

TIP 01A01-06

Date Issued: Jul 01, 2001

ECONOMIC DEVELOPMENT CHANGES

Effective July 1, 2001, certain changes were made to the enterprise zone and other economic development programs.

Sales Tax

Building Materials Used in the Rehabilitation of Real Property Located in an Enterprise Zone

Effective July 1, 2001, the refund of sales taxes paid on building materials used in the rehabilitation of real property located in an enterprise zone is available to nonprofit community-based organizations, as well as to city, county or other governmental agencies if the materials were paid for from funds of a community development block grant, State Housing Initiatives Partnership Program, or similar grant or loan program. Additionally, applications will be required to be submitted within six months after rehabilitation of the property is deemed to be substantially completed, or within 90 days after the rehabilitated property is first subject to assessment.

(Section 212.08(5)(g), Florida Statutes)

Business Property Used in an Enterprise Zone

Applications for refunds of sales tax on business property purchased prior to July 1, 2001, must be filed within six months after the business property is purchased. The \$5,000 per unit limitation does not apply to business property purchased prior to July 1, 2001.

Applications for refunds of sales tax on business property

purchased on or after July 1, 2001, for use in an enterprise zone must be filed within six months of when sales tax is due on eligible purchases. Items eligible for the refund must have a sales price of at least \$5,000 per unit and must meet the other criteria under the "business property" definition. The term "unit" refers to a single item of tangible personal property. If two or more items are sold to the same purchaser at the same time and each of the items is interconnected and necessary to make the other(s) functional and integrated, such items are a single unit for purposes of the \$5,000 limitation when supported by charge tickets, sales slips, invoices, or other tangible evidence of a single sale. (Section 212.08(5)(h), F.S.) The following are examples of how two or more items sold to a purchaser at the same time are treated for the \$5,000 per unit limitation:

1. A computer, monitor, keyboard, speakers, printer, and mouse sold to a customer at the same time on one invoice comprise a unit for purposes of the \$5,000 limitation. The "unit," the computer, is a single item comprised of different parts sold to the customer at the same time on one invoice.
2. Furniture sold in furniture suites or sets to a customer, where the furniture suites or sets are identified on one invoice, is a unit for purposes of the \$5,000 limitation. When furniture is sold by the piece, each piece is a unit for purposes of the \$5,000 limitation.

Community Contribution Tax Credit

Effective July 1, 2001, the community contribution tax credit may be claimed by persons registered with the Department under Section 212.18, F.S., to collect or remit sales or use tax. The credit shall be computed on 50 percent of the person's approved annual community contribution. The credit is limited to a maximum of \$200,000 per donor per year and is to be claimed as a refund against sales tax remitted in the 12 months prior to the refund application date. If the credit amount exceeds the sales tax remitted in the previous 12 months, the balance may be claimed as a refund against sales tax remitted in each of the three years subsequent to the refund application date.

Any person seeking to participate in this program must submit an application for tax credit to the Office of Tourism, Trade, and Economic Development (OTTED) which sets forth the name of the sponsor, a description of the project, and the type, value, and purpose of the contribution. Any person who has received notification from OTTED that a tax credit has been approved must apply to the Department of Revenue to receive the refund. A person may submit only one application for refund to the Department within any 12-month period. A person who is eligible to receive the credit as a refund against sales and use tax must claim future credits against that tax for the duration of the program. (Section 212.08(5)(q), F.S.)

Enterprise Zone Jobs Credit

Effective January 1, 2002, the enterprise zone jobs credit against sales tax no longer applies to part-time jobs. Effective on that date, the enterprise zone jobs credit against sales tax is available to businesses which have increased the number of full-time jobs from the average of the previous 12 months, or added at least five new full-time jobs between July 1, 2000, and December 31, 2001. The credit is also available for jobs filled by leased employees who meet specific criteria. The credit is computed as 20 percent of the actual monthly wages paid for each new job created, or 30 percent of the monthly wages paid if the business is located in a rural enterprise zone. If at least 20 percent of the full-time permanent employees of the business are residents of an enterprise zone, the credit is 30 percent of the actual monthly wages paid, or 45 percent of the actual monthly wages paid if the business is located in a rural enterprise zone. (Section 212.096, F.S.)

If the new employee is a welfare transition program participant, the credit is 40 percent of the monthly wages paid if the hourly rate is \$4 above the hourly federal minimum wage rate; 41 percent if the hourly rate is \$5 above the hourly federal minimum wage rate; 42 percent if the hourly rate is \$6 above the hourly federal minimum wage rate; 43 percent if the hourly rate is \$7 above the hourly federal minimum wage rate; and 44 percent

if the hourly rate is \$8 above the hourly federal minimum wage rate.

The phrase "new job has been created" means that the total number of full-time jobs has increased in an enterprise zone from the average of the previous 12 months, as demonstrated to the Department by a business located in the enterprise zone. (Section 212.096(1)(e), F.S.)

For purposes of the enterprise zone jobs credit against sales tax, the credit shall be allowed for up to 24 consecutive months, beginning with the first tax return due after approval by the Department.

The enterprise zone jobs credit against sales tax may be claimed by businesses in rural enterprise zones that hire employees who live outside the boundaries of the rural enterprise zone in which the business is located, if the employees live within the jurisdiction of a rural county. All other requirements of Section 212.096, F.S., must be met by these businesses. (Section 290.00677, F.S.)

Urban High-Crime Area Job Tax Credit Program

Effective July 1, 2001, the urban high-crime area job tax credit also applies to the motion picture production and allied services industry included in standard industrial classification code 781. (Section 212.097, F.S.)

Rural Job Tax Credit Program

Effective July 1, 2001, the rural job tax credit program also applies to the motion picture production and allied services industry included in standard industrial classification code 781. (Section 212.098, F.S.)

Effective January 1, 2002, targeted industries eligible for the qualified target industry business tax refund under Section 288.106, F.S., are also eligible for the credit available under the Rural Job Tax Credit Program. The credit is also available

for jobs filled by leased employees who meet specific criteria. The credit is \$1,000 for each qualified employee to new eligible businesses that have at least 10 qualified employees. For existing eligible businesses with fewer than 50 employees, which have at least 20 percent more qualified employees than one year prior to their application date, the credit is \$1,000 for each qualified employee. Existing businesses, in qualified areas, that have 50 or more employees and have at least 10 more qualified employees than one year prior to their application date, may receive a credit of \$1,000 per additional qualified employee. Businesses are limited to \$500,000 of tax credits for job creation per calendar year. (Section 212.098, F.S.)

Satellite Enterprise Zones

Eligible businesses in satellite enterprise zones created between July 1, 2001, and September 1, 2001, may claim any refunds of sales tax paid on purchases of building materials used in such satellite enterprise zones or business property purchased for use in such satellite enterprise zones for which they would have been eligible from December 31, 1999, through the date the satellite enterprise zone is created. Such businesses may also claim enterprise zone jobs credits against sales tax for the same period.

"Net Ban" Enterprise Zones

Effective July 1, 2001, the provisions of Section 370.28, F.S., governing "net ban" enterprise zones are repealed. Former "net ban" enterprise zones will be treated as rural enterprise zones.

Corporate Income Tax

Enterprise Zone Jobs Credit

Effective January 1, 2002, the enterprise zone jobs credit against corporate income tax no longer applies to part-time jobs. Effective on that date, the enterprise zone jobs credit against corporate income tax is available to businesses which have increased the number of full-time jobs from the average of

the previous 12 months, or added at least five new full-time jobs between July 1, 2000, and December 31, 2001. The credit is also available for jobs filled by leased employees who meet specific criteria. The credit is computed as 20 percent of the actual monthly wages paid for each new job created, or 30 percent of the monthly wages paid, if the business is located in a rural enterprise zone. If at least 20 percent of the full-time permanent employees of the business are residents of an enterprise zone, the credit is 30 percent of the monthly wages paid, or 45 percent of the monthly wages paid if the business is located in a rural enterprise zone. (Section 220.181, F.S.)

If the new employee is a welfare transition program participant, the credit is 40 percent of the monthly wages paid if the hourly rate is \$4 above the hourly federal minimum wage rate; 41 percent if the hourly rate is \$5 above the hourly federal minimum wage rate; 42 percent if the hourly rate is \$6 above the hourly federal minimum wage rate; 43 percent if the hourly rate is \$7 above the hourly federal minimum wage rate; and 44 percent if the hourly rate is \$8 above the hourly federal minimum wage rate.

The phrase "new job has been created" means that the total number of full-time jobs has increased in an enterprise zone from the average of the previous 12 months, as demonstrated to the Department by a business located in the enterprise zone. (Section 220.03(1)(ff), F.S.)

For purposes of the enterprise zone jobs credit against corporate income tax, the credit shall be allowed for up to 24 consecutive months, beginning with the first tax return due after approval by the Department.

The enterprise zone jobs credit against corporate income tax may be claimed by businesses in rural enterprise zones that hire employees who live outside the boundaries of the rural enterprise zone in which the business is located, if the employees live within the jurisdiction of a rural county. All other requirements of Section 220.181, F.S., must be met by these businesses. (Section 290.00677, F.S.)

Urban High-Crime Area Job Tax Credit Program

Effective July 1, 2001, the urban high-crime area job tax credit also applies to the motion picture production and allied services industry included in standard industrial classification code 781. (Sections 220.1895 and 212.097, F.S.)

Rural Job Tax Credit Program

Effective July 1, 2001, the rural job tax credit program also applies to the motion picture production and allied services industry included in standard industrial classification code 781. (Sections 220.1895 and 212.098, F.S.)

Effective January 1, 2002, targeted industries eligible for the qualified target industry business tax refund under Section 288.106, F.S., are also eligible for the credit available under the Rural Job Tax Credit Program. The credit is also available for jobs filled by leased employees who meet specific criteria. The credit is \$1,000 for each qualified employee to new eligible businesses that have at least 10 qualified employees. For existing eligible businesses with fewer than 50 employees, which have at least 20 percent more qualified employees than one year prior to their application date, the credit is \$1,000 for each qualified employee. Existing businesses, in qualified areas, that have 50 or more employees and have at least 10 more qualified employees than one year prior to their application date, may receive a credit of \$1,000 per additional employee. Businesses are limited to \$500,000 of tax credits for job creation per calendar year. (Sections 220.1895 and 212.098, F.S.)

Community Contribution Tax Credit

Effective July 1, 2001, the definitions of "project" and "eligible sponsor" have been revised, for purposes of the community contribution tax credit against corporate income tax. (Section 220.183, F.S.)

"Net Ban" Enterprise Zones

Effective July 1, 2001, the provisions of Section 370.28, F.S., governing "net ban" enterprise zones are repealed. Former "net ban" enterprise zones will be treated as rural enterprise zones.

Insurance Premium Tax

Effective July 1, 2001, the definitions of "project" and "eligible sponsor" have been revised for purposes of the community contribution tax credit against insurance premium tax. (Section 624.5105, F.S.)

**References: Chapters 212 and 220, Florida Statutes
Chapters 2001-101, 2001-106, and 2001-201, Laws of Florida**

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor. Or call Tax Information Services, Monday through Friday, 8:00 a.m., to 7:00 p.m., ET, at 800-352-3671 (for Florida residents only), or 850-488-6800.

Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Tax Information Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.