

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Children, Families, and Elder Affairs

BILL: SB 908

INTRODUCER: Senator Rodrigues

SUBJECT: Strong Families Tax Credit

DATE: March 22, 2021

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Moody</u>	<u>Cox</u>	<u>CF</u>	<u>Pre-meeting</u>
2.	_____	_____	<u>FT</u>	_____
3.	_____	_____	<u>AP</u>	_____

I. Summary:

SB 908 creates s. 402.60, F.S., known as the Strong Families Tax Credit. This tax credit program provides tax credits for businesses that make monetary donations to certain eligible charitable organizations that provide services focused on child welfare and well-being, specifically:

- Preventing child abuse, neglect, abandonment, or exploitation;
- Assisting fathers in learning and improving parenting skills or to engage absent fathers in being more engaged in their children’s lives;
- Providing books to the homes of children eligible for a free or reduced-price meal program or those testing below grade level in kindergarten through fifth grade;
- Assisting families who have children with a chronic illness or a physical, intellectual, developmental, or emotional disability; or
- Providing workforce development services to families of children eligible for a free or reduced-price meal program.

The tax credits are a dollar-for-dollar credit against certain tax liabilities up to \$5 million annually and can be taken against the business’s liability for several state taxes, including corporate income tax; insurance premium tax; severance taxes on oil and gas production; alcoholic beverage tax on beer, wine, and spirits; or self-accrued sales tax liability of direct pay permit holders.

The bill specifies requirements and procedures for, and limitations on, receiving the tax credits.

The bill also directs the Florida Institute for Child Welfare, an entity that performs research on child welfare initiatives contributing to a more effective child welfare system, to perform an analysis of the tax credit and the use of the funds and submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives by October 31, 2025.

The bill appropriates \$208,000 in non-recurring general revenue funds to the Department of Revenue to implement the bill, addressing the fiscal impact to that agency.

The bill has an indeterminate, positive fiscal impact on state revenue and an insignificant, negative fiscal impact on the DCF.

The bill has an effective date of July 1, 2021.

II. Present Situation:

Department of Children and Families

The Department of Children and Families (DCF) mission is to work in partnership with local communities to protect the vulnerable, promote strong and economically self-sufficient families, and advance personal and family recovery and resiliency.¹ The DCF must develop a strategic plan to fulfil its mission and establish measurable goals, objectives, performance standards, and quality assurance requirements to ensure DCF is accountable to taxpayers.²

Under s. 20.19(4), F.S., the DCF is required to provide services relating to:

- Adult protection.
- Child care regulation.
- Child welfare.
- Domestic violence.
- Economic self-sufficiency.
- Homelessness.
- Mental health.
- Refugees.
- Substance abuse.

The DCF must develop a strategic plan for fulfilling its mission and establish a set of measurable goals, objectives, performance standards, and quality assurance requirements to ensure it is accountable. The DCF must also deliver services by contract through private providers to the extent allowed by law and funding.³ These private providers include managing entities delivering behavioral health services and community-based care lead agencies to deliver child welfare services.

Florida's Child Welfare System

Current law requires any person who knows or suspects that a child has been abused, abandoned, or neglected to report such knowledge or suspicion to the Florida central abuse hotline (hotline).⁴ A child protective investigation begins if the hotline determines the allegations meet the statutory

¹ Section 20.19(1), F.S.

² *Id.*

³ *Id.*

⁴ Section 39.201(a), F.S.

definition of abuse,⁵ abandonment,⁶ or neglect.⁷ A child protective investigator investigates the situation either immediately, or within 24 hours after the report is received, depending on the nature of the allegation.⁸

After conducting an investigation, if the child protective investigator determines that the child is in need of protection and supervision that necessitates removal, the investigator may initiate formal proceedings to remove the child from his or her home.⁹ However, the DCF's practice model is based on the safety of the child within his or her home, using in-home services such as parenting coaching and counseling to maintain and strengthen that child's natural supports in his or her environment. The DCF contracts for case management, out-of-home services, and related services with CBCs.¹⁰

The DCF outsources foster care and related services to service agencies with an increased *local community ownership* of providing services.¹¹ CBCs contract with a number of subcontractors for case management and direct care services to children and their families. There are 17 CBCs statewide, which together serve the state's 20 judicial circuits.¹²

The DCF remains responsible for a number of child welfare functions, including operating the hotline, performing child protective investigations, and providing children's legal services. Ultimately, the DCF is responsible for program oversight and the overall performance of the child welfare system.¹³

⁵ Section 39.01(2), F.S. The term "abuse" means any willful act or threatened act that results in any physical, mental, or sexual abuse, injury, or harm that causes or is likely to cause the child's physical, mental, or emotional health to be significantly impaired. Abuse of a child includes the birth of a new child into a family during the course of an open dependency case when the parent or caregiver has been determined to lack the protective capacity to safely care for the children in the home and has not substantially complied with the case plan towards successful reunification or met the conditions for return of the children into the home. Abuse of a child includes acts or omissions. Corporal discipline of a child by a parent or legal custodian for disciplinary purposes does not in itself constitute abuse when it does not result in harm to the child.

⁶ Section 39.01(1), F.S. The term "abandoned" or "abandonment" means a situation in which the parent or legal custodian of a child or, in the absence of a parent or legal custodian, the caregiver, while being able, has made no significant contribution to the child's care and maintenance or has failed to establish or maintain a substantial and positive relationship with the child, or both.

⁷ Sections 39.01(50) and 39.201(2)(a), F.S. "Neglect" occurs when a child is deprived of, or is allowed to be deprived of, necessary food, clothing, shelter, or medical treatment or a child is permitted to live in an environment when such deprivation or environment causes the child's physical, mental, or emotional health to be significantly impaired or to be in danger of being significantly impaired. The foregoing circumstances shall not be considered neglect if caused primarily by financial inability unless actual services for relief have been offered to and rejected by such person. A parent or legal custodian legitimately practicing religious beliefs in accordance with a recognized church or religious organization who thereby does not provide specific medical treatment for a child may not, for that reason alone, be considered a negligent parent or legal custodian; however, such an exception does not preclude a court from ordering necessary services.

⁸ Section 39.201(5), F.S.

⁹ Section 39.401, F.S.

¹⁰ Section 409.987, F.S.

¹¹ The Florida Department of Children and Families (DCF), *Community-Based Care*, available at <https://www.myflfamilies.com/service-programs/community-based-care/overview.shtml> (last visited Mar. 22, 2021).

¹² The DCF, *Community-Based Care Lead Agency Map*, available at <https://www.myflfamilies.com/service-programs/community-based-care/lead-agency-map.shtml> (last visited Mar. 22, 2020).

¹³ Office of Program Policy Analysis & Government Accountability (OPPAGA), *Child Welfare System Performance Mixed in First Year of Statewide Community-Based Care, Report 06-50*, p. 2, June 2006, available at <https://oppaga.fl.gov/Documents/Reports/06-50.pdf> (last visited March 22, 2021).

Florida Institute for Child Welfare

In 2014, the Legislature established the Florida Institute for Child Welfare (FICW) at the Florida State University College of Social Work.¹⁴ The Legislature created the FICW to provide research and evaluation that contributes to a more sustainable, accountable, and effective child welfare system. The purpose of the FICW is to advance the well-being of children and families by improving the performance of child protection and child welfare services through research, policy analysis, evaluation, and leadership development.¹⁵ Current law requires the FICW to establish an affiliate network of public and private universities with accredited degrees in social work. In 2017, the FICW expanded its affiliate network to include research affiliates, and there are now over 50 research faculty affiliates.¹⁶

Federal Income Tax

Generally, individuals and corporations are required to file a federal income tax return annually.¹⁷ Individuals pay tax on his or her taxable income at a graduated tax rate.¹⁸ Corporations pay tax at a rate of 21 percent of taxable income with specified exceptions.¹⁹ Federal law provides for tax credits for individuals and businesses in specified situations,²⁰ and imposes an alternative minimum tax of an amount not to exceed a certain amount.²¹

State Revenue Sources

Described below are select taxes imposed by Florida on certain businesses and products within the state.

Individual Income Tax

A person's taxable income is determined based upon his or her adjusted federal income.²² Adjusted federal income means an amount equal to the taxpayer's taxable income for the taxable year adjusted with additions which include, in part, credits such as that under ss. 220.181 and 220.194, F.S., and subtractions which include, in part, net operating losses and net capital losses.²³ A taxpayer's taxable income for the taxable year means taxable income as defined under federal law and reportable for federal income tax purposes for the tax year subject to limitations and other specified exceptions.²⁴

¹⁴ Chapter 2014-224, L.O.F.

¹⁵ Section 1004.615, F.S.

¹⁶ See the Florida Institute for Child Welfare, available at <https://ficw.fsu.edu/> (last visited March 22, 2021).

¹⁷ 26 U.S.C. §§1 and 11.

¹⁸ 26 U.S.C. §1.

¹⁹ 26 U.S.C. §11.

²⁰ 26 U.S.C. §§21 to 53.

²¹ 26 U.S.C. §55.

²² Section 220.13, F.S.

²³ Section 220.13(1), F.S.

²⁴ Section 220.13(2), F.S.

Corporate Income Tax

Florida imposes a 5.5 percent tax on the taxable income of certain corporations and financial institutions doing business in Florida.²⁵ Corporate income tax is remitted to the Department of Revenue (DOR) and distributed to General Revenue. Net collections of corporate income tax in FY 2020-21 are forecast to be \$2.81 billion.²⁶

Credits against corporate income tax or franchise tax are applied in the order as enumerated in the following sections: 631.828,²⁷ 220.191,²⁸ 220.181,²⁹ 220.183,³⁰ 220.182,³¹ 220.1895,³² 220.195,³³ 220.184,³⁴ 220.186,³⁵ 220.1845,³⁶ 220.19,³⁷ 220.185,³⁸ 220.1875,³⁹ 220.193,⁴⁰ 288.9916,⁴¹ 220.1899,⁴² 220.194,⁴³ and 220.196, F.S.^{44,45}

Alternative Minimum Tax (AMT)

Florida AMT must be computed if federal AMT was paid for the same tax year.⁴⁶ Florida alternative minimum taxable income is multiplied by 3.3 percent to determine Florida AMT.⁴⁷ Florida alternative minimum taxable income is multiplied by 3.3 percent to determine the Florida AMT.⁴⁸ The tax due is the higher of the regular Florida corporate income tax or the Florida AMT, and the corporation is allowed a credit in future years for the amount paid.⁴⁹

²⁵ Sections 220.11(2) and 220.63(2), F.S.

²⁶ *General Revenue Consensus Estimating Conference Comparison Report*, p. 27, December 21, 2020, available at <http://edr.state.fl.us/Content/conferences/generalrevenue/grpackage.pdf> (last visited Mar. 22, 2020) (hereinafter cited as “GR Consensus Report”).

²⁷ Credit for assessment paid by a member of a health maintenance organization.

²⁸ Capital investment tax credit.

²⁹ Enterprise zone job credit.

³⁰ Community contribution tax credit.

³¹ Enterprise zone property tax credit.

³² Rural job tax credit and urban high-crime area job tax credit.

³³ Emergency excise tax credit.

³⁴ Hazardous waste facility tax credit.

³⁵ Credit for Florida alternative minimum tax.

³⁶ Contaminated site rehabilitation tax credit.

³⁷ Child care tax credit.

³⁸ State housing tax credit.

³⁹ Credit for contributions to eligible nonprofit scholarship-funding organizations.

⁴⁰ Florida renewable energy production credit.

⁴¹ New market tax credit.

⁴² Entertainment industry tax credit.

⁴³ Corporate income tax credit for spaceflight projects.

⁴⁴ Research and development tax credit.

⁴⁵ Section 220.02(8), F.S.

⁴⁶ Section 220.186, F.S.; Florida Department of Revenue, *Corporate Income Tax*, p. 2, available at https://floridarevenue.com/Forms_library/current/gt800017.pdf (last visited March 22, 2021) (hereinafter cited as “DOR Florida AMT”).

⁴⁷ DOR Florida AMT.

⁴⁸ *Id.*

⁴⁹ *Id.*

Insurance Premium Tax

Florida imposes a 1.75 percent tax on most Florida insurance premiums.⁵⁰ Insurance premium taxes are paid by insurance companies under ch. 624, F.S., and are remitted to the DOR. These revenues are distributed to General Revenue with additional distributions to the Insurance Regulatory Trust Fund, the Police & Firefighters Premium Tax Trust Fund, and the Emergency Management Preparedness & Assistance Trust Fund. Net collections of insurance premium taxes are forecast to be \$930.1 million in FY 2020-21 with distributions to General Revenue of \$681 million.⁵¹

Severance Taxes on Oil and Gas Production

Oil and gas production severance taxes are imposed on persons who sever oil or gas in Florida for sale, transport, storage, profit, or commercial use.⁵² These taxes are remitted to the DOR and distributed to General Revenue with additional distributions to the Minerals Trust Fund and to the counties where production occurred. Receipts from the severance taxes on oil and gas are estimated to be \$1.3 million in FY 2020-2021 with distributions to General Revenue of \$9.3 million.⁵³

Sales Taxes Paid by Direct Pay Permit Holders

Section 212.183, F.S., authorizes the DOR to establish a process for the self-accrual of sales taxes due under ch. 212, F.S. The process involves the DOR granting a direct pay permit to a taxpayer, who then pays the taxes directly to the DOR.⁵⁴

Alcoholic Beverage Taxes

Florida imposes excise taxes on malt beverages, wines, and other beverages.⁵⁵ The taxes are due from manufacturers, distributors and vendors of malt beverages, and from manufacturers and distributors of wine, liquor, and other specified alcoholic beverages. Taxes are remitted to the Division of Alcoholic Beverages and Tobacco (Division) in the Department of Business and Professional Regulation (DBPR).⁵⁶

Distributions of the excise taxes on alcoholic beverages are made to the General Revenue Fund, the Alcoholic Beverage and Tobacco Trust Fund, and Viticulture Trust Fund. Collections of

⁵⁰ Section 624.509, F.S. (Different tax rates apply to wet marine and transportation insurance, self-insurance, and annuity premiums.)

⁵¹ GR Consensus Report, p. 34.

⁵² Sections 211.02(1) and 211.025, F.S.

⁵³ GR Consensus Report, p. 38.

⁵⁴ Section 212.183, F.S., and r. 12A-1.0911, F.A.C. Direct pay permit holders include: dealers who annually make purchases in excess of \$10 million per year in any county; dealers who annually purchase at least \$100,000 of tangible personal property, including maintenance and repairs for their own use; dealers who purchase promotional materials whose ultimate use is unknown at purchase; eligible air carriers, vessels, railroads, and motor vehicles engaged in interstate and foreign commerce; and dealers who lease realty from a number of independent property owners.

⁵⁵ Sections 563.05, 564.06, and 565.12, F.S.

⁵⁶ Section 561.02, F.S. The Division is responsible for supervising the conduct, management, and operation of the manufacturing, packaging, distribution, and sale of all alcoholic beverages in Florida.

alcoholic beverage taxes are forecast to be \$757.1 million in FY 2020-21 with distributions to General Revenue of \$297.5 million.⁵⁷

Currently, there are no statutory provisions for a tax credit program for eligible contributions made to eligible organizations that work to promote the welfare of children.

Background Screening

Background Screening Process

Current law establishes standard procedures for criminal history background screening of prospective employees and ch. 435, F.S., outlines the screening requirements. There are two levels of background screening: level 1 and level 2. Level 1 screening includes, at a minimum, employment history checks and statewide criminal correspondence checks through the Florida Department of Law Enforcement (FDLE) and a check of the Dru Sjodin National Sex Offender Public Website,⁵⁸ and may include criminal records checks through local law enforcement agencies.⁵⁹ A level 2 background screening includes, but is not limited to, fingerprinting for statewide criminal history records checks through the FDLE and national criminal history checks through the Federal Bureau of Investigation (FBI), and may include local criminal records checks through local law enforcement agencies.⁶⁰

Every person required by law to be screened pursuant to ch. 435, F.S., must submit a complete set of information necessary to conduct a screening to his or her employer.⁶¹ Such information for a level 2 screening includes fingerprints, which are taken by a vendor that submits them electronically to the FDLE.⁶²

For both level 1 and 2 screenings, the employer must submit the information necessary for screening to the FDLE within five working days after receiving it.⁶³ Additionally, for both levels of screening, the FDLE must perform a criminal history record check of its records.⁶⁴ For a level 1 screening, this is the only information searched, and once complete, the FDLE responds to the employer or agency, who must then inform the employee whether screening has revealed any disqualifying information.⁶⁵ For level 2 screening, the FDLE also requests the FBI to conduct a national criminal history record check of its records for each employee for whom the request is made.⁶⁶ The person undergoing screening must supply any missing criminal or other necessary information upon request to the requesting employer or agency within 30 days after receiving the request for the information.⁶⁷

⁵⁷ GR Consensus Report, p. 31.

⁵⁸ The Dru Sjodin National Sex Offender Public Website is a U.S. government website that links public state, territorial, and tribal sex offender registries in one national search site, available at <https://www.nsopw.gov/> (last visited February 23, 2021).

⁵⁹ Section 435.03, F.S.

⁶⁰ Section 435.04, F.S.

⁶¹ Section 435.05(1)(a), F.S.

⁶² Section 435.04(1)(a), F.S.

⁶³ Section 435.05(1)(b)-(c), F.S.

⁶⁴ *Id.*

⁶⁵ Section 435.05(1)(b), F.S.

⁶⁶ Section 435.05(1)(c), F.S.

⁶⁷ Section 435.05(1)(d), F.S.

Disqualifying Offenses

Regardless of whether the screening is level 1 or level 2, the screening employer or agency must make sure that the applicant has good moral character by ensuring that the employee has not been arrested for and is awaiting final disposition of, been found guilty of, regardless of adjudication, or entered a plea of nolo contendere or guilty to, or been adjudicated delinquent and the record has not been sealed or expunged for, any of the 52 offenses enumerated in s. 435.04(2), F.S., or similar law of another jurisdiction.⁶⁸

III. Effect of Proposed Changes:

Strong Families Tax Credit Program

Tax Credits for Contributions to Eligible Charitable Organizations

The bill creates s. 402.62, F.S., known as the Strong Families Tax Credit Program. This program provides tax credits for businesses that make monetary donations to certain eligible charitable organizations that provide services focused on child welfare and well-being. The tax credits are a dollar-for-dollar credit against certain tax liabilities.

The tax credit can be taken against the business's liability for several state taxes, including:

- Corporate income tax;
- Insurance premium tax;
- Severance taxes on oil and gas production;
- Alcoholic beverage tax on beer, wine, and spirits; or
- Self-accrued sales tax liability of direct pay permit holders.

New sections are created in each of the applicable tax chapters to create the credit authorized in s. 402.62, F.S., as discussed further below.

The annual tax credit cap for all credits under this program is \$5 million per state fiscal year.

Certification and Responsibilities of Eligible Charitable Organizations

To qualify for the program, an eligible charitable organization must be exempt as a 501(c)(3) organization under the Internal Revenue Code, must be a Florida entity with its principal office in the state of Florida, and must provide services to:

- Prevent child abuse, neglect, abandonment, or exploitation;
- Assist fathers in learning and improving parenting skills or to engage absent fathers in being more engaged in their children's lives;
- Provide books to the homes of children eligible for a free or reduced-price meal program or those testing below grade level in kindergarten through fifth grade;
- Assist families who have children with a chronic illness or a physical, intellectual, developmental, or emotional disability; or
- Provide workforce development services to families of children eligible for a free or reduced-price meal program.

⁶⁸ See s. 435.04(2), F.S., for a full list.

An eligible charitable organization cannot:

- Provide, pay for, or provide coverage for abortions or financially support any other entity that provides, pays for or provides coverage for abortions, or
- Receive more than 50% of its total annual revenue from the DCF, either directly or indirectly in the prior fiscal year.

Additionally, to participate in the program, the organization must:

- Spend 100% of received funds on direct services for Florida residents for an approved purpose under the Strong Families tax credit;
- Conduct level 2 background screening of any volunteers or staff that work directly with children;
- Annually provide a copy of its most recent IRS Return of Organization Exempt from Income Tax form (Form 990); and
- Annually submit to the DCF an audit by an independent certified public accountant in accordance with generally accepted accounting principles, government standards and rules adopted by the Auditor General;⁶⁹
- Notify the DCF within 5 days if the charitable organization ceases to meet eligibility requirements or fails to comply with requirements under the section; and
- Provide the taxpayer with a certificate of contribution upon receipt of a contribution.⁷⁰

Responsibilities of the Department of Children and Families

The DCF must annually redesignate eligible charitable organizations and remove organizations that fail to meet the specified criteria. A charitable organization that has its designation removed is able to apply for redesignation. The DCF must redesignate the organization if it meets the criteria and the application demonstrates that the factors leading to its removal have been sufficiently addressed. The DCF is also responsible for creating and maintaining a section of their website dedicated to this tax credit program and providing information on the process for becoming an eligible charitable organization, a list of current eligible charitable organizations, and the process for a taxpayer to select an eligible charitable organization as the recipient of funding through the tax credit program. Finally, the DCF must compel the return of funds received by a charitable organization that fails to comply with the requirements of the section. If an organization is subject to such return of funds, it is ineligible to receive funding under the section for a period of 10 years after final agency action to compel the return.

Application and Approval of Tax Credits by DOR

Businesses that wish to participate in the program by making a donation to an eligible charitable organization must apply to the DOR beginning October 1, 2021, for an allocation of tax credit. The taxpayer must specify in the application each tax for which the taxpayer requests a credit, the applicable taxable year for a credit under s. 220.1876, F.S., or s. 624.51056, F.S., relating to the corporate income and insurance premium tax credits, and the applicable state fiscal year for a credit under ss. 211.0252, F.S., 212.1833, F.S., or 561.1212, F.S., relating to oil and gas

⁶⁹ The audit must include the financial statements of the organization and must be provided to the DCF within 180 days after completion of the charitable organization's fiscal year.

⁷⁰ A certificate of contribution must include the taxpayer's name, the federal employer identification number, amount contributed, date of contribution, and the name of the eligible charitable organization.

production, direct pay permit sales, and alcoholic beverage tax credits, respectively. For purposes of s. 220.1876, F.S., a taxpayer may apply for a credit to be used for a prior taxable year before the date the taxpayer is required to file a return for that year pursuant to s. 220.222, F.S. For purposes of s. 624.51056, F.S., a taxpayer may apply for a credit to be used for a prior taxable year before the date the taxpayer is required to file a return for that year pursuant to s. 624.509, F.S., or s. 624.5092, F.S. The DOR is required to approve the tax credits on a first-come, first-served basis and must obtain the approval of the Division prior to approving an alcoholic beverage tax credit under s. 561.1212, F.S.

The DOR must provide a copy of a letter approving or denying an application within 10 days after a decision is made.

Any unused credit may be carried forward up to ten years. The bill generally does not allow a taxpayer to convey, transfer, or assign the credit to another entity unless all of the assets of the taxpayer are conveyed, transferred, or assigned in the same transaction. Upon approval of the DOR, transfers may be made between members of an affiliated group of corporations if the credit transferred will be taken against the same type of tax.

For purposes of calculating underpayment, the final amount due is the amount after credits earned for contributions to eligible charitable organizations are deducted. Provisions are made for determining whether penalties or interest will be imposed.

Rescinding Tax Credits

A taxpayer may rescind all or part of an approved tax credit in any state fiscal year, and such amount will become available for that state fiscal year to another eligible taxpayer as approved by the DOR if the taxpayer received notice that the rescindment has been accepted. The DOR must obtain the Division's approval before accepting the rescindment under s. 561.1212. Any rescindment amount available for other eligible taxpayers must become available on a first-come, first-served basis based on tax credit applications received after the date of rescindment is accepted by the DOR.

Revenue Sources

Corporate Income Tax

The bill creates s. 220.1876, F.S., which, beginning January 1, 2022, authorizes a credit of 100% of an eligible contribution to an eligible charitable organization against any tax due under ch. 220, F.S., for corporate income tax after any other allowable credits by the taxpayer. An eligible contribution must be made prior to the date the taxpayer is required to file a return. The credit must be reduced by the difference between the amount of federal corporate income tax, taking into account the credit created under s. 220.1876, and the amount of federal corporate income tax without application of the credit granted by this section. A taxpayer who files a Florida consolidated return is eligible for the credit but is subject to such limits.

Section 402.62 applies to the credit created under s. 220.1876, F.S. If an extension to file a return is requested, the credit does not reduce the amount of tentative tax due. A taxpayer's noncompliance with the requirement to pay tentative taxes must result in the revocation and

rescindment of any such credit, and the taxpayer will be assessed for any taxes, penalties, or interest due from such noncompliance.

The bill amends two additional provisions that are solely related to corporate income tax related to the ordering and administration of tax credits to:

- Specify the order that credits for contributions to eligible charitable organizations are to be claimed relative to other credits authorized under ch. 220, F.S., and
- Add tax credit amounts claimed under s. 220.1876, F.S., back to taxable income for the purpose of determining a taxpayer's "adjusted federal income."

Insurance Premium Tax

The bill creates s. 624.51056, F.S., which, beginning January 1, 2022, authorizes a credit of 100% of an eligible contribution to an eligible charitable organization against any tax due under s. 624.509(1), F.S., after deducting from such tax deductions for assessments made pursuant to s. 440.51 and credits for taxes paid under ss. 175.01, F.S., 185.08, F.S., ch. 220, F.S., or s. 624.509, F.S. The contribution must be made prior to the date the taxpayer is required to file a return. The credit is not limited by s. 624.5091, F.S., and no additional retaliatory tax may be levied under that section. Section 402.62, F.S., applies to the credit authorized under this section.

Severance Taxes on Oil and Gas Production

The bill creates s. 211.0252, F.S., which, beginning July 1, 2022, authorizes a credit of 100% of an eligible contribution to an eligible charitable organization against any tax due under s. 211.02, F.S., or s. 211.025, F.S., for oil or gas production. However, the credit may not exceed 50% of the tax due on the return the credit is taken, and this credit may be used only after any credit under s. 211.0251, F.S., has been used, up to a total of 50% of the liability on the return. The bill directs DOR to disregard tax credits under this section for purposes of the distributions of tax revenue under s. 211.06, F.S., so that only amounts distributed to the General Revenue Fund are reduced.

Sales Taxes Paid by Direct Pay Permit Holders

The bill creates s. 212.1833, F.S., which, beginning July 1, 2022, authorizes a credit of 100% of an eligible contribution to an eligible charitable organization against any state sales tax due from a direct pay permit holder as a result of the direct pay permit held pursuant to s. 212.183, F.S. The bill directs the DOR to disregard tax credits under this section for purposes of the distributions of tax revenue under s. 212.20, F.S., so that only amounts distributed to the General Revenue Fund are reduced.

Alcoholic Beverage Taxes

The bill creates s. 561.1212, F.S., to authorize a credit of 100% of an eligible contribution to an eligible charitable organization against tax due under s. 563.05, F.S., s. 564.06, F.S., or s. 565.12, F.S., except for taxes imposed on domestic wine production, beginning January 1, 2022. Further, the credit is limited to 90% of the tax due on the return the credit is taken. The Division is directed to disregard tax credits under this section for purposes of the distributions of tax revenue under ss. 561.121 and 564.06(10), F.S., so that only amounts distributed to the General Revenue Fund are reduced.

The bill provides rulemaking authority to the DOR, DCF, Auditor General, and the DBPR. In addition, the DOR is granted emergency rulemaking authority for purposes of implementing the act.

Specific Appropriation

An appropriation of \$208,000 nonrecurring funds from General Revenue is provided to the DOR for implementation costs.

Florida Institute of Child Welfare Study

The bill directs the FICW to perform an analysis of the tax credit and the use of the funds and submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representative by October 31, 2025.

The bill takes effect July 1, 2021.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

Revenues:

The Revenue Estimating Conference has not yet determined the fiscal impact of the bill. However, the DCF Office of Administrative Services finds that this bill may decrease

taxes, and the tax credit is capped at \$5 million for each state fiscal year.⁷¹ Under current law:⁷²

- The revenue for the state portion of an employee’s state and national criminal history record check will be \$24 per name submitted; and
- The revenue for the state portion of a volunteer’s state and national criminal history record check will be \$18 per volunteer name submitted;

These funds are also subject to a general revenue service charge of eight percent pursuant to ch. 215, FS.⁷³

Expenditures:

HB 897 is substantially similar to SB 908. The DOR reports in its analysis for HB 897 that the new tax credit will have non-recurring operational impacts of approximately \$204,000.⁷⁴ Ongoing operational impacts on the DOR will be accommodated within current resources.⁷⁵ The bill appropriates \$208,000 in non-recurring general revenue funds to the DOR to implement its provisions.

The DCF will incur administrative costs to implement the bill, which current resources are adequate to absorb.⁷⁶

B. Private Sector Impact:

Eligible charitable organizations under the Strong Families Tax Credit will benefit from the dollar-for-dollar credit against certain tax liabilities up to a cap of \$5 million.⁷⁷

Charitable organizations will be required to obtain an audit from an independent certified public accountant.⁷⁸

C. Government Sector Impact:

The state may receive a reduction in revenue of taxes up to \$5 million.⁷⁹

The DCF will incur additional costs for the new administrative responsibilities provided for under the bill which can be completed with existing resources.⁸⁰

⁷¹ The DCF, *Agency Analysis for SB 908*, p. 4, February 5, 2021 (on file with the Committee on Children, Families, and Elder Affairs) (hereinafter cited as “The DCF Analysis”).

⁷² Section 943.053, F.S.; The Florida Department of Law Enforcement, *Agency Analysis for SB 908*, p. 4-5, February 15, 2021 (on file with the Committee on Children, Families, and Elder Affairs) (hereinafter cited as “The FDLE Analysis”).

⁷³ The FDLE Analysis, p. 4-5.

⁷⁴ The DOR, *Agency Analysis of 2021 House Bill 897*, p. 9, March 3, 2021, (on file with the Senate Committee on Children, Families, and Elder Affairs).

⁷⁵ *Id.*

⁷⁶ The DCF Analysis, p. 4.

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ The DCF Analysis, p. 4.

⁸⁰ *Id.*

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 220.02, 220.13, and 220.186.

This bill creates the following sections of the Florida Statutes: 211.0252, 212.1833, 220.1876, 402.62, 561.1212, and 624.51056.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.