

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB GEAC 08-29 Corporate Income Tax  
**SPONSOR(S):** Government Efficiency & Accountability Council  
**TIED BILLS:** **IDEN./SIM. BILLS:**

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.: Government Efficiency & Accountability Council		Levin/Dykes	Cooper
1) _____	_____	_____	_____
2) _____	_____	_____	_____
3) _____	_____	_____	_____
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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### SUMMARY ANALYSIS

Florida's Corporate Income Tax Code follows the Federal Internal Revenue Code by using federal rules and starting with federal taxable income as the tax base for the Florida Income Tax. Section 220.03, Florida Statutes, defines specific terms as they apply to Florida's corporate income tax code. The term "Internal Revenue Code" is currently defined to mean those provisions of the United States Internal Revenue Code of 1986, as amended, in effect on January 1, 2007.

The bill updates the Florida Income Tax Code to reflect changes Congress made to the U.S. Internal Revenue Code of 1986 during 2007, by adopting the Internal Revenue Code as in effect on January 1, 2008. The definition provides for "piggybacking" each change made during 2007 to the Internal Revenue Code, except as provided in subsection (3) of s. 220.03, F.S.

In 2007, the United States Congress passed H.R. 5140, the Economic Stimulus Act of 2008, Public Law 110-185 (the "Act"). Section 102 of the Act increases the section 179 Internal Revenue Code ("IRC") limitations on expensing certain depreciable assets. Section 103 of the Act permits 50 percent depreciation for assets placed in service after December 31, 2007 and before January 1, 2009.

Section 220.241, F.S. currently provides that estimated taxes for the period April – June are required to be remitted no later than July 10. PCB GEAC 08–29 amends the section to require these payments to be made on or before June 30. The change in the due date for estimated quarterly tax payments for the period April to June from July 10 to June 30 will shift revenues from FY 2009 – 2010 to FY 2008 – 2009. This section will be effective January 1, 2009; and on March 21, 2008, the Revenue Estimating Conference adopted a \$93.8 million impact on state revenues for FY 2008-2009.

The Revenue Estimating Impact Conference considered H.R. 5140 on February 22, 2008. It adopted a FY 2008 – 2009 cash impact to state revenues of (\$146.8 million) and an indeterminate negative estimate as a recurring impact. Because of the fiscal impact on state revenues, the amendments Congress made to sections 168(k) and 179, IRC, will not be permitted to be used in the determination of taxable income for purposes of the Florida corporate income tax.

**This document does not reflect the intent or official position of the bill sponsor or House of Representatives.**

**STORAGE NAME:** pcb29.GEAC.doc  
**DATE:** 3/24/2008

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

None.

#### B. EFFECT OF PROPOSED CHANGES:

Florida's Corporate Income Tax Code follows the Federal Internal Revenue Code by using federal rules and starting with federal taxable income as the tax base for the Florida Income Tax. Section 220.03, Florida Statutes, defines specific terms as they apply to Florida's corporate income tax code. The term "Internal Revenue Code" is currently defined to mean those provisions of the United States Internal Revenue Code of 1986, as amended, in effect on January 1, 2007.

The bill updates the Florida Income Tax Code to reflect changes Congress made to the U.S. Internal Revenue Code of 1986 during 2007, by adopting the Internal Revenue Code as in effect on January 1, 2008. The definition provides for "piggybacking" each change made during 2007 to the Internal Revenue Code, except as provided in subsection (3) of s. 220.03, F.S.

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The Revenue Estimating Impact Conference considered H.R. 5140 on February 22, 2008. It adopted a FY 2008 – 2009 cash impact to state revenues of (\$146.8 million) and an indeterminate negative estimate for recurring impact. As a result of the fiscal impact on state revenues, the amendments Congress made to sections 168(k) and 179, IRC, will not be permitted to be used in the determination of taxable income for purposes of the Florida corporate income tax. The changes are effective upon becoming law and apply to tax years ending on or after December 31, 2008.

#### C. SECTION DIRECTORY:

Section 1: Amends s. 220.03(1)(n), and (2)(c), F.S., to update references to the Internal Revenue Code.

Section 2: Excepts from the 2008 "piggyback" sections 102 and 103 of the Economic Stimulus Act of 2008, Public Law 110-185.

Section 3: Clarifies the adjustments necessary in s. 220.131, F.S.

Section 4: Provides rulemaking authority to the Department of Revenue.

Section 5: Amends subsection (1) of s. 220.241, F.S.

Section 6: Amends s. 220.33, F.S.

Section 7: Provides effective dates.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

The Revenue Estimating Impact Conference met on February 22, 2008, and estimated the impact of sections 102 and 103 of Public Law 110-185.

The conference adopted the following cash estimates, with 25% of the 2008-09 number being shifted into 2009-10. The conference adopted an indeterminate negative estimate for the recurring impact.

	FY 2008-09 Annualized	FY 2008-09 Cash	FY 2009-10 Cash
General Revenue	(Indeterminate)	(146.8)	(76.0)
State Trust			
Total State Impact			
Total Local Impact			
Total Impact	(Indeterminate)	(146.8)	(76.0)

	FY 2010-11 Cash	FY 2011-12 Cash
General Revenue	51.1	38.4
State Trust		
Total State Impact		
Total Local Impact		
Total Impact	51.1	38.4

The Revenue Estimating Conference on March 21, 2008, adopted a \$93.8 million impact (cash) on state revenues for FY 2008-2009 for sections 5 and 6 of the bill.

#### 2. Expenditures:

The Department of Revenue will be required to change corporate forms and audit instruction.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

None.

#### 2. Expenditures:

None.

### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

### D. FISCAL COMMENTS:

None.

### III. COMMENTS

#### A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

None.

#### B. RULE-MAKING AUTHORITY:

The bill grants rule making authority to the Department of Revenue.

#### C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

#### D. STATEMENT OF THE SPONSOR

No statement provided.

### IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES