

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 Military and Veterans Affairs, Space, and Domestic Security

BILL: CS/SB 110

INTRODUCER: Senator Soto and others

SUBJECT: Corporate Income Tax

DATE: December 10, 2013 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Spaulding	Hoagland	MS	Fav/CS
2.			CM	
3.			AFT	
4.			AP	

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 110 creates the “Florida Veterans Employment Act” to allow a business to qualify for a one-time corporate income tax credit of \$5,000 for each veteran the business hires. A business may qualify for an additional one-time \$5,000 corporate income tax credit for hiring a veteran with a service-connected disability. There is a state-wide total limit of \$10 million per calendar year for this credit. The credit will expire December 31, 2019.

II. Present Situation:

In the United States there are over 22 million living veterans, of which, over 1.6 million reside in Florida.¹ This makes Florida the state with the second largest veteran population, behind California and ahead of Texas. Section 1.01(14), F.S., defines the term “veteran” for purposes of determining veterans’ benefits eligibility. A person who has served in the active military and who has been honorably discharged or released from active duty under honorable conditions is eligible for a number of veterans’ benefits provided by the state of Florida.²

¹ U.S. Census Bureau, Florida Quick Facts, <http://quickfacts.census.gov/qfd/states/12000.html>, last viewed December 5, 2013.

² Section 1.01(14), F.S.

Service-Connected Disabled Veterans

Florida also has the third largest population of disabled veterans in the nation with more than 249,000.³ The U.S. Department of Veterans Affairs (USDVA) is the federal agency tasked with making the official determination of the existence of a service-connected disability. The term “disabled veteran” is defined in the U.S. Code as an individual who has served on active duty in the armed forces, has been separated under honorable conditions, and the existence of a service-connected disability has been established. Generally, a disabled veteran receives compensation, disability retirement benefits, or a pension pursuant to public statute administered by the USDVA or a military department.⁴

The term “service-connected” is further defined in the U.S. Code to mean that the disability or death suffered by the veteran was incurred or aggravated in line of duty in the active military, naval, or air service.⁵ Veterans who have been determined by the USDVA to have a service-connected disability are eligible for monthly disability compensation. Disability compensation is a monetary benefit paid directly to the veteran by the USDVA. The amount of compensation varies with the degree of disability and the number of dependents the veteran has. After a medical examination, the USDVA assigns the veteran a disability rating in ten percent increments from 0%⁶-100%. This starts the process for which a disabled veteran is eligible to receive monthly disability compensation and certain USDVA medical benefits.⁷ In 2012, the USDVA paid over \$3.3 billion in disability compensation to Florida veterans.⁸

The chart below shows the number of veterans in Florida by age range receiving disability compensation from the USDVA.⁹

Veterans in Florida Receiving Disability Compensation from the USDVA by Age Range (2012)					
	Under 45	Between 45-54	Between 55-74	Over 74	Total
Service-disabled Veterans	23,193	77,936	124,359	46,749	272,168

There are instances in which a veteran’s service-connected disability is not determined by the USDVA. In this instance, the Department of Defense (DoD) would determine the existence of a disability and provide compensation to the veteran. This is the case when a service member

³ Florida Department of Veterans’ Affairs. *Fast Facts*. Available at: http://floridavets.org/?page_id=50, last viewed December 5, 2013.

⁴ 5 USC § 2108(2)

⁵ 38 USC § 101(16)

⁶ A 0% disability rating means the USDVA has acknowledged a disability, but the disability is not severe enough to rate a monetary benefit. The disability can be reevaluated in the future if the disability worsens.

⁷ Federal Benefits for Veterans, Dependents and Survivors, Chapter 1 Health Care Benefits http://www.va.gov/opa/publications/benefits_book/benefits_chap01.asp, last viewed December 5, 2013; Federal Benefits for Veterans, Dependents and Survivors, Chapter 2 Service-Connected Disabilities, Disability Compensation, http://www.va.gov/opa/publications/benefits_book/benefits_chap02.asp, last viewed December 5, 20, 2013.

⁸ Data provided by the Florida Department of Veterans Affairs, November 21, 2013. On file with the Military and Veterans Affairs, Space, and Domestic Security Committee.

⁹ *Id*

acquires a medical condition or physical disability that renders him or her unfit to perform his or her required duties while on active duty. The service member may be separated or retired from the military for medical reasons. The process to determine medical fitness for continued duty involves the following two boards: the Medical Evaluation Board and the Physical Evaluation Board. The secretaries of the military departments have the authority to make the final determination of disability in each case.¹⁰ When the determination has been made that a service member must retire due to medical reasons related to the member's service in the military, the member may decide whether to receive military retirement benefits from the DoD or disability compensation from the USDVA.

Employment Initiatives for Veterans in Florida

The general unemployment rate in the United States in 2012 was 7.9%.¹¹ The unemployment rate among veterans who have served in the armed forces since September 2001 was 9.9% during the same period.¹² Florida has been successful in creating opportunities specifically for veterans to find work in the state. Employ Florida¹³ is a resource for veterans to find employment and services offered by the state, and can also connect a veteran to the USDVA. Employ Florida maintains a database of available jobs for veterans across the state ranging from hourly wage jobs to professional and management jobs.¹⁴

The Florida Department of Economic Opportunity also offers a range of services to veterans including recruitment services, training grants, and links to federal programs offering certain employer incentives to hire veterans.¹⁵ Workforce Florida's Hiring Florida's Heroes program works with employers to connect them with veterans possessing needed skills.¹⁶ Enterprise Florida also offers resources, advocacy, and job listings for veterans.¹⁷

Currently, Florida does not offer any corporate tax incentive for a privately owned company to hire a veteran. There are examples in the Florida Statutes of corporate tax incentives, but none relating to the hiring of veterans.¹⁸

¹⁰ 10 USC § 1201

¹¹ U.S. Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/news.release/vet.a.htm>, last viewed December 5, 2013.

¹² *Id*

¹³ Employ Florida links all of Florida's state and local workforce services and resources through the partnership of the [Department of Economic Opportunity](#) and [Workforce Florida, Inc.](#) There are [24 Regional Workforce Boards](#) and nearly 100 One-Stop Career Centers located statewide offering in-person, one-on-one personalized assistance to job seekers.

¹⁴ Employ Florida, <https://www.employflorida.com/portals/veteran/default.asp?pg=welcom>, last viewed December 5, 2013.

¹⁵ Florida Department of Economic Opportunity, <http://www.floridajobs.org/job-seekers-community-services/job-search-and-career-planning/job-search-resources/for-veterans>, last viewed December 5, 2013.

¹⁶ Workforce Florida, Hiring Florida's Heroes, <http://www.workforceflorida.com/PrioritiesInitiatives/vets/HiringFloridasHeroes.php>, last viewed December 5, 2013.

¹⁷ Enterprise Florida, <http://www.eflorida.com/>, last viewed December 5, 2013.

¹⁸ Sections 220.192, 220.193, 220.194 F.S.

Corporate Income Tax in Florida

Florida imposes a corporate income tax on the income of banks¹⁹ and certain other corporations doing business within Florida.²⁰ Aside from banks, generally only corporations subject to federal income tax pursuant to subchapter C of the Internal Revenue Code are subject to the Florida tax.²¹ As such, the Florida corporate income tax does not generally apply to sole proprietorships, partnerships, limited liability companies, subchapter S corporations, or any other non-corporate business entities.²²

Florida currently provides a \$50,000 exemption to all businesses subject to the corporate income tax.²³ Thus, taxable businesses do not owe any tax on the first \$50,000 of income. The Revenue Estimating Conference recently estimated that 11,501 businesses have income in excess of \$50,000 that would be subject to the tax.²⁴

III. Effect of Proposed Changes:

Section 1 creates s. 220.197, F.S., to establish the “Florida Veterans Employment Act” to encourage businesses to hire veterans, on a full-time basis, by granting a one-time corporate income tax credit of \$5,000 for hiring a veteran on or after January 1, 2015. Before a business can claim the tax credit, the business must pay \$5,000 in gross salary to the veteran. The business is eligible for an additional \$5,000 credit for hiring a veteran who has a service-connected disability recognized by the USDVA. To be eligible for the additional \$5,000 tax credit for hiring a disabled veteran, the business must pay an additional \$5,000 in gross salary to the veteran.

Veterans previously employed by another business of the same controlled group of corporations, as defined in 26 USC § 1563(a), may not be claimed by the business. To claim this credit, the business must submit an application and receive approval from the Department of Revenue. The credit will be approved on a first-come, first-served basis, based on completed applications received by the Department. The Department may not approve more than \$10 million in tax credits per calendar year pursuant to this section.

This tax credit benefit expires on December 31, 2019. A business that is awarded the credit may carry forward any unused credit for a period not to exceed two years. The bill authorizes the Department of Revenue to adopt rules to administer the tax credit.

Section 2 amends s. 220.02 F.S., to designate the order in which the corporate income tax credits provided in the bill will be applied.

¹⁹ Chapter 220, F.S.; Florida Department of Revenue, Questions and Answers: is a bank required to file a Florida corporate return?, <https://askdor.state.fl.us/FAQ/FAQDetails.aspx?ID=0>, last viewed December 5, 2013.

²⁰ Section 220.11 F.S.

²¹ 26 U.S.C.

²² Section 220.11 F.S.; Florida Department of Revenue, Corporate Income Tax: Who Must File?, <http://dor.myflorida.com/dor/forms/2013/gt800017.pdf>, last viewed December 5, 2013.

²³ Section 220.14, F.S.

²⁴ See November 20, 2013 results of the Revenue Estimating Conference, available at <http://edr.state.fl.us/Content/conferences/revenueimpact/archives/2014/pdf/page6-7.pdf>, last viewed December 5, 2013.

Section 3 adds the income tax credit related to hiring veterans to factors associated with adjusted federal income. It also makes minor grammatical corrections to s. 220.13 F.S.

Section 4 authorizes the executive director of the Department of Revenue to adopt emergency rules, for up to one year, to implement this act. This emergency rule making authority expires on July 1, 2015.

Section 5 provides an effective date of July 1, 2014.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has not yet reviewed the fiscal impact of the bill.

B. Private Sector Impact:

A business can claim a one-time corporate income tax credit of \$5,000 for each veteran that the business hires. A business may qualify for an additional one-time \$5,000 corporate income tax credit for hiring a veteran who is receiving disability payments from the USDVA or the DoD for a service-connected disability.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends the following sections of the Florida Statutes: 220.02 and 220.13. This bill creates section 220.197 of the Florida Statutes.

IX. Additional Information:

- A. **Committee Substitute – Statement of Substantial Changes:**
(Summarizing differences between the Committee Substitute and the prior version of the bill.)

CS by Military and Veterans Affairs, Space, and Domestic Security on December 10, 2013:

The committee substitute limits the Department of Revenue to the approval of no more than \$10 million of corporate tax credits per calendar year for the Florida Veterans Employment Act and creates an application process for the Department to approve and track the credit. It also changes the effective dates, allowing the Department sufficient time to update the corporate income tax form, draft emergency rules, and notify taxpayers of the availability of the credit. The term “controlled group” is defined using the same definition used by the Internal Revenue Service [26 USC § 1563(a)].

- B. **Amendments:**

None.