queue.
- Excludes commercials, infomercials and music videos.
- Any qualified production, excluding commercials, infomercials, or music videos, that demonstrates at least $100,000, but not more than $625,000, in total qualified expenditures is eligible for tax credits equal to 20 percent of its actual qualified expenditures.

Proposed Changes

General Production Queue

The bill removes the prohibition on allowing television pilots into the general production queue if more than 25 percent of credits over the history of the program have been granted to television.

The bill creates a requirement that a production wishing to claim credits for expenditures related to principal photography must have at least 50 percent of principal photography shooting days spent within Florida or must have spent at least $10 million on qualified production expenditures within this state.

Cigarette Tax

Current Situation

Chapter 210, F.S., provides for the taxation of tobacco products. Taxes are imposed on the sale of cigarettes and other non-cigar tobacco products in Florida. For cigarettes of a common size, the tax rate is $0.339 per pack. Additionally, a $1.00 surcharge per pack of common size cigarettes is imposed. For other tobacco products, the tax is at 25% of wholesale price, with an additional surcharge of 60% of wholesale price. The cigarette tax is collected by the Department of Business and Professional Regulation and deposited into Cigarette Tax Collection Trust Fund.

Section 210.20(2), F.S., provides for monthly distribution from the cigarette tax (not the surcharge) as follows:

Distribution from total collections:

- 8 percent to General Revenue Service Charge[9]; and
- 0.9 percent to the Alcoholic Beverage and Tobacco Trust Fund[10].

Distribution from remaining collections:

- 2.9 percent to Revenue Sharing Trust Fund for Counties;
- 29.3 percent to Public Medical Assistance Trust Fund;
- 1.47 percent to Board of Directors of the H. Lee Moffitt Cancer Center and Research Institute; and
- The remainder of funds to General Revenue.

Below is the distribution of the cigarette tax by funding source:

<u>Distribution from Cigarette Tax (millions)</u>

Fiscal Year	Total Distribution*	General Revenue**	County Revenue Sharing	Public Medical Assistance Trust Fund	Moffitt Cancer Center
2010-11	308.8	214.1	8.2	80.7	5.6
2009-10	298.2	204.2	8.0	80.3	5.6
2008-09	415.1	208.9	11.1	112.3	5.7
2007-08	406.3	269.2	10.9	110.3	10.8
2006-07	417.4	277.0	11.2	113.2	15.9

* Distributions do not include refunds or administrative costs.
** Includes an 8 percent General Revenue Service Charge.[11]

Proposed Changes

The bill creates s. 210.20(2)(c), F.S., to provide that beginning July 1, 2012, through June 30, 2020, one percent of net cigarette tax collections will be directed to the Biomedical Research Trust Fund. These funds will be utilized by the Department of Health and the Sanford-Burnham Medical Research Institute to establish activities and grant funding for biomedical research.

The bill also amends s. 210.20(2)(b), F.S., to provide that beginning July 1, 2012, through June 30, 2020, the Moffitt Center funding distribution will increase from 1.47 percent to 2.75 percent of net cigarette tax collections. Also, the bill adds to the list of allowable uses of the funds to include:

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[9]Section 215.20, F.S.
[10]Section 210.02, F.S.
[11]Section 215.20, F.S.

- Financing, operating, and maintaining clinical and related facilities;
- Furnishing, equipping, operating, and maintaining other properties owned or leased by the Moffitt Center; and
- Paying costs incurred in connection with purchasing, financing, operating, and maintain such equipment, facilities, and properties.

The bill removes from statute a reference to a cancer research facility at the University of South Florida being adjacent to Moffitt.

The bill amends s. 210.201, F.S., to conform to similar changes in s. 210.20, F.S., related to Moffitt facilities funding proceeds and usage described above.

Enterprise Zones

Current Situation

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 59 enterprise zones.

Designation Process

Sections 290.001-290.016, F.S., authorize the creation of an enterprise zone 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.

The Department of Economic Opportunity (DEO) 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:

- 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.

Available Incentives

Florida's enterprise zones qualify for various incentives from local governments. Examples include: utility tax abatement, reduction of local business taxes, 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 EZ: 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, whichever is less.[12]
- Business Property Used in EZ: Provides a refund for sales taxes paid on the purchase of certain equipment, up to $5,000, or 97 percent of the tax paid, whichever is less.[13]
- EZ 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 EZ.[14]
- Rural EZ Jobs Credit against Sales Tax: Provides a sales and use tax credit for 30 or 45 percent of wages paid to new employees if the business is within a rural EZ.[15]
- Community Contribution Tax Credit: Provides a sales tax refund for 50 percent of donations made to local community development projects.[16]
- Electrical Energy Used in an EZ: Provides a 50 or 100 sales tax exemption to qualified businesses located within an EZ on the purchase of electrical energy.[17]

Available state corporate income tax incentives for enterprise zones include:

- EZ 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 EZ.[18]

[12] Section 212.08(5)(g), F.S.
[13] Section 212.08(5)(h), F.S.
[14] Section 212.096, F.S.
[15] Id., Section 290.004, F.S.
[16] Section 212.08(5)(p), F.S.
[17] Section 212.08(15), F.S.
[18] Section 220.181, F.S.

- Rural EZ Jobs Credit against Corporate Income Tax: Provides a corporate income tax credit for 30 or 45 percent of wages paid to new employees if the business is within a rural EZ.[19]
- EZ 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.[20]
- Community Contribution Tax Credit: Provides a 50 percent credit against Florida corporate income tax for donations made to local community development projects.[21]

OPPAGA Report on Enterprise Zones

The Office of Program Policy Analysis and Government Accountability released a report in January 2011 finding that most enterprise zone activity occurs in a few number of counties. The report also found that program participation remains relatively low in most enterprise zones, which limits the progress toward achieving the legislative goals of revitalizing distressed areas and increasing employment of area residents. The report made several recommendations related to the viability of the program, suggesting that the Legislature could:

- Encourage more participation by lowering incentive eligibility thresholds;
- Focus on job creation by eliminating all incentives except jobs tax credits;
- Suspend the program for a year;
- Repeal the program entirely; or
- Allow it to sunset under current law in 2015.[22]

Proposed Changes

The bill provides authority to Charlotte County to apply to DEO for designation of an enterprise zone of up to 20 square miles. The enterprise zone application must be submitted to DEO by December 31, 2012. DEO will determine the initial effective date of the enterprise zone.

The bill also provides authority to Citrus County to apply to DEO for designation of an enterprise zone The enterprise zone application must be submitted to DEO by December 31, 2012. DEO will determine the initial effective date of the enterprise zone.

Corporate Income Tax Exemption

Current Situation

Florida imposes a 5.5% tax on the net income of corporations doing business in Florida.[23] Section 220.14, F.S., exempts $25,000 of net income from the corporate income tax.

Proposed Changes

For taxable years beginning January 1, 2013, the bill increases from $25,000 to $50,000 the amount of corporate income that is exempt from the corporate income tax.

B. SECTION DIRECTORY:

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[19] Id., Section 290.004, F.S.
[20] Section 220.182, F.S.
[21] Section 220.183, F.S.
[22] Report no. 11-01- Few Businesses Take Advantage of Enterprise Zone Benefits; the Legislature Could Consider Several Options to Modify the Program, January 2011. Office of Program Policy Analysis and Government Accountability. Report at http://www.oppaga.state.fl.us/Summary.aspx?reportNum=11-01 (last visited 1/29/12).
[23] Section 220.11, F.S.

Section 1: Amends s. 210.20(2)(b) and creates s. 210.20(2)(c), F.S., providing for distribution of funds.

Section 2: Amends s. 210.201, F.S., conforming specified facilities funding proceeds and usage to similar provisions found in s. 210.20 F.S.

Section 3: Amends s. 212.08(5)(e) and ss. 212.08(7)(ee) and (rr), F.S., and creates s. 212.08(7)(hhh), F.S., changing a requirement for a sales tax exemption on the purchase of electricity, and changing a requirement for sales tax exemptions for specified aircraft repair and maintenance parts and labor, and providing a sales tax exemption for specified aircraft engines and gas turbine engines.

Section 4: Amends s. 212.08(5)(b), F.S., changing a requirement for a sales tax exemption for industrial machinery and equipment purchased by an expanding business.

Section 5: Amends s. 220.14(1), F.S., increasing the corporate income tax exemption amount.

Section 6: Amends s. 220.63(3), F.S., increasing the franchise tax imposed on banks and savings associations tax exemption amount.

Section 7: Amends s. 288.1254(4), F.S., amending Entertainment Industry Financial Incentive Program tax credit eligibilty.

Section 8: Amends s. 288.9914(3), F.S., increasing the cumulative amount of tax credits available under the New Markets program.

Section 9: Amends s. 288.9915(1), F.S., amending the use of proceeds from qualified investments under the New Markets program.

Section 10: Creates s. 290.00729, F.S., authorizing the creation of an enterprise zone in Charlotte County.

Section 11: Creates s. 290.00731, F.S., authorizing the creation of an enterprise zone in Citrus County.

Section 12: Provides emergency rulemaking authority to the Department of Revenue.

Section 13: Provides an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   See FISCAL COMMENTS

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   See FISCAL COMMENTS

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill is designed to encourage economic development in Florida.

D. FISCAL COMMENTS:

Revenue Impacts: Fiscal Year 2012-13

(All impacts from Revenue Estimating Conference unless otherwise noted)

	State		Local		Total	
	Cash	Recur.	Cash	Recur.	Cash	Recur.
New Markets (1)	-	(20.0)	-	-	**-**	**(20.0)**
Sales Tax Exemptions (2):						
Electricity/Packinghouses	(0.8)	(0.9)	(0.2)	(0.2)	**(1.0)**	**(1.1)**
Expanding Production M&E	(19.1)	(46.0)	(4.3)	(10.4)	**(23.4)**	**(56.4)**
Aircraft Maintenance & Repair	(9.2)	(10.0)	(2.1)	(2.3)	**(11.3)**	**(12.3)**
Aircraft and gas turbine engines	(1.2)	(1.3)	(0.3)	(0.3)	**(1.5)**	**(1.6)**
Entertainment Industry Incentive	-	-	-	-	**-**	**-**
Cigarette Tax Distributions (3)	(7.6)	(7.6)	-	-	**(7.6)**	**(7.6)**
Enterprise Zones:						
Charlotte County	(0.2)	(0.2)	(*)	(*)	**(0.2)**	**(0.2)**
Citrus County	(0.1)	(0.1)	(*)	(*)	**(0.1)**	**(0.1)**
Corporate Income Tax Exemption	(9.9)	(29.4)	-	-	**(9.9)**	**(29.4)**
BILL TOTAL	**(48.1)**	**(115.5)**	**(6.9)**	**(13.2)**	**(55.0)**	**(128.7)**

(*) Insignificant = impact less than $50,000.
(1) Cash impacts do not begin until FY 2015-16.
(2) State trust fund impacts are insignificant.
(3) Staff Estimate

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The county/municipality mandates provision of Art. VII, section 18, of the Florida Constitution may apply because the bill may reduce the authority that counties and municipalities have to raise revenues; however an exemption may apply because the Revenue Estimating Conference estimated that the enterprise zones would have an insignificant fiscal impact on local governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

The bill authorizes the Department of Revenue to adopt emergency rules to implement the provisions of the bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES