

HOUSE RESEARCH

Bill Summary

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Overview

This bill makes a number of changes in the International Economic Development Zone law enacted by the 2005 Legislature. This program provides tax incentives comparable to those under JOBZ to qualifying businesses (i.e., primarily companies involved in international air freight transportation) in the zone. The bill delays by two years (until June 30, 2008) the designation of the zone and provides its 12-year duration will start on 2010 (compared with 2006 under present law). The bill provides that the tax incentives will generally be available during the duration of the zone. Availability of a \$750,000 appropriation for the zone is extended from FY 2007 to FY 2011.

Section

1 **Property tax exemption.** Provides that the exemption for qualifying property in an international economic development zone applies only during the duration of the zone. Present law provides the exemption applies beginning with the first year after designation of the zone. The change will delay the start of the property tax exemption until property taxes payable in 2011 under the provisions of section 0.

Effective the day following final enactment.

2 **Corporate minimum fee.** Provides the zone's exemption from the minimum fee on business entities applies during the duration of the zone. Present law provides that this fee does not apply during the period of the designation of the zone. This section ensures that the provisions of section 0 (delaying the start of the zone until 2010) will not extend the period

Section

in which the tax incentives are provided to qualifying businesses.

Effective the day following final enactment.

- 3 Corporate minimum fee.** Changes the definitions of the base for the minimum fee to be consistent with the provisions of section 0.

Effective the day following final enactment.

- 4 Sales tax exemption.** Modifies the timing of the sales tax exemption for purchases by qualified businesses for use in an international economic development zone so that the exemption applies after final designation of the zone and before its expiration. It eliminates restrictions in present law intended to ensure that the fiscal cost of the exemption occurred in fiscal year 2008 or later. (Section 0 delays designation of the zone until the last day of fiscal year 2007.)

Effective the day following final enactment.

- 5 Foreign trade zone powers.** Authorizes a city, county, town, or other political subdivision (e.g., a port authority) to apply for federal foreign trade zone powers. Two or more political subdivisions can apply jointly for these powers.

Effective the day following final enactment.

- 6 Zone designation and duration schedule.** Delays the required date for designation of the international economic development zone from June 30, 2006, to June 30, 2008. The start of the duration of the zone would be delayed by 3 years to calendar year 2010 (from 2007 under present law).

Effective the day following final enactment.

- 7 Business plan distribution.** Requires copies of the business plan to be provided to the legislature in the manner normally used for reports to the legislature (i.e., to the Chief Clerk, Secretary of the Senate, and the Legislative Reference Library). Copies of the business plan would also be provided to the chairs of the legislative committees with jurisdiction over the transportation and economic development.

- 8 Jobs credit timing.** Provides that the jobs credit applies only during the duration of the zone.

- 9 Jobs credit, base year.** Provides that the base year for calculating the jobs credit is the year before the zone duration begins. Present law provides that it is the year before designation. Under section 0, there will be about a 2-year gap between designation of the zone (required by June 1, 2008) and the start of the zone duration (2010). The credit applies to a percentage of the increase in qualifying wages over the amount paid in the base year, so this will have the effect of using a later year (with a likely higher amount) as the base.

- 10 Jobs credit inflation indexing.** Delays the start of the indexing credit base from tax year 2007 until tax year 2011. The credit's dollar amounts (i.e., the minimum \$30,000 wage that must be paid to qualify for the credit) are annually adjusted for inflation. Under the bill, no inflation adjustments would occur until tax year 2011.

Effective the day following final enactment.

- 11 Appropriation.** Extends the availability of the \$750,000 appropriation for grants from fiscal year 2007 through December 31, 2010 (midway through fiscal year 2011).

