

Voluntary Cleanup Tax Credit (VCTC)

Background

The VCTC program, created in 1998 and administered by the Florida Department of Environmental Protection (FDEP), currently provides a 35% credit against two types of state taxes - corporate income and intangibles - for annual environmental remediation costs under the brownfields and dry-cleaning solvent programs. As an inducement to complete the voluntary cleanup, the tax credit applicant may claim an additional 10 percent of the total cleanup costs, not to exceed \$50,000 in the final year of cleanup.

The VCTC program has been utilized to offset costs of voluntary cleanups and it has been gaining in popularity and usage. Since the inception of the VCTC, applications have increased each year. According to FDEP records, for calendar year 2004-2005 the FDEP awarded 9 certificates totaling \$992,446.85; a 32-fold increase from the \$30,228.13 awarded in the program's first year. The brownfields redevelopment community expects that approved tax credit applications in future years will exceed the current \$2 million annual statutory cap for the program. As the program matures, it is very important that the financial impact of the program be expanded from its present level to encourage rehabilitation of sites that have a higher degree of difficulty to return to productive use. The Florida Brownfields Association has recognized the need to reform the VCTC program and has suggested changes on which the position of the City of Gainesville is modeled.

Position

The City of Gainesville supports enhancing the Voluntary Cleanup Tax Credit Program and requests the legislative delegation sponsor or support legislation to a) increase the credit from 35% to 50% of annual cleanup costs and increase the annual per site cap from \$250,000 to \$500,000, b) raise the annual statewide VCTC cap from \$2 million to \$5 million c) broaden the definition of site rehabilitation tasks that are eligible for the tax credit and d) consider expanding the definition of state tax liabilities eligible for the credit. These changes will enhance the usefulness of this incentive and encourage more businesses and communities to rehabilitate environmentally impaired sites.

Key Points

1. The Voluntary Cleanup Tax Credit is a Brownfields redevelopment incentive that has seen significant usage since its inception in 1998. While the number of applications is growing and credits awarded have not yet reached the mandated limit, the annual statewide cap of \$2 million is expected to be exceeded in coming years as applications increase.
2. The City of Gainesville, like other Florida cities, has many potential brownfield sites that could be rehabilitated and returned to productive use. Reuse of these sites has the potential to create long-term employment, increase economic activity, and improve community quality of life. Increasing the availability of the VCTC incentive will leverage private investment in these sites and foster desirable community benefits.
3. Legislative changes are needed to the VCTC program to increase its impact on the redevelopment of brownfield sites. Changes are needed to increase the per-site and overall amount of tax credit available each year, expand the eligibility criteria, and expand the definition of eligible state tax liabilities.

Contact

Matthew Dubé