

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 Appropriations

BILL: CS/SB 1156

INTRODUCER: Appropriations Committee and Senator Stargel

SUBJECT: Corporate Income Tax

DATE: April 14, 2017

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Babin</u>	<u>Diez-Arguelles</u>	<u>AFT</u>	Recommend: Favorable
2.	<u>Babin</u>	<u>Hansen</u>	<u>AP</u>	Fav/CS

Please see Section IX. for Additional Information:

COMMITTEE SUBSTITUTE - Substantial Changes

I. Summary:

CS/SB 1156:

- Updates Florida's corporate Income Tax Code by adopting the Internal Revenue Code in effect on January 1, 2017.
- Increases the filing extension period for certain corporate income taxpayers from 5 months to 6 months.
- Requires that payments of estimated tax for corporate income tax that are due on the last Saturday or Sunday of June be paid by the last Friday of June.

The bill takes effect upon becoming law.

The Revenue Estimating Conference has estimated that the provisions of the bill that require estimated payments to be paid in June will increase Fiscal Year 2017-2018 General Revenue Fund collections by \$83.9 million; increase Fiscal Year 2018-2019 General Revenue Fund collections by \$0.6 million; and decrease Fiscal Year 2019-2020 General Revenue Fund collections by \$84.5 million. The remaining provisions of the bill have an indeterminate impact on General Revenue Fund collections.

II. Present Situation:

The present situation of each issue is discussed in Section III., Effect of Proposed Changes.

III. Effect of Proposed Changes:

Adopting the 2017 Internal Revenue Code

Present situation

Florida imposes a 5.5 percent tax on the taxable income of corporations and financial institutions doing business in Florida.¹ The determination of taxable income for Florida tax purposes begins with the taxable income determined for federal income tax purposes.² Additional adjustments are then made to determine Florida's taxable income. By starting with federal taxable income, Florida eases the administrative burden on Florida taxpayers.

Florida maintains this relationship with the federal Internal Revenue Code 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.

Proposed change

The bill updates Florida's corporate Income Tax Code to reflect changes in the federal Internal Revenue Code.

This section applies retroactively to January 1, 2017.

Extension of Time to File a Corporate Income Tax Return

Present situation

A corporate income taxpayer is required to file a Florida income tax return in every year that it is liable for Florida corporate income tax or is required to file a federal income tax return.³ Returns are due on or before the 1st day of the 5th month following the close of the taxable year.⁴ Typically, corporate taxpayers may receive a 6-month extension of the time to file a return for both federal and Florida returns.⁵

In 2015, the federal government passed the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015.⁶ This federal legislation moved the filing dates for most federal corporate income taxpayers to one month later, and, for taxable years beginning on or between January 1, 2016, and January 1, 2026, it limited the normal 6-month extension period to 5 months for calendar year taxpayers. The 2016 Legislature made identical changes to the relevant provisions of Florida law.⁷

¹ Sections 220.11(2) and 220.63(2), F.S.

² *See generally* s. 220.13(2), F.S.

³ Section 220.22, F.S.

⁴ Section 220.222, F.S.

⁵ *See* 26 U.S.C. s. 6081(b); s. 220.222(2)(b), F.S.

⁶ Pub. Law No. 114-41, H.R. 3236, 114th Cong. (July 31, 2015).

⁷ Section 16, ch. 2016-220, Laws of Fla.

In February 2017, the Internal Revenue Service (IRS) announced that although federal law provides for a 5-month extension for certain corporate taxpayers, the IRS will continue to grant a 6-month extension to these taxpayers.⁸

Proposed change

The bill extends from 5 months to 6 months, the extension time for calendar year corporate taxpayers to file their Florida returns for taxable years beginning on or after January 1, 2016, and before January 1, 2026.

This section applies retroactively to taxable years beginning on or after January 1, 2016.

“Speed Up” of Estimated Corporate Income Tax Payments

Present situation

Florida requires each corporate income taxpayer to declare its estimated tax for the taxable year, if the amount payable as estimated tax can be expected to be more than \$2,500.⁹ Taxpayers must pay estimated taxes in equal installments, depending on when they are required to file their declarations of estimated taxes.¹⁰ For the majority of taxpayers, the second estimated payment is due by June 30.¹¹ Generally, if the day on which a payment is due falls on a Saturday, Sunday, or legal holiday, payments may be made on the next succeeding business day.¹² When June 30 is a Saturday or Sunday, payments made on the following Monday fall into the next state fiscal year.

Proposed change

The bill provides that, notwithstanding any administrative rule or determination of the Department of Revenue to the contrary, an estimated payment that would otherwise be due on the last Saturday or Sunday of June must be paid by the last Friday of June.

The bill takes effect upon becoming law.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

⁸ IRS Article, dated February 8, 2017, available at: <https://www.irs.gov/uac/rda-2017-02-08-2016-form-7004> (last visited April 12, 2017).

⁹ Section 220.24(1), F.S.

¹⁰ Section 220.33, F.S.

¹¹ Section 220.33(1), F.S.

¹² See, e.g., Rule 12C-1.0222(1)(a), Fla. Admin. Code (relating to filing of corporate income tax returns).

C. Trust Funds Restrictions:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference has estimated that the provisions of the bill that require estimated payments to be paid in June will increase Fiscal Year 2017-2018 General Revenue Fund collections by \$83.9 million; increase Fiscal Year 2018-2019 General Revenue Fund collections by \$0.6 million; and decrease Fiscal Year 2019-2020 General Revenue Fund collections by \$84.5 million. The remaining provisions of the bill will have an indeterminate impact on General Revenue Fund collections.

B. Private Sector Impact:

By adopting recent changes to the Internal Revenue Code, Florida provides consistent tax treatment for Florida corporate taxpayers.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

The bill substantially amends the following sections of the Florida Statutes: 220.03, 220.222, and 220.33.

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 Appropriations on April 13, 2017:

The committee substitute:

- Changes the extension time for certain corporate income taxpayers to file returns from 5 months to 6 months.
- Requires that payments of estimated tax for corporate income tax that are due on the last Saturday or Sunday of June be paid by the last Friday of June.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
