

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** PCB WMC 20-02 Corporate Income Tax

**SPONSOR(S):** Ways & Means Committee

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

<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR or BUDGET/POLICY CHIEF</b>
Orig. Comm.: Ways & Means Committee		Aldridge	Langston

**SUMMARY ANALYSIS**

Florida imposes a 5.5 percent tax on certain income of corporations doing business in Florida. Florida uses federal taxable income from federal tax returns as a beginning point to calculate corporate income tax owed to Florida. Florida updates its utilization of the Federal Internal Revenue Code (IRC) by adopting the code as it exists on January 1 in any given year. Adopting the code on an annual basis ensures the Florida tax code reflects any relevant changes to the IRC that were made during the prior year.

The bill adopts the IRC as of January 1, 2020, applicable retroactively to January 1, 2020.

The Revenue Estimating Conference estimates that adopting the IRC as it existed on January 1 will have a state revenue impact that is indeterminate with respect to both magnitude and direction.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### **Present Situation**

Florida levies a 5.5 percent tax on the taxable income of corporations and financial institutions doing business in Florida.<sup>1</sup> Florida utilizes the taxable income determined for federal income tax purposes as a starting point to determine the total amount of Florida corporate income tax due.<sup>2</sup> This means that a corporation paying taxes in Florida generally receives the same benefits from deductions allowed when determining taxable income for federal tax purposes as it does when determining taxable income for state taxation purposes, unless the state chooses not to adopt specific federal provisions.

Florida maintains its relationship with the federal Internal Revenue Code (IRC) by annually adopting the IRC as it exists on January 1.<sup>3</sup> By doing this, Florida adopts any changes related to determining federal taxable income that were made during the previous year.

On December 20, 2019, H.R.1865 - Further Consolidated Appropriations Act, 2020, became law. The act included a number of tax provisions, mainly extensions of previously enacted provisions, with potential effects on federal taxable income.

##### **Effect of Proposed Changes**

The bill updates the Florida corporate income tax code by adopting the Internal Revenue Code as in effect on January 1, 2020.

This bill is effective upon becoming law and applies retroactively to January 1, 2020.

#### B. SECTION DIRECTORY:

Section 1: Amends s. 220.03, F.S., to adopt the Internal Revenue Code in effect on January 1, 2020.

Section 2: Provides an effective date.

### II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

The Revenue Estimating Conference estimates that adopting the IRC as it existed on January 1 will have a state revenue impact (General Revenue) that is indeterminate with respect to both magnitude and direction.

##### 2. Expenditures:

None.

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

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<sup>1</sup> s. 220.11(2), F.S.

<sup>2</sup> s. 220.12, F.S.

<sup>3</sup> ss. 220.03(1)(n) and (2)(c), F.S.

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

By adopting recent changes to the Internal Revenue Code, Florida maintains the linkage between the federal and Florida tax codes which simplifies compliance for Florida corporate income taxpayers.

D. FISCAL COMMENTS:

None.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable.

2. Other:

B. RULE-MAKING AUTHORITY:

C. DRAFTING ISSUES OR OTHER COMMENTS:

### IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES