

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCB FTC 10-10 Corporate Income Tax

SPONSOR(S): Finance & Tax Council; Abruzzo

TIED BILLS: **IDEN./SIM. BILLS:**

| | REFERENCE | ACTION | ANALYST | STAFF DIRECTOR |
|--------------|-----------------------|---------------|----------------|-----------------------|
| Orig. Comm.: | Finance & Tax Council | 11 Y, 0 N | Diez-Arguelles | Langston |
| 1) | | | | |
| 2) | | | | |
| 3) | | | | |
| 4) | | | | |
| 5) | | | | |

SUMMARY ANALYSIS

Florida imposes a 5.5% tax on the taxable income of corporations doing business in Florida. The determination of taxable income for Florida tax purposes begins with the taxable income used for Federal income tax purposes. This means that a corporation paying taxes in Florida receives the same treatment in Florida as is allowed in determining its federal taxable income. Florida maintains this relationship by each year adopting the Federal Internal Revenue Code as it exists on January 1 of the year. By doing this, Florida adopts any changes that were made in the previous year to the determination of federal taxable income. The bill adopting the federal code is referred to as the "piggyback bill."

This bill updates Florida's Income Tax Code by adopting the Internal Revenue Code as in effect on January 1, 2010.

The Revenue Estimating Conference has not completed an estimate of the fiscal impact of this bill. However, staff estimates that the adoption of the bill will have a small, negative indeterminate impact on state revenues.

The bill has an effective date of upon becoming law and applies retroactively to January 1, 2010.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Florida imposes a 5.5% tax on the taxable income of corporations doing business in Florida.¹ For simplicity's sake, the determination of taxable income for Florida tax purposes begins with the taxable income used for Federal income tax purposes.² This means that a corporation paying taxes in Florida receives the same treatment in Florida as is allowed in determining its federal taxable income. With federal taxable income as a starting point, Florida law then requires a variety of additions and subtractions to reflect Florida-specific policies.

Florida maintains this relationship by each year adopting the Federal Internal Revenue Code as it exists on January 1 of the year. By doing this, Florida adopts any changes that were made in the previous year to the determination of federal taxable income. The bill adopting the federal code is referred to as the "piggyback bill."

Florida's Constitution does not allow the Legislature to delegate its legislative authority to another body, such as Congress. While the Legislature may adopt by reference a federal law, the Legislature may only adopt the law as it exists when the legislature adopts it. Since the determination of taxable income under the Internal Revenue Code usually changes every year, Florida needs to enact a "piggyback bill" each year.

The bill updates the Florida Income Tax Code to reflect changes made to the U.S. Internal Revenue Code of 1986 by adopting the Internal Revenue Code as in effect on January 1, 2010. The change will apply retroactively to January 1, 2010.

B. SECTION DIRECTORY:

Section 1: Amends s. 220.03, F.S.

Section 2: Provides an effective date of upon becoming law and retroactive application to January 1, 2010.

¹ Sec. 220.11, F.S.

² Secs. 220.12 and 220.13, F.S.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference has not completed an estimate of the fiscal impact of this bill. However, staff estimates that the adoption of the bill would result in a small, indeterminate negative impact on state revenues.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill ensures that corporations which are subject to Florida's corporate income tax can base their calculations of taxable income on current federal rules, rather than potentially having to keep two sets of accounts – one to determine Florida's tax and one for federal tax purposes.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable. This bill does not appear to affect county or municipal government.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES