

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: CS/SB 426

SPONSOR: Finance and Taxation Committee and Senator Campbell

SUBJECT: Tax Administration

DATE: February 21, 2002 REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Fournier	Johansen	FT	Favorable/CS
2.				
3.				
4.				
5.				
6.				

## I. Summary:

This committee substitute includes recommendations of the Tax Reform Task Force, and its provisions are intended to make it easier for taxpayers to comply with Florida tax laws and to reduce unnecessary filings. It also includes recommendations by the Tax Section of the Florida Bar for improved fairness to taxpayers, a change in the apportionment of adjusted federal income for the frozen fruits, fruit juices, and frozen vegetables industry, extension of the certified audit program, and a provision allowing more students to receive scholarships from scholarship-funding organizations.

- It provides an electronic database to enable insurance companies to determine the situs of property and casualty insurance policies and provides certain safeguards for insurance companies that utilize the database.
- It eliminates the requirement for corporations to file intangibles tax returns when no tax is due and the requirement to file information returns regarding stock value.
- It repeals the documentary stamp tax on stock certificates and caps the tax on unsecured loans.
- It authorizes the Department of Revenue to require a report with certain claims for tax credits, and to disallow any credit not supported by the required report.
- It authorizes the Department of Revenue to waive registration fees under ss. 212.18 and 376.70, F.S., for online registrations.
- It eliminates initial information returns for certain corporations and provides that interest on any corporate income tax deficiency accrues from the date fixed for filing the original return.
- It allows certain employers of domestic service employees to file annually for unemployment tax.

- It provides that for the frozen fruits, fruit juices, and vegetables industry, if the ultimate destination of the product is a location outside the state, the sale is not deemed to occur in this state.
- It provides for an additional choice of venue for initiating action in tax cases, and allows improperly filed cases to be transferred, rather than dismissed.
- It allows a taxpayer to establish overpayment of sales and use tax through statistical sampling when applying for a refund.
- It requires that penalties in excess of 25 percent of the tax be settled or compromised under certain conditions, and provides for a *de novo* review of challenges to penalty assessments.
- It extends the Department of Revenue's Certified Audit Program through July 1, 2006. Under current law this program is repealed July 1, 2002.
- It provides that certain single-member limited liability companies that are disregarded for federal income tax purposes must be treated as separate legal entities for non-income tax purposes.
- It expands the definition of "qualified student," for purposes of granting tax credits for contributions to eligible non-profit scholarship funding organizations, to include students who meet the income criteria and who are eligible to enter kindergarten or first grade.
- It repeals a limitation on the effect of contributions to eligible non-profit scholarship funding organizations on the first two estimated corporate income tax payments.
- It provides an appropriation for the Department of Revenue to develop an electronic database, and provides that it is the intent of the Legislature that such database be used to determine the allocation of insurance premiums for the 2003 insurance premium tax return..

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 175.1015, 185.085, 199.052, 199.062, 199.218, 199.282, 201.05, 201.08, 212.11, 212.18, 220.22, 220.23, 220.809, 376.70, 443.131, 220.15, 72.011, 212.12, 213.21, 213.285, 213.053, 220.03, 608.471, 220.187, and 220.331.

## **II. Present Situation:**

Chapter 175, Florida Statutes, provides minimum benefits and minimum standards for the operation and funding of municipal and special fire control district firefighters' pensions plans. It authorizes each municipality or special district that has established a firefighters' pension trust fund to assess an excise tax of 1.85 percent of the gross receipts of premiums collected from property insurance policies covering property within its corporate limits. Each insurance agent is required to identify the fire service provider on the property owner's application for insurance and the insurance company is required to report the premiums and pay the excise tax on its annual premium tax return. The Department of Revenue processes each insurance premium tax return and keeps a separate account of all moneys collected for each municipality and special fire control district, based solely on information provided on the return. DOR distributes the funds collected to the Police and Firefighters Premium Tax Trust Fund in the Division of Retirement, from which the money is distributed annually to the municipalities and special fire control

districts. The Department of Insurance is responsible for auditing these excise taxes, and insurance companies are billed for the cost of any audit.

Chapter 185, Florida Statutes, provides minimum benefits and minimum standards for the operation and funding of municipal police officers' pensions plans. It authorizes each municipality or special district that has established a police officers' pension trust fund to assess an excise tax of 1.85 percent of the gross receipts of premiums collected from casualty insurance policies covering property within its corporate limits. Each insurance agent is required to identify the municipality on the property owner's application for insurance and the insurance company is required to report the premiums and pay the excise tax on its annual premium tax return. The Department of Revenue processes each insurance premium tax return and keeps a separate account of all moneys collected for each municipality, based solely on information provided on the return. DOR distributes the funds collected to the Police and Firefighters Premium Tax Trust Fund in the Division of Retirement, from which the money is distributed annually to the municipalities. The Department of Insurance is responsible for auditing these excise taxes, and insurance companies are billed for the cost of any audit.

Subsection (2) of s 199.052, F.S., provides that no person shall be required to pay the annual tax on intangible personal property if the tax would be less than \$60, after exemptions. Corporations, agents, and fiduciaries, however, are required to file informational returns.

Subsection (1) of s. 199.062, F.S., requires every corporation doing business in Florida to provide its Florida stockholders a written notice of the just value of each class of its stock as of the preceding January 1, unless the stock is regularly listed on a public stock exchange or traded over the counter, or the corporation has elected to pay the stockholders' annual tax. subsection (2) of that section requires each corporation to file a copy of this notice with the Department of Revenue. Subsection (2) of s. 199.218, F.S., requires each corporation and broker subject to the reporting requirement of s. 199.062, F.S., to preserve all books and records relating to information reported under that section. Subsection (6) of s. 199.282, F.S., provides a penalty for late filing of notices required under ss 199.057(2)(c) or 199.062(2), F.S.

Section 201.05, F.S., imposes a documentary stamp tax of 35 cents per \$100 value of original issues of stock by any corporation, joint stock company, or other association.

S. 201.08, F.S., taxes new or renewed promissory notes, nonnegotiable notes, written obligations to pay money, and other compensation made, executed, delivered, sold, transferred, or assigned in the state at 35 cents per \$100. Revenue from documentary stamps is divided between the General Revenue Fund and various trust funds used to acquire public lands or support affordable housing.

Florida residents and companies can execute, outside of the state of Florida, promissory notes, nonnegotiable notes, and other unsecured obligations to pay money. When executed outside of Florida, these instruments are not subject to the state's documentary stamp tax. When the amount of tax that would be due on a Florida transaction is significantly greater than the cost of closing a business transaction outside of Florida, the parties to the transaction sometimes leave the state to conduct the transaction.

Mortgages, trust deeds, security agreements, or other evidences of indebtedness filed or recorded in this state are also taxed at 35 cents on each \$100 or fraction thereof, even if they are executed outside the state.

There are several programs that offer tax credits to sales and use dealers. Creation of jobs in an enterprise zone (s. 212.096, F.S.), Urban High-Crime Area (s. 212.097, F.S.) or qualified rural area (s. 212.098, F.S.) and contributions to eligible organizations (s. 212.08(5)(q), F.S.), are some of the sources of tax credits.

Section 212.11 provides for sales tax returns and regulations. It provides that all dealers must file a return and remit the tax, and that the return must show the rentals, admissions, gross sales, or purchases arising from all leases, rentals, admissions, sales, or purchases taxable under this chapter during the previous month.

Section 212.18, F.S., provides that every person desiring to engage in or conduct business in this state as a sales and use tax dealer, or to lease, rent, or let or grant license in transient lodgings or real property, and every person who receives money for admissions must register with the Department of Revenue. The application for a certificate of registration must be accompanied by a registration fee of \$5. The Department of Revenue now accepts applications over the Internet and for the first 6 months of the Internet application program the \$5 fee has been waived. The department will begin to accept applications via the Multistate Tax Commission's online multi-jurisdiction registration process.

Section 220.22, F.S., requires a qualified subchapter S subsidiary corporation to file an information return with the Department of Revenue for the year in which an election is made pursuant to s. 1361(b)(3) of the Internal revenue code, even though no tax is due.

Section 220.23, F.S., provides instructions for a corporation that must adjust certain items reported on its federal income tax return which would affect the corporations Florida tax liability.

Section 220.809, F.S., provides for interest to be paid on the unpaid amount of corporate income tax due from the date when the tax was due. An exception to this general rule was created in 1999 by the case of *Barnett Banks, Inc. v. Department of Revenue*, 738 So.2d 502 (1st DCA 1999), which ruled that the intent of the Florida Legislature to impose interest on tax deficiencies discovered during federal audits was not clearly expressed in the Florida Income Tax Code.

Subsection (2) of s. 376.70, F.S., requires each dry cleaning facility or dry drop-off facility to register with the Department of Revenue for the purpose of collecting the tax on its gross receipts. The fee for registration is \$30.

Federal law allows annual filing for unemployment tax for domestic service employees, but because of discrepancies in state and federal filing deadlines, employers that file annually are not able to take full credit for payment of state unemployment taxes when filing a federal unemployment tax return annually. Specifically, subsection (1) of s. 443.131, F.S., provides a due date of April 1 for annual filing of state unemployment taxes.

Section 220.15, F.S., provides that the sales factor component of the apportionment factor of adjusted federal income is calculated by dividing the total sales of the taxpayer in Florida during the taxable year by the total sales of the taxpayer anywhere during the taxable year. The sale is determined to have taken place in Florida if the property is delivered or shipped to a purchaser within the state, regardless of the ultimate destination of the property, unless shipment is made via a common or contract carrier.

When contesting the legality of any assessment or denial of refund of any tax, fee, surcharge, permit, interest, or penalty, a taxpayer has two choices of venue under as provided under s. 72.011, Florida Statutes: the Second Judicial Circuit Court in and for Leon County, or in the county where the taxpayer resides or maintains its principal commercial domicile in this state. For corporate and other entity taxpayers, particularly multistate taxpayers, it is unclear where the taxpayer may “reside” or have its “principal commercial domicile.” If a taxpayer selects the wrong venue the case is dismissed, not transferred, and the statute of limitations may run out on the claim.

Section 215.26(2), Florida Statutes, requires a taxpayer to submit an application for any refund of all funds paid into the State Treasury on a form approved by the Comptroller, and to provide additional proof as deemed necessary to establish the refund requested. Section 212.12(6)(c), Florida Statutes, provides that a sales and use tax refund or overpayment may be verified by DOR through a sample when records are adequate but voluminous during the period being audited, but such verification is not required. Sampling of records regarding fixed assets is not allowed. This section applies to overpayments found during compliance audits and to verification of amounts requested on a refund application. When records are not adequate during the refund period, the sales and use tax refund request will be verified by DOR through a detailed examination of the available records. A taxpayer is not permitted to establish an overpayment of sales and use tax through sampling except in the context of an audit.

Current law provides for penalties to be assessed for tax delinquencies. Section 213.21, Florida Statutes, authorizes DOR to settle or compromise a taxpayers liability for penalties if it determines that the taxpayer’s noncompliance was “due to reasonable cause and not to willful negligence, willful neglect, or fraud.” A taxpayer’s liability for penalties in excess of 25 percent of the tax may be settled or compromised if DOR determines that the noncompliance was due to reasonable cause.

The Certified Audit Program is a cooperative pilot effort between the Florida Department of Revenue and the Florida Institute of Certified Public Accountants. This program gives taxpayers the opportunity to hire, at their own expense, qualified CPA firms to review their tax compliance. As an incentive to incur the cost of a certified audit, penalties are waived and interest abated if tax is owed as a result of the audit. Additionally, except in cases of fraud or misrepresentation, the Department will not audit taxpayers for the same period or tax covered by the certified audit period. The program was enabled by section 213.285, Florida Statutes. The pilot program is for Florida sales and use tax and local option taxes.

There are many advantages to businesses that participate in the Certified Audit Program. The most important are these:

- Taxpayers receive a statutorily guaranteed waiver of all penalties, abatement of the first \$25,000 of interest and an additional 25% of any interest liability in excess of the first \$25,000. (These incentives do not apply where tax was collected but not remitted.)
- Once the Certified Audit Report is approved by the Department, the taxpayer is removed from the audit pool for sales and use tax for the period covered by the audit, unless it is later determined there was misrepresentation or fraud.
- The cost of hiring the CPA firm is deductible as an ordinary and necessary business expense.

As of December 15, 2001, 139 CPAs have participated in the Certified Audit Training Seminar, and 108 have taken and passed the examination to become certified in Florida sales & use tax. As of December 15, 2001, there are 98 Certified Audits at various stages in the program, of which 39 have been completed.

The table below shows that the program has experienced healthy growth since its inception, especially in the current year.

#### Certified Audit Program Activity

	Assessed	Collected	Refunded
FY 1999/2000	\$ 249,555	\$ 236,652	-0-
FY 2000/2001	\$1,044,608	\$ 822,406	\$25,483
FY 2001/2002	\$5,290,107	\$2,591,687	-0-
Program Total	\$6,584,270	\$3,650,745	\$25,483

Section 608.471, Florida Statutes, provides, in part, that a limited liability company classified as a partnership or single member limited liability company that is disregarded as an entity separate from its owner for federal income tax purposes is not required to file a separate return under the Florida Income Tax Code. The statutes do not address how single-member limited liability companies are treated for non-income tax purposes, and the Department of Revenue has no rulemaking authority in this area. This creates problems for single-member limited liability companies that are treated as pass-through entities for federal income tax purposes but require separate treatment for sales and employment tax purposes.

Section 220.187, F.S., provides for a 100 percent corporate income tax credit for contributions to nonprofit scholarship-funding organizations. Scholarships offered under this program are limited to students who qualify for free or reduced price school lunches under the National School Lunch Act and who were counted as a full-time equivalent student during the previous state fiscal year for purposes of state per-student funding or received a scholarship under this program in the previous school year.

Section 220.331, F.S., provides that the first two payments of estimated tax pursuant to s. 200.33, F.S., shall not be affected by any contribution made to a nonprofit scholarship-funding organization. This is an erroneous citation; s. 200.33, F.S., does not exist.

### III. Effect of Proposed Changes:

**Section 1.** Creates s. 175.1015, F.S., which provides that an insurance company required to report and remit the excise tax imposed under s. 175.101 (which funds firefighters' pensions) is held harmless from taxes, interest, or penalties that arise from improperly assigning insured property if the insurance company exercises due diligence in using an electronic database created by DOR to assign the property. An insurance company that does not use the electronic database is subject to a higher penalty for improperly assigned insured property if it does not use the electronic database.

This section also requires DOR, subject to legislative appropriation, to create and maintain a database that gives due and proper regard to any format that is approved by the American National Standards Institute's Accredited Committee X12 and that designates for each street address and address range in the state the local taxing jurisdiction in which the address is located and the code for each local taxing jurisdiction. this database must be updated annually. Each local taxing jurisdiction must provide DOR all information needed to create the database, including information about annexations and other boundary changes. The duties of insurance companies in exercising "due diligence" are prescribed, and an annual appropriation from the Police and Firefighter's Premium Tax Trust Fund of no more than \$50,000, adjusted for inflation, is made to DOR to pay the expenses of administering the database. DOR is directed to adopt rules necessary to administer this section.

**Section 2.** Creates s. 185.085, F.S., which provides that an insurance company required to report and remit the excise tax imposed under s. 185.08 (which funds municipal police officers' pensions) is held harmless from taxes, interest, or penalties that arise from improperly assigning insured property if the insurance company exercises due diligence in using an electronic database created by DOR to assign the property. An insurance company that does not use the electronic database is subject to a higher penalty for improperly assigned insured property if it does not use the electronic database.

This section also requires DOR, subject to legislative appropriation, to create and maintain a database that gives due and proper regard to any format that is approved by the American National Standards Institute's Accredited Committee X12 and that designates for each street address and address range in the state the local taxing jurisdiction in which the address is located and the code for each local taxing jurisdiction. this database must be updated annually. Each local taxing jurisdiction must provide DOR all information needed to create the database, including information about annexations and other boundary changes. The duties of insurance companies in exercising "due diligence" are prescribed, and an annual appropriation from the Police and Firefighter's Premium Tax Trust Fund of no more than \$50,000, adjusted for inflation, is made to DOR to pay the expenses of administering the database. DOR is directed to adopt rules necessary to administer this section.

**Section 3.** Amends s. 199.052(2), F.S., repealing the requirement that corporations, agents, and fiduciaries must file an annual return if the tax due is less than \$60. It also clarifies the interpretation of "less than \$60" by specifying that the \$60 threshold is applied before any discount for early filing.

**Section 4.** Repeals subsections (1) and (2) of s. 199.062, F.S., which require that corporations file annual information returns regarding stock value and provides a penalty for failure to do so.

**Sections 5 and 6** contain technical changes that conform ss. 199.218 and 199.282, F.S., with section 4.

**Section 7.** Repeals s. 201.05, F.S., eliminating the imposition of documentary stamp tax on original issues of shares of stock.

**Section 8.** Amends s. 201.08, F.S., to provide that the documentary stamp tax shall not exceed \$2,450 on new or renewed promissory notes, nonnegotiable notes, written obligations to pay money, or assignments of salaries, wages, or other compensation made, which are executed, delivered, sold, transferred, or assigned in the state, including those documents relating to sales made under retail charge account services, incident to sales which are not conditional in character and which are not secured by mortgage or other pledge of purchaser. Under present law, \$2,450 is the amount of documentary stamp tax that would be due on a promissory note or other unsecured obligation in the amount of \$700,000. It also provides that if a mortgage, trust deed, security agreement, or other evidence of indebtedness is subsequently filed or recorded in this state to evidence an indebtedness or obligation upon which tax was capped at \$2,450, tax shall be paid on the amount of the indebtedness which was not taxed because of the cap.

**Section 9.** Adds subsection (5) to s. 212.11, F.S., to authorize DOR to require sales and use tax dealers or taxpayers to submit a report when filing a sales and use tax return that claims a credit, except for credits for returned goods, rentals, or admissions: goods acquired for a dealer's own use and subsequently resold; or bad debts. The report provides information supporting documentation to verify the dealer's or taxpayer's entitlement to the credit, and DOR may disallow credits not supported by the report. DOR is authorized to adopt rules prescribing how the report must be submitted.

**Section 10.** Authorizes DOR to waive the sales and use tax registration fee imposed by s. 212.18, F.S., for applications made online.

**Section 11.** Eliminates the initial year information return required under s. 220.22, F.S. These entities can be added to DOR's database if they owe Florida income tax based on information that DOR receives from the Internal Revenue Service.

**Section 12.** Adds paragraph (2)(d) to s. 220.23, F.S., and renumbers existing paragraph (2)(d) as (2)(e), to provide that interest accrues from the due date of the original return to the date of payment on Florida corporate income tax deficiencies that result from federal tax audit changes. This change overturns the decision in *Barnett Bank, Inc. v. Department of Revenue*, and is consistent with other interest provisions of the Florida Income Tax Code.

**Section 13.** Makes a technical change to conform s. 220.809(1), F.S., to the revisions made in section 12.

**Section 14.** Amends s. 376.70(2), F.S., to waive the registration fee for drycleaning establishments that register with DOR online.



**Section 15.** Amends s. 443.131(1), F.S., to change the due date for annual filing for unemployment tax from April 1 to January 1 and the delinquency date from April 30 to February 1. It also clarifies the statute to allow most employers of domestic service employees to file annually.

**Section 16.** Amends s. 220.15, F.S., to provide an exception to the apportionment formula for industries in SIC 2037 (Frozen Fruits, Fruit Juices, and Vegetables) so that if the ultimate destination of the product is a location outside of Florida, the sales is not considered a Florida sale.

**Section 17.** Amends s. 72.011(4) and (5), Florida Statutes, to provide that an action can be filed where a taxpayer regularly maintains its books and records in this state, and to provide that actions filed under s. 72.011, Florida Statutes, are not jurisdictional and can be transferred instead of being dismissed.

**Section 18.** Amends s. 212.12, Florida Statutes, to provide that a taxpayer is entitled to establish an overpayment through a statistical sample, in connection with a compliance audit or an application for refund. Any other sampling method can be used if agreed upon by the taxpayer and DOR.

**Section 19.** Amends s. 213.21, Florida Statutes, to require that penalties imposed under s. 72.011(1), Florida Statutes, be settled or compromised if it is determined that the noncompliance is due to reasonable cause and not to willful negligence, willful neglect, or fraud. It also provides that DOR's determination is subject to *de novo* review in any administrative proceeding or judicial action challenging a penalty assessment. A reference to the certified audit program is amended to reflect a postponement of its repeal.

**Sections 20. and 21.** Extend the statutory repeal of the certified audit program from July 1, 2002 to July 1, 2006.

**Section 22.** Amends s. 608.471, Florida Statutes, to provide that single-member limited liability companies and other entities that are disregarded for federal income tax purposes must be treated as separate legal entities for all non-income tax purposes, and directs DOR to adopt rules to take into account that single-member disregarded entities may report and account for income, employment, and other taxes under the taxpayer identification number of the owner of the single-member entity.

**Section 23.** Amends s. 220.187, F.S., expanding the definition of "qualified student," for purposes of granting tax credits for contributions to eligible non-profit scholarship funding organizations, to include students who meet the income criteria and who are eligible to enter kindergarten or first grade.

**Sections 24. and 25.** Repeal a limitation on the effect of contributions to eligible non-profit scholarship funding organizations on the first two estimated corporate income tax payments.

**Section 26.** Appropriates \$300,000 to DOR for nonrecurring expenses associated with developing the original database required by sections 1 and 2 of this act.

**Section 27.** Provides an effective date of January 1, 2003, except for this section and sections 10 and 16, which shall take effect upon becoming a law.

#### **IV. Constitutional Issues:**

**A. Municipality/County Mandates Restrictions:**

None.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

#### **V. Economic Impact and Fiscal Note:**

**A. Tax/Fee Issues:**

The waiver of filing fees for online registration by sales and use tax dealers is expected to reduce General Revenue by \$0.1 million in FY 2002-03, and by \$0.5 million recurring. The provision affecting interest on corporate income tax deficiencies is expected to increase General Revenue by \$10.8 recurring, with a smaller impact in the first year because of the January 1, 2003 effective date. The change in apportionment rules for the frozen fruits, fruit juices, and vegetables industry is expected to reduce General Revenue by \$0.1 million in the current fiscal year and on a recurring basis. Statistical sampling to determine the amount of overpayment of sales and use tax is expected to reduce General Revenue by \$4.4 million recurring and local revenue by \$0.9 million recurring. Other tax provisions are expected to have insignificant or indeterminate revenue impacts.

**B. Private Sector Impact:**

Many provisions of this bill will reduce the burden on taxpayers of complying with tax statutes. Under certain circumstances returns are eliminated for intangibles, documentary stamp, and corporate income tax. Insurance companies will be held harmless from errors in situsing their insurance policies for the purposes of ss. 175.101 and 185.05, F.S., if they exercise due diligence in using the electronic database developed by the Department of Revenue for this purpose. Sales and use tax dealers and dry cleaning establishments will be able to register with the Department of Revenue online and avoid filing fees. The provision that imposes interest on corporate income tax deficiencies from the date fixed for filing the original return will provide equity between taxpayers whose deficiencies are discovered through federal audits and through any other means. Employers of domestic

service employees will be able to file annually for unemployment tax without losing certain tax credits.

Under this bill, the frozen fruits, fruit juices, and vegetables industry will have more choices in how it ships its products without incurring additional tax liabilities.

The tax law changes provided by this bill that have been proposed by the Tax Section of the Florida Bar will enhance the fairness of Florida's tax system and promote equal treatment for all taxpayers. The law particularly benefits taxpayers who want to challenge DOR determinations and who request tax refunds, and will provide administrative relief for single-member limited liability companies and other entities that are disregarded for federal income tax purposes.

The certified audit program will continue to be available to taxpayers, providing these benefits: taxpayers receive a statutorily guaranteed waiver of all penalties, abatement of the first \$25,000 of interest and an additional 25% of any interest liability in excess of the first \$25,000. (These incentives do not apply where tax was collected but not remitted); once the Certified Audit Report is approved by the Department, the taxpayer is removed from the audit pool for sales and use tax for the period covered by the audit, unless it is later determined there was misrepresentation or fraud; and the cost to the taxpayer of hiring the CPA firm is deductible as an ordinary and necessary business expense.

Students who have not attended public school or received a scholarship from a nonprofit scholarship-funding organization in the previous year will be eligible to receive a scholarship from such organization if they are eligible to enter kindergarten or first grade. Corporations that make creditable contributions will be able to consider those contributions when making the first two estimated payments in a tax year,

#### C. Government Sector Impact:

The Department of Revenue is directed to create an electronic database that will enable insurance companies to situs their property and casualty policies to the correct municipalities or special fire control districts. Municipalities and special fire control districts that impose assessments under ss. 175.101 and 185.05, F.S., will be assured of receiving the correct amount of revenue from these sources as insurance companies use the electronic database. The Department will also experience a decrease in the number of intangibles, documentary stamp, and corporate income tax returns it must process. The requirement that claims for certain tax credits be supported by certain documentation will make it easier to track the use of the programs that established the tax credits and evaluate their effectiveness. The waiver of fees for online dealer registration will encourage greater use of this medium, resulting in a decrease in physical documents received and processed by the Department of Revenue. Continuation of the certified audit program extends Florida's tax collection capabilities and permits more effective use of audit resources.

This bill requires DOR to adopt rules with respect to single-member disregarded entities, allowing these entities to report and account for income, employment, and other taxes under the taxpayer identification number of the owner of the single-member entity.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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