

## Authority

Florida Statutes Chapter 196, Section 1995, "Economic Development Ad Valorem Tax Exemption" states:

(1) The Board of County Commissioners of any county or the governing authority of any municipality shall call a referendum within its total jurisdiction to determine whether its respective jurisdiction may grant economic development tax exemptions under s.3, Art VII of the State Constitution if:

(a) The Board of County Commissioners of the county of the governing authority of the municipality votes to hold such referendum

(2) The ballot question in such referendum shall be in substantially the following form:

Shall the board of county commissioner of this county (or governing authority of this municipality, or both) be authorized to grant, pursuant to s. 3, Art VII of the State Constitution, property tax exemptions to new businesses and expansions of existing business that are expected to create new, full-time jobs in the county (or municipality, or both)?

On June 26, 2012, the Walton County Board of County Commissioners voted unanimously to approve Resolution 2012-30, authorizing the following language to be placed on the November 6, 2012 General Election Ballot.

*Shall the board of county commissioners of this county be authorized to grant, pursuant to s.3, Art VII of the State Constitution, property tax exemptions to new businesses and expansions of existing business that rea expected to create new, full time jobs in the county?*

At the November 6, 2012 General Election the above referendum received .63.42% affirmative and 36.58% negative votes, establishing authority for the Board of County Commissioners to grant ad valorem tax exemptions for economic development

**The following definitions are found in Florida Statutes 196.012:**

(14) "New business" means:

(a)1. A business or organization establishing 10 or more new jobs to employ 10 or more full-time employees in this state, paying an average wage for such new jobs that is above the average wage in the area, which principally engages in any one or more of the following operations:

a. Manufactures, processes, compounds, fabricates, or produces for sale items of tangible personal property at a fixed location and which comprises an industrial or manufacturing plant; or

b. Is a target industry business as defined in s. 288.106(2)(q);

2. A business or organization establishing 25 or more new jobs to employ 25 or more full-time employees in this state, the sales factor of which, as defined by s. 220.15(5), for the facility with

respect to which it requests an economic development ad valorem tax exemption is less than 0.50 for each year the exemption is claimed; or

3. An office space in this state owned and used by a business or organization newly domiciled in this state; provided such office space houses 50 or more full-time employees of such business or organization; provided that such business or organization office first begins operation on a site clearly separate from any other commercial or industrial operation owned by the same business or organization.

(b) Any business or organization located in an enterprise zone or brownfield area that first begins operation on a site clearly separate from any other commercial or industrial operation owned by the same business or organization.

(c) A business or organization that is situated on property annexed into a municipality and that, at the time of the annexation, is receiving an economic development ad valorem tax exemption from the county under s. 196.1995.

(15) "Expansion of an existing business" means:

(a)1. A business or organization establishing 10 or more new jobs to employ 10 or more full-time employees in this state, paying an average wage for such new jobs that is above the average wage in the area, which principally engages in any of the operations referred to in subparagraph (14)(a)1.; or

2. A business or organization establishing 25 or more new jobs to employ 25 or more full-time employees in this state, the sales factor of which, as defined by s. 220.15(5), for the facility with respect to which it requests an economic development ad valorem tax exemption is less than 0.50 for each year the exemption is claimed; provided that such business increases operations on a site located within the same county, municipality, or both colocated with a commercial or industrial operation owned by the same business or organization under common control with the same business or organization, resulting in a net increase in employment of not less than 10 percent or an increase in productive output or sales of not less than 10 percent.

(b) Any business or organization located in an enterprise zone or brownfield area that increases operations on a site located within the same zone or area colocated with a commercial or industrial operation owned by the same business or organization under common control with the same business or organization.

### **Qualifying a Business**

As stated in this statute, there are a number of ways a new or expanding business may qualify for economic development ad valorem tax exemptions. It is abundantly clear that those businesses located in an enterprise zone are automatically qualified for consideration. Walton County has three such enterprise zones: Mossy Head, DeFuniak Springs and Freeport.

1. Does the business qualify based on statutes?
2. Is the location within one of Walton County's three enterprise zones?
3. If in the DeFuniak Springs or Freeport Enterprise Zone, has the municipality taken action granting an exemption of City ad valorem taxes?
4. Perform an economic impact analysis
5. Perform a level of eligibility analysis

#### **Economic Impact Analysis**

For all revenue generated and jobs created, there are additional revenues earned and jobs created in all other industries in the local economy. New businesses attract other new businesses. New employees buy groceries and pay mortgages, etc. These payments support more employees, and so on. The cumulative impact of these jobs, earnings and spending is known as the "multiplier" effect, also known as GDP. A summary of the fiscal impact showing the net increase to the local economy includes the following factors:

Total Taxable Sales Revenue (Increase in Sales Revenue for Expanding Businesses)

Direct Increase in Walton County Revenues

Increase in Walton County Revenues Due to Multiplier

Number of Employees

Increase in Employment Due to Multiplier

Total Estimated Payroll Dollars

Increase in Payroll Dollars Due to Multiplier Effect

Current Ad Valorem Revenue

Increase in Ad Valorem Revenue

Total Increase in Walton County Revenues

### Level of Eligibility Analysis

This process utilizes the capital investment required and annual new wages to determine the applicant's level of eligibility, as a percentage of total taxes, with a maximum dollar amount.

Investment (the total capital investment by the company to open or expand)

Less than \$1,000,000	10%
\$1,000,000 - \$1,999,999	20%
\$2,000,000 - \$2,999,999	30%
\$3,000,000 - \$3,999,999	40%
\$4,000,000 +	50%

New Job Wages (total wages of new jobs created)

Less than \$100,000	10%
\$100,000 - \$199,000	20%
\$200,000 - \$299,999	30%
\$300,000 - \$399,999	40%
\$400,000 +	50%

Tier 1 - Investment + New Job Wages = Total Percentage eligible for

Example: Company A invests a total of \$2,000,000 (30%) and New Job Wages of \$175,000 (20%), equating to an exemption of not more than 50% of eligible taxes

Tier 2 – Total Capital Investment / 10 = annual investment

Annual investment + Annual New Job Wages = Annual Economic Contribution

Annual Economic Contribution x 2.5% = Total Eligible Exemption Dollars

Example: Company A (above)  $\$2,000,000 / 10 = \$200,000$  (annual Investment) +  $\$175,000$  (New Annual Wages) =  $\$375,000 \times 2.5\% = \$9,375$  (total eligible dollars)

In the above example in no instance would Company A's tax exemption exceed 50% of their total (eligible) taxes, nor would the total exemption exceed \$9,375

All exemptions will be by contract between Walton County and the company receiving the exemption. Statutes provide that exemptions shall not exceed ten years. Each contract must be approved by a majority vote of the Board of County Commissioners, to include the length of the initial exemption. At each anniversary of the exemption a compliance review will be completed. This review will be comprised of a comparison of the actual investment and wages against the proposed investment and wages. Any deviation from the proposed to the actual may result in an amendment or termination of the agreement.

**COUNTY DEPARTMENT  
SUBMISSION FORM  
BOARD OF COUNTY COMMISSIONERS  
WALTON COUNTY, FLORIDA**

**Requested Meeting Date:**  
November 25, 2014

**Meeting Time/Location:**  
Walton County Courthouse

**Submission Deadline:**

**County Department: Administration**

**Name of Presenter: Larry Jones**

**TOPIC: Economic Development Tax Exemption Process**

**REQUESTED ACTION:**

At the November 12 BCC meeting staff was asked to develop a process regarding the application of requests for ad valorem tax exemptions for economic development.

Attached, for your consideration, is a document discussing this issue and provides a recommended course of action when considering applications for such exemptions.

**PURPOSE/SUMMARY EXPLANATION OR HISTORY:**

**MATERIAL/EXHIBITS ATTACHED:**

If required, has the material been reviewed by Legal as to form? Yes No  
*(please attach Legal's approval notification)*

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**Please return completed form and all back-up documentation to ADMINISTRATION:**

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## ECONOMIC DEVELOPMENT PROPERTY TAX ABATEMENT FORMULA

### Investment:

Less than \$1M	10%
\$1M-\$2M	20%
\$2M-\$3M	30%
\$3M-\$4M	40%
\$4M+	50%

### New Job Wages:

Less than \$100K	10%
\$100K-\$200K	20%
\$200K-\$300K	30%
\$300K-\$400K	40%
\$400K+	50%

**Investment % + New Job Wages % = Total eligible reduction**