

By Senator Rodriguez

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1                                   A bill to be entitled  
2       An act relating to the corporate income tax; amending  
3       s. 220.03, F.S.; revising the definition of the term  
4       "taxpayer"; defining terms; amending s. 220.13, F.S.;  
5       revising the definition of the term "adjusted federal  
6       income" to prohibit specified deductions, to limit  
7       certain carryovers, and to require subtractions of  
8       certain dividends paid and received within a water's  
9       edge group for the purpose of determining subtractions  
10      from taxable income; conforming provisions to changes  
11      made by the act; repealing s. 220.131, F.S., relating  
12      to the adjusted federal income of affiliated groups;  
13      creating s. 220.136, F.S.; specifying circumstances  
14      under which a corporation is presumed to be, deemed to  
15      be, or deemed not to be a member of a water's edge  
16      group; providing construction; defining the term  
17      "United States"; creating s. 220.1363, F.S.; defining  
18      the term "water's edge reporting method"; specifying  
19      requirements for, limitations on, and prohibitions in  
20      calculating and reporting income in a water's edge  
21      group return; requiring all members of a water's edge  
22      group to use the water's edge reporting method;  
23      defining the term "sale"; specifying requirements for  
24      designating the filing member and the taxable year of  
25      the water's edge group; specifying income reporting  
26      requirements for certain members of the water's edge  
27      group; requiring that a water's edge group return  
28      include a specified computational schedule and  
29      domestic disclosure spreadsheet; authorizing the

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30 Department of Revenue to adopt rules; providing  
31 legislative intent regarding the adoption of rules;  
32 amending s. 220.14, F.S.; revising the calculation for  
33 prorating a certain corporate income tax exemption to  
34 reflect leap years; conforming a provision to changes  
35 made by the act; amending ss. 220.15, 220.183,  
36 220.1845, 220.1875, 220.191, 220.192, 220.193, and  
37 220.51, F.S.; conforming provisions to changes made by  
38 the act; amending s. 220.64, F.S.; providing  
39 applicability of water's edge group provisions to the  
40 franchise tax; conforming provisions to changes made  
41 by the act; amending ss. 288.1254 and 376.30781, F.S.;  
42 conforming provisions to changes made by the act;  
43 specifying, beginning on a specified date,  
44 requirements for corporate tax return filings for  
45 certain taxpayers; requiring that recaptured funds be  
46 appropriated for a certain purpose; providing an  
47 effective date.

48  
49 WHEREAS, the Legislature finds that the separate accounting  
50 system used to measure the income of multistate and  
51 multinational corporations for tax purposes often places Florida  
52 corporations at a competitive disadvantage and, moreover, that  
53 corporate business is increasingly conducted through groups of  
54 commonly owned corporations, and

55 WHEREAS, the Legislature intends to more accurately measure  
56 the business activities of corporations by adopting a combined  
57 system of income tax reporting, NOW, THEREFORE,  
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59 Be It Enacted by the Legislature of the State of Florida:

60  
61 Section 1. Paragraph (z) of subsection (1) of section  
62 220.03, Florida Statutes, is amended, and paragraphs (gg), (hh),  
63 and (ii) are added to that subsection, to read:

64 220.03 Definitions.—

65 (1) SPECIFIC TERMS.—When used in this code, and when not  
66 otherwise distinctly expressed or manifestly incompatible with  
67 the intent thereof, the following terms shall have the following  
68 meanings:

69 (z) "Taxpayer" means any corporation subject to the tax  
70 imposed by this code, and includes all corporations that are  
71 members of a water's edge group for which a consolidated return  
72 is filed under s. 220.131. However, the term "taxpayer" does not  
73 include a corporation having no individuals, ~~(including~~  
74 ~~individuals employed by an affiliate,~~) receiving compensation in  
75 this state as defined in s. 220.15 when the only property owned  
76 or leased by the said corporation, ~~(including an affiliate,~~) in  
77 this state is located at the premises of a printer with which it  
78 has contracted for printing, if such property consists of the  
79 final printed product, property which becomes a part of the  
80 final printed product, or property from which the printed  
81 product is produced.

82 (gg) "Tax haven" means a jurisdiction to which any of the  
83 following apply for a particular taxable year:

84 1. It is identified by the Organization for Economic Co-  
85 operation and Development as a tax haven or as having harmful  
86 tax practices or a preferential tax regime.

87 2. It is a jurisdiction that does not impose any, or

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88 imposes only a nominal, effective tax on relevant income.

89 3. It has laws or practices that prevent the effective  
90 exchange of information with other governments for tax purposes,  
91 regarding taxpayers who are subject to, or are benefiting from,  
92 the tax regime.

93 4. It lacks transparency. For purposes of this  
94 subparagraph, a tax regime lacks transparency if the details of  
95 legislative, legal, or administrative requirements are not open  
96 to public scrutiny and apparent or are not consistently applied  
97 among similarly situated taxpayers.

98 5. It facilitates the establishment of foreign-owned  
99 entities without the need for a local substantive presence or  
100 prohibits the entities from having any commercial impact on the  
101 local economy.

102 6. It explicitly or implicitly excludes the jurisdiction's  
103 resident taxpayers from taking advantage of the tax regime's  
104 benefits or prohibits enterprises that benefit from the regime  
105 from operating in the jurisdiction's domestic market.

106 7. It has created a tax regime that is favorable for tax  
107 avoidance based on an overall assessment of relevant factors,  
108 including whether the jurisdiction has a significant untaxed  
109 offshore financial or other services sector relative to its  
110 overall economy.

111 (hh) "Tax regime" means a set or system of rules, laws,  
112 regulations, or practices by which taxes are imposed on any  
113 person, corporation, or entity or on any income, property,  
114 incident, indicia, or activity pursuant to government authority.

115 (ii) "Water's edge group" means a group of corporations  
116 related through common ownership whose business activities are

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117 integrated with, dependent upon, or contribute to a flow of  
118 value among members of the group.

119 Section 2. Section 220.13, Florida Statutes, is amended to  
120 read:

121 220.13 "Adjusted federal income" defined.—

122 (1) The term "adjusted federal income" means an amount  
123 equal to the taxpayer's taxable income as defined in subsection  
124 (2), or such taxable income of a water's edge group ~~more than~~  
125 ~~one taxpayer~~ as provided in s. 220.1363 ~~s. 220.131~~, for the  
126 taxable year, adjusted as follows:

127 (a) *Additions.*—There shall be added to such taxable income:

128 1.a. The amount of any tax upon or measured by income,  
129 excluding taxes based on gross receipts or revenues, paid or  
130 accrued as a liability to the District of Columbia or any state  
131 of the United States which is deductible from gross income in  
132 the computation of taxable income for the taxable year.

133 b. Notwithstanding sub-subparagraph a., if a credit taken  
134 under s. 220.1875 is added to taxable income in a previous  
135 taxable year under subparagraph 11. and is taken as a deduction  
136 for federal tax purposes in the current taxable year, the amount  
137 of the deduction allowed shall not be added to taxable income in  
138 the current year. The exception in this sub-subparagraph is  
139 intended to ensure that the credit under s. 220.1875 is added in  
140 the applicable taxable year and does not result in a duplicate  
141 addition in a subsequent year.

142 2. The amount of interest which is excluded from taxable  
143 income under s. 103(a) of the Internal Revenue Code or any other  
144 federal law, less the associated expenses disallowed in the  
145 computation of taxable income under s. 265 of the Internal

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146 Revenue Code or any other law, excluding 60 percent of any  
147 amounts included in alternative minimum taxable income, as  
148 defined in s. 55(b)(2) of the Internal Revenue Code, if the  
149 taxpayer pays tax under s. 220.11(3).

150 3. In the case of a regulated investment company or real  
151 estate investment trust, an amount equal to the excess of the  
152 net long-term capital gain for the taxable year over the amount  
153 of the capital gain dividends attributable to the taxable year.

154 4. That portion of the wages or salaries paid or incurred  
155 for the taxable year which is equal to the amount of the credit  
156 allowable for the taxable year under s. 220.181. This  
157 subparagraph shall expire on the date specified in s. 290.016  
158 for the expiration of the Florida Enterprise Zone Act.

159 5. That portion of the ad valorem school taxes paid or  
160 incurred for the taxable year which is equal to the amount of  
161 the credit allowable for the taxable year under s. 220.182. This  
162 subparagraph shall expire on the date specified in s. 290.016  
163 for the expiration of the Florida Enterprise Zone Act.

164 6. The amount taken as a credit under s. 220.195 which is  
165 deductible from gross income in the computation of taxable  
166 income for the taxable year.

167 7. That portion of assessments to fund a guaranty  
168 association incurred for the taxable year which is equal to the  
169 amount of the credit allowable for the taxable year.

170 8. In the case of a nonprofit corporation which holds a  
171 pari-mutuel permit and which is exempt from federal income tax  
172 as a farmers' cooperative, an amount equal to the excess of the  
173 gross income attributable to the pari-mutuel operations over the  
174 attributable expenses for the taxable year.

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175 9. The amount taken as a credit for the taxable year under  
176 s. 220.1895.

177 10. Up to nine percent of the eligible basis of any  
178 designated project which is equal to the credit allowable for  
179 the taxable year under s. 220.185.

180 11. The amount taken as a credit for the taxable year under  
181 s. 220.1875. The addition in this subparagraph is intended to  
182 ensure that the same amount is not allowed for the tax purposes  
183 of this state as both a deduction from income and a credit  
184 against the tax. This addition is not intended to result in  
185 adding the same expense back to income more than once.

186 12. The amount taken as a credit for the taxable year under  
187 s. 220.192.

188 13. The amount taken as a credit for the taxable year under  
189 s. 220.193.

190 14. Any portion of a qualified investment, as defined in s.  
191 288.9913, which is claimed as a deduction by the taxpayer and  
192 taken as a credit against income tax pursuant to s. 288.9916.

193 15. The costs to acquire a tax credit pursuant to s.  
194 288.1254(5) that are deducted from or otherwise reduce federal  
195 taxable income for the taxable year.

196 16. The amount taken as a credit for the taxable year  
197 pursuant to s. 220.194.

198 17. The amount taken as a credit for the taxable year under  
199 s. 220.196. The addition in this subparagraph is intended to  
200 ensure that the same amount is not allowed for the tax purposes  
201 of this state as both a deduction from income and a credit  
202 against the tax. The addition is not intended to result in  
203 adding the same expense back to income more than once.

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204 (b) *Subtractions.*—

205 1. There shall be subtracted from such taxable income:

206 a. The net operating loss deduction allowable for federal  
207 income tax purposes under s. 172 of the Internal Revenue Code  
208 for the taxable year, except that any net operating loss that is  
209 transferred pursuant to s. 220.194(6) may not be deducted by the  
210 seller,

211 b. The net capital loss allowable for federal income tax  
212 purposes under s. 1212 of the Internal Revenue Code for the  
213 taxable year,

214 c. The excess charitable contribution deduction allowable  
215 for federal income tax purposes under s. 170(d)(2) of the  
216 Internal Revenue Code for the taxable year, and

217 d. The excess contributions deductions allowable for  
218 federal income tax purposes under s. 404 of the Internal Revenue  
219 Code for the taxable year.

220

221 However, a net operating loss and a capital loss shall never be  
222 carried back as a deduction to a prior taxable year, but all  
223 deductions attributable to such losses shall be deemed net  
224 operating loss carryovers and capital loss carryovers,  
225 respectively, and treated in the same manner, to the same  
226 extent, and for the same time periods as are prescribed for such  
227 carryovers in ss. 172 and 1212, respectively, of the Internal  
228 Revenue Code. A deduction is not allowed for net operating  
229 losses, net capital losses, or excess contribution deductions  
230 under 26 U.S.C. ss. 170(d)(2), 172, 1212, and 404 for a member  
231 of a water's edge group which is not a United States member.  
232 Carryovers of net operating losses, net capital losses, or



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233 excess contribution deductions under 26 U.S.C. ss. 170(d)(2),  
234 172, 1212, and 404 may be subtracted only by the member of the  
235 water's edge group which generates a carryover.

236 2. There shall be subtracted from such taxable income any  
237 amount to the extent included therein the following:

238 a. Dividends treated as received from sources without the  
239 United States, as determined under s. 862 of the Internal  
240 Revenue Code.

241 b. All amounts included in taxable income under s. 78 or s.  
242 951 of the Internal Revenue Code.

243  
244 However, as to any amount subtracted under this subparagraph,  
245 there shall be added to such taxable income all expenses  
246 deducted on the taxpayer's return for the taxable year which are  
247 attributable, directly or indirectly, to such subtracted amount.  
248 Further, no amount shall be subtracted with respect to dividends  
249 paid or deemed paid by a Domestic International Sales  
250 Corporation.

251 3. Amounts received by a member of a water's edge group as  
252 dividends paid by another member of the water's edge group must  
253 be subtracted from the taxable income to the extent that the  
254 dividends are included in the taxable income.

255 ~~4.3.~~ In computing "adjusted federal income" for taxable  
256 years beginning after December 31, 1976, there shall be allowed  
257 as a deduction the amount of wages and salaries paid or incurred  
258 within this state for the taxable year for which no deduction is  
259 allowed pursuant to s. 280C(a) of the Internal Revenue Code  
260 (relating to credit for employment of certain new employees).

261 ~~5.4.~~ There shall be subtracted from such taxable income any

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262 amount of nonbusiness income included therein.

263 ~~6.5.~~ There shall be subtracted any amount of taxes of  
264 foreign countries allowable as credits for taxable years  
265 beginning on or after September 1, 1985, under s. 901 of the  
266 Internal Revenue Code to any corporation which derived less than  
267 20 percent of its gross income or loss for its taxable year  
268 ended in 1984 from sources within the United States, as  
269 described in s. 861(a)(2)(A) of the Internal Revenue Code, not  
270 including credits allowed under ss. 902 and 960 of the Internal  
271 Revenue Code, withholding taxes on dividends within the meaning  
272 of sub-subparagraph 2.a., and withholding taxes on royalties,  
273 interest, technical service fees, and capital gains.

274 ~~7.6.~~ Notwithstanding any other provision of this code,  
275 except with respect to amounts subtracted pursuant to  
276 subparagraphs 1. and ~~4.3.~~, any increment of any apportionment  
277 factor which is directly related to an increment of gross  
278 receipts or income which is deducted, subtracted, or otherwise  
279 excluded in determining adjusted federal income shall be  
280 excluded from both the numerator and denominator of such  
281 apportionment factor. Further, all valuations made for  
282 apportionment factor purposes shall be made on a basis  
283 consistent with the taxpayer's method of accounting for federal  
284 income tax purposes.

285 (c) *Installment sales occurring after October 19, 1980.*—

286 1. In the case of any disposition made after October 19,  
287 1980, the income from an installment sale shall be taken into  
288 account for the purposes of this code in the same manner that  
289 such income is taken into account for federal income tax  
290 purposes.

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291           2. Any taxpayer who regularly sells or otherwise disposes  
292 of personal property on the installment plan and reports the  
293 income therefrom on the installment method for federal income  
294 tax purposes under s. 453(a) of the Internal Revenue Code shall  
295 report such income in the same manner under this code.

296           (d) *Nonallowable deductions.*—A deduction for net operating  
297 losses, net capital losses, or excess contributions deductions  
298 under ss. 170(d)(2), 172, 1212, and 404 of the Internal Revenue  
299 Code which has been allowed in a prior taxable year for Florida  
300 tax purposes shall not be allowed for Florida tax purposes,  
301 notwithstanding the fact that such deduction has not been fully  
302 utilized for federal tax purposes.

303           (e) *Adjustments related to federal acts.*—Taxpayers shall be  
304 required to make the adjustments prescribed in this paragraph  
305 for Florida tax purposes with respect to certain tax benefits  
306 received pursuant to the Economic Stimulus Act of 2008, the  
307 American Recovery and Reinvestment Act of 2009, the Small  
308 Business Jobs Act of 2010, the Tax Relief, Unemployment  
309 Insurance Reauthorization, and Job Creation Act of 2010, the  
310 American Taxpayer Relief Act of 2012, the Tax Increase  
311 Prevention Act of 2014, the Consolidated Appropriations Act,  
312 2016, and the Tax Cuts and Jobs Act of 2017.

313           1. There shall be added to such taxable income an amount  
314 equal to 100 percent of any amount deducted for federal income  
315 tax purposes as bonus depreciation for the taxable year pursuant  
316 to ss. 167 and 168(k) of the Internal Revenue Code of 1986, as  
317 amended by s. 103 of Pub. L. No. 110-185, s. 1201 of Pub. L. No.  
318 111-5, s. 2022 of Pub. L. No. 111-240, s. 401 of Pub. L. No.  
319 111-312, s. 331 of Pub. L. No. 112-240, s. 125 of Pub. L. No.

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320 113-295, s. 143 of Division Q of Pub. L. No. 114-113, and s.  
321 13201 of Pub. L. No. 115-97, for property placed in service  
322 after December 31, 2007, and before January 1, 2027. For the  
323 taxable year and for each of the 6 subsequent taxable years,  
324 there shall be subtracted from such taxable income an amount  
325 equal to one-seventh of the amount by which taxable income was  
326 increased pursuant to this subparagraph, notwithstanding any  
327 sale or other disposition of the property that is the subject of  
328 the adjustments and regardless of whether such property remains  
329 in service in the hands of the taxpayer.

330 2. There shall be added to such taxable income an amount  
331 equal to 100 percent of any amount in excess of \$128,000  
332 deducted for federal income tax purposes for the taxable year  
333 pursuant to s. 179 of the Internal Revenue Code of 1986, as  
334 amended by s. 102 of Pub. L. No. 110-185, s. 1202 of Pub. L. No.  
335 111-5, s. 2021 of Pub. L. No. 111-240, s. 402 of Pub. L. No.  
336 111-312, s. 315 of Pub. L. No. 112-240, and s. 127 of Pub. L.  
337 No. 113-295, for taxable years beginning after December 31,  
338 2007, and before January 1, 2015. For the taxable year and for  
339 each of the 6 subsequent taxable years, there shall be  
340 subtracted from such taxable income one-seventh of the amount by  
341 which taxable income was increased pursuant to this  
342 subparagraph, notwithstanding any sale or other disposition of  
343 the property that is the subject of the adjustments and  
344 regardless of whether such property remains in service in the  
345 hands of the taxpayer.

346 3. There shall be added to such taxable income an amount  
347 equal to the amount of deferred income not included in such  
348 taxable income pursuant to s. 108(i)(1) of the Internal Revenue

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349 Code of 1986, as amended by s. 1231 of Pub. L. No. 111-5. There  
350 shall be subtracted from such taxable income an amount equal to  
351 the amount of deferred income included in such taxable income  
352 pursuant to s. 108(i)(1) of the Internal Revenue Code of 1986,  
353 as amended by s. 1231 of Pub. L. No. 111-5.

354 4. Subtractions available under this paragraph may be  
355 transferred to the surviving or acquiring entity following a  
356 merger or acquisition and used in the same manner and with the  
357 same limitations as specified by this paragraph.

358 5. The additions and subtractions specified in this  
359 paragraph are intended to adjust taxable income for Florida tax  
360 purposes, and, notwithstanding any other provision of this code,  
361 such additions and subtractions shall be permitted to change a  
362 taxpayer's net operating loss for Florida tax purposes.

363 (2) For purposes of this section, a taxpayer's taxable  
364 income for the taxable year means taxable income as defined in  
365 s. 63 of the Internal Revenue Code and properly reportable for  
366 federal income tax purposes for the taxable year, but subject to  
367 the limitations set forth in paragraph (1)(b) with respect to  
368 the deductions provided by ss. 172 (relating to net operating  
369 losses), 170(d)(2) (relating to excess charitable  
370 contributions), 404(a)(1)(D) (relating to excess pension trust  
371 contributions), 404(a)(3)(A) and (B) (to the extent relating to  
372 excess stock bonus and profit-sharing trust contributions), and  
373 1212 (relating to capital losses) of the Internal Revenue Code,  
374 except that, subject to the same limitations, the term:

375 (a) "Taxable income," in the case of a life insurance  
376 company subject to the tax imposed by s. 801 of the Internal  
377 Revenue Code, means life insurance company taxable income;

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378 however, for purposes of this code, the total of any amounts  
379 subject to tax under s. 815(a)(2) of the Internal Revenue Code  
380 pursuant to s. 801(c) of the Internal Revenue Code shall not  
381 exceed, cumulatively, the total of any amounts determined under  
382 s. 815(c)(2) of the Internal Revenue Code of 1954, as amended,  
383 from January 1, 1972, to December 31, 1983;

384 (b) "Taxable income," in the case of an insurance company  
385 subject to the tax imposed by s. 831(b) of the Internal Revenue  
386 Code, means taxable investment income;

387 (c) "Taxable income," in the case of an insurance company  
388 subject to the tax imposed by s. 831(a) of the Internal Revenue  
389 Code, means insurance company taxable income;

390 (d) "Taxable income," in the case of a regulated investment  
391 company subject to the tax imposed by s. 852 of the Internal  
392 Revenue Code, means investment company taxable income;

393 (e) "Taxable income," in the case of a real estate  
394 investment trust subject to the tax imposed by s. 857 of the  
395 Internal Revenue Code, means the income subject to tax, computed  
396 as provided in s. 857 of the Internal Revenue Code;

397 (f) "Taxable income," in the case of a corporation which is  
398 a member of an affiliated group of corporations filing a  
399 consolidated income tax return for the taxable year for federal  
400 income tax purposes, means taxable income of such corporation  
401 for federal income tax purposes as if such corporation had filed  
402 a separate federal income tax return for the taxable year and  
403 each preceding taxable year for which it was a member of an  
404 affiliated group, ~~unless a consolidated return for the taxpayer~~  
405 ~~and others is required or elected under s. 220.131;~~

406 (g) "Taxable income," in the case of a cooperative

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407 corporation or association, means the taxable income of such  
408 organization determined in accordance with the provisions of ss.  
409 1381-1388 of the Internal Revenue Code;

410 (h) "Taxable income," in the case of an organization which  
411 is exempt from the federal income tax by reason of s. 501(a) of  
412 the Internal Revenue Code, means its unrelated business taxable  
413 income as determined under s. 512 of the Internal Revenue Code;

414 (i) "Taxable income," in the case of a corporation for  
415 which there is in effect for the taxable year an election under  
416 s. 1362(a) of the Internal Revenue Code, means the amounts  
417 subject to tax under s. 1374 or s. 1375 of the Internal Revenue  
418 Code for each taxable year;

419 (j) "Taxable income," in the case of a limited liability  
420 company, other than a limited liability company classified as a  
421 partnership for federal income tax purposes, as defined in and  
422 organized pursuant to chapter 605 or qualified to do business in  
423 this state as a foreign limited liability company or other than  
424 a similar limited liability company classified as a partnership  
425 for federal income tax purposes and created as an artificial  
426 entity pursuant to the statutes of the United States or any  
427 other state, territory, possession, or jurisdiction, if such  
428 limited liability company or similar entity is taxable as a  
429 corporation for federal income tax purposes, means taxable  
430 income determined as if such limited liability company were  
431 required to file or had filed a federal corporate income tax  
432 return under the Internal Revenue Code;

433 (k) "Taxable income," in the case of a taxpayer liable for  
434 the alternative minimum tax as defined in s. 55 of the Internal  
435 Revenue Code, means the alternative minimum taxable income as

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436 defined in s. 55(b) (2) of the Internal Revenue Code, less the  
437 exemption amount computed under s. 55(d) of the Internal Revenue  
438 Code. A taxpayer is not liable for the alternative minimum tax  
439 unless the taxpayer's federal tax return, or related federal  
440 consolidated tax return, if included in a consolidated return  
441 for federal tax purposes, reflect a liability on the return  
442 filed for the alternative minimum tax as defined in s. 55(b) (2)  
443 of the Internal Revenue Code;

444 (1) "Taxable income," in the case of a taxpayer whose  
445 taxable income is not otherwise defined in this subsection,  
446 means the sum of amounts to which a tax rate specified in s. 11  
447 of the Internal Revenue Code plus the amount to which a tax rate  
448 specified in s. 1201(a) (2) of the Internal Revenue Code are  
449 applied for federal income tax purposes.

450 Section 3. Section 220.131, Florida Statutes, is repealed.

451 Section 4. Section 220.136, Florida Statutes, is created to  
452 read:

453 220.136 Determination of the members of a water's edge  
454 group.-

455 (1) A corporation having 50 percent or more of its  
456 outstanding voting stock directly or indirectly owned or  
457 controlled by a water's edge group is presumed to be a member of  
458 the water's edge group. A corporation having less than 50  
459 percent of its outstanding voting stock directly or indirectly  
460 owned or controlled by a water's edge group is a member of the  
461 water's edge group if the business activities of the corporation  
462 show that the corporation is a member of the water's edge group.  
463 All of the income of a corporation that is a member of a water's  
464 edge group is presumed to be unitary. For purposes of this



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465 subsection, the attribution rules of 26 U.S.C. s. 318 must be  
466 used to determine whether voting stock is indirectly owned.

467 (2) (a) A corporation that conducts business outside the  
468 United States is not a member of a water's edge group if 80  
469 percent or more of the corporation's property and payroll, as  
470 determined by the apportionment factors described in ss. 220.15  
471 and 220.1363, may be assigned to locations outside of the United  
472 States. However, such corporations that are incorporated in a  
473 tax haven may be a member of a water's edge group pursuant to  
474 subsection (1). This subsection does not exempt a corporation  
475 that is not a member of a water's edge group from this chapter.

476 (b) As used in this subsection, the term "United States"  
477 means the 50 states, the District of Columbia, and Puerto Rico.

478 (c) The apportionment factors described in ss. 220.1363 and  
479 220.15 must be used to determine whether a special industry  
480 corporation has engaged in a sufficient amount of activities  
481 outside of the United States to exclude it from treatment as a  
482 member of a water's edge group.

483 Section 5. Section 220.1363, Florida Statutes, is created  
484 to read:

485 220.1363 Water's edge groups; special requirements.-

486 (1) For purposes of this section, the term "water's edge  
487 reporting method" is a method to determine the taxable business  
488 profits of a group of entities conducting a unitary business.  
489 Under this method, the net income of the entities must be added  
490 together, along with the additions and subtractions under s.  
491 220.13, and apportioned to this state as a single taxpayer under  
492 ss. 220.15 and 220.151. However, each special industry member  
493 included in a water's edge group return, which would otherwise

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494 be permitted to use a special method of apportionment under s.  
495 220.151, shall convert its single-factor apportionment to a  
496 three-factor apportionment of property, payroll, and sales. The  
497 special industry member shall calculate the denominator of its  
498 property, payroll, and sales factors in the same manner as those  
499 denominators are calculated by members that are not special  
500 industry members. The numerator of its sales, property, and  
501 payroll factors is the product of the denominator of each factor  
502 multiplied by the premiums or revenue-miles-factor ratio  
503 otherwise applicable under s. 220.151.

504 (2) All members of a water's edge group must use the  
505 water's edge reporting method, under which:

506 (a) Adjusted federal income, for purposes of s. 220.12,  
507 means the sum of adjusted federal income of all members of the  
508 water's edge group as determined for a concurrent taxable year.

509 (b) The numerators and denominators of the apportionment  
510 factors must be calculated for all members of the water's edge  
511 group combined.

512 (c) Intercompany sales transactions between members of the  
513 water's edge group are not included in the numerator or  
514 denominator of the sales factor under ss. 220.15 and 220.151,  
515 regardless of whether indicia of a sale exist.

516 (d) For sales of intangibles, including, but not limited  
517 to, accounts receivable, notes, bonds, and stock, which are made  
518 to entities outside the group, only the net proceeds are  
519 included in the numerator and denominator of the sales factor.

520 (e) Sales that are not allocated or apportioned to any  
521 taxing jurisdiction, otherwise known as "nowhere sales," may not  
522 be included in the numerator or denominator of the sales factor.

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523 (f) The income attributable to the Florida activities of a  
524 corporation that is exempt from taxation under the Interstate  
525 Income Act of 1959, Pub. L. No. 86-272, is excluded from the  
526 apportionment factor numerators in the calculation of corporate  
527 income tax, even if another member of the water's edge group has  
528 nexus with this state and is subject to tax.

529  
530 As used in this subsection, the term "sale" includes, but is not  
531 limited to, loans, payments for the use of intangibles,  
532 dividends, and management fees.

533 (3) (a) If a parent corporation is a member of the water's  
534 edge group and has nexus with this state, a single water's edge  
535 group return must be filed in the name and under the federal  
536 employer identification number of the parent corporation. If the  
537 water's edge group does not have a parent corporation, if the  
538 parent corporation is not a member of the water's edge group, or  
539 if the parent corporation does not have nexus with this state,  
540 then the members of the water's edge group must choose a member  
541 subject to the tax imposed by this chapter to file the return.  
542 The members of the water's edge group may not choose another  
543 member to file a corporate income tax return in subsequent years  
544 unless the filing member does not maintain nexus with this state  
545 or does not remain a member of the water's edge group. The  
546 return must be signed by an authorized officer of the filing  
547 member as the agent for the water's edge group.

548 (b) If members of a water's edge group have different  
549 taxable years, the taxable year of a majority of the members of  
550 the water's edge group is the taxable year of the water's edge  
551 group. If the taxable years of a majority of the members of a

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552 water's edge group do not correspond, the taxable year of the  
553 member that must file the return for the water's edge group is  
554 the taxable year of the water's edge group.

555 (c)1. A member of a water's edge group having a taxable  
556 year that does not correspond to the taxable year of the water's  
557 edge group shall determine its income for inclusion on the tax  
558 return for the water's edge group. The member shall use:

559 a. The precise amount of taxable income received during the  
560 months corresponding to the taxable year of the water's edge  
561 group, if the precise amount can be readily determined from the  
562 member's books and records.

563 b. The taxable income of the member converted to conform to  
564 the taxable year of the water's edge group on the basis of the  
565 number of months falling within the taxable year of the water's  
566 edge group. For example, if the taxable year of the water's edge  
567 group is a calendar year and a member operates on a fiscal year  
568 ending on April 30, the income of the member must include 8/12  
569 of the income from the current taxable year and 4/12 of the  
570 income from the preceding taxable year. This method to determine  
571 the income of a member may be used only if the return can be  
572 timely filed after the end of the taxable year of the water's  
573 edge group.

574 c. The taxable income of the member during its taxable year  
575 that ends within the taxable year of the water's edge group.

576 2. The method of determining the income of a member of a  
577 water's edge group whose taxable year does not correspond to the  
578 taxable year of the water's edge group may not change as long as  
579 the member remains a member of the water's edge group. The  
580 apportionment factors for the member must be applied to the

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581 income of the member for the taxable year of the water's edge  
582 group.

583 (4) (a) A water's edge group return must include a  
584 computational schedule that:

585 1. Combines the federal income of all members of the  
586 water's edge group;

587 2. Shows all intercompany eliminations;

588 3. Shows Florida additions and subtractions under s.  
589 220.13; and

590 4. Shows the calculation of the combined apportionment  
591 factors.

592 (b) In addition to its return, a water's edge group shall  
593 also file a domestic disclosure spreadsheet. The spreadsheet  
594 must fully disclose:

595 1. The income reported to each state;

596 2. The state tax liability;

597 3. The method used for apportioning or allocating income to  
598 the various states; and

599 4. Other information required by department rule in order  
600 to determine the proper amount of tax due to each state and to  
601 identify the water's edge group.

602 (5) The department may adopt rules and forms to administer  
603 this section. The Legislature intends to grant the department  
604 extensive authority to adopt rules and forms describing and  
605 defining principles for determining the existence of a water's  
606 edge business, definitions of common control, methods of  
607 reporting, and related forms, principles, and other definitions.

608 Section 6. Section 220.14, Florida Statutes, is amended to  
609 read:

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610 220.14 Exemption.—

611 (1) In computing a taxpayer's liability for tax under this  
612 code, there shall be exempt from the tax \$50,000 of net income  
613 as defined in s. 220.12 or such lesser amount as will, without  
614 increasing the taxpayer's federal income tax liability, provide  
615 the state with an amount under this code which is equal to the  
616 maximum federal income tax credit which may be available from  
617 time to time under federal law.

618 (2) In the case of a taxable year for a period of less than  
619 12 months, the exemption allowed by this section must ~~shall~~ be  
620 prorated on the basis of the number of days in such year to 365  
621 days, or, in a leap year, 366 days.

622 (3) Only one exemption shall be allowed to taxpayers filing  
623 a water's edge group ~~consolidated~~ return under this code.

624 (4) Notwithstanding any other provision of this code, not  
625 more than one exemption under this section may be allowed to the  
626 Florida members of a controlled group of corporations, as  
627 defined in s. 1563 of the Internal Revenue Code with respect to  
628 taxable years ending on or after December 31, 1970, filing  
629 separate returns under this code. The exemption described in  
630 this section shall be divided equally among such Florida members  
631 of the group, unless all of such members consent, at such time  
632 and in such manner as the department shall by regulation  
633 prescribe, to an apportionment plan providing for an unequal  
634 allocation of such exemption.

635 Section 7. Paragraph (c) of subsection (5) of section  
636 220.15, Florida Statutes, is amended to read:

637 220.15 Apportionment of adjusted federal income.—

638 (5) The sales factor is a fraction the numerator of which

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639 is the total sales of the taxpayer in this state during the  
640 taxable year or period and the denominator of which is the total  
641 sales of the taxpayer everywhere during the taxable year or  
642 period.

643 (c) Sales of a financial organization, including, but not  
644 limited to, banking and savings institutions, investment  
645 companies, real estate investment trusts, and brokerage  
646 companies, occur in this state if derived from:

647 1. Fees, commissions, or other compensation for financial  
648 services rendered within this state;

649 2. Gross profits from trading in stocks, bonds, or other  
650 securities managed within this state;

651 3. Interest received within this state, other than interest  
652 from loans secured by mortgages, deeds of trust, or other liens  
653 upon real or tangible personal property located without this  
654 state, and dividends received within this state;

655 4. Interest charged to customers at places of business  
656 maintained within this state for carrying debit balances of  
657 margin accounts, without deduction of any costs incurred in  
658 carrying such accounts;

659 5. Interest, fees, commissions, or other charges or gains  
660 from loans secured by mortgages, deeds of trust, or other liens  
661 upon real or tangible personal property located in this state or  
662 from installment sale agreements originally executed by a  
663 taxpayer or the taxpayer's agent to sell real or tangible  
664 personal property located in this state;

665 6. Rents from real or tangible personal property located in  
666 this state; or

667 7. Any other gross income, including other interest,

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668 resulting from the operation as a financial organization within  
669 this state.

670

671 ~~In computing the amounts under this paragraph, any amount~~  
672 ~~received by a member of an affiliated group (determined under s.~~  
673 ~~1504(a) of the Internal Revenue Code, but without reference to~~  
674 ~~whether any such corporation is an "includable corporation"~~  
675 ~~under s. 1504(b) of the Internal Revenue Code) from another~~  
676 ~~member of such group shall be included only to the extent such~~  
677 ~~amount exceeds expenses of the recipient directly related~~  
678 ~~thereto.~~

679 Section 8. Paragraph (f) of subsection (1) of section  
680 220.183, Florida Statutes, is amended to read:

681 220.183 Community contribution tax credit.—

682 (1) AUTHORIZATION TO GRANT COMMUNITY CONTRIBUTION TAX  
683 CREDITS; LIMITATIONS ON INDIVIDUAL CREDITS AND PROGRAM  
684 SPENDING.—

685 ~~(f) A taxpayer who files a Florida consolidated return as a~~  
686 ~~member of an affiliated group pursuant to s. 220.131(1) may be~~  
687 ~~allowed the credit on a consolidated return basis.~~

688 Section 9. Paragraphs (b), (c), and (d) of subsection (2)  
689 of section 220.1845, Florida Statutes, are amended to read:

690 220.1845 Contaminated site rehabilitation tax credit.—

691 (2) AUTHORIZATION FOR TAX CREDIT; LIMITATIONS.—

692 (b) A tax credit applicant, or multiple tax credit  
693 applicants working jointly to clean up a single site, may not be  
694 granted more than \$500,000 per year in tax credits for each site  
695 voluntarily rehabilitated. Multiple tax credit applicants shall  
696 be granted tax credits in the same proportion as their



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697 contribution to payment of cleanup costs. Subject to the same  
698 conditions and limitations as provided in this section, a  
699 municipality, county, or other tax credit applicant which  
700 voluntarily rehabilitates a site may receive not more than  
701 \$500,000 per year in tax credits which it can subsequently  
702 transfer subject to ~~the provisions in~~ paragraph (f) ~~(g)~~.

703 (c) If the credit granted under this section is not fully  
704 used in any one year because of insufficient tax liability on  
705 the part of the corporation, the unused amount may be carried  
706 forward for up to 5 years. The carryover credit may be used in a  
707 subsequent year if the tax imposed by this chapter for that year  
708 exceeds the credit for which the corporation is eligible in that  
709 year after applying the other credits and unused carryovers in  
710 the order provided by s. 220.02(8). If during the 5-year period  
711 the credit is transferred, in whole or in part, pursuant to  
712 paragraph (f) ~~(g)~~, each transferee has 5 years after the date of  
713 transfer to use its credit.

714 ~~(d) A taxpayer that files a consolidated return in this~~  
715 ~~state as a member of an affiliated group under s. 220.131(1) may~~  
716 ~~be allowed the credit on a consolidated return basis up to the~~  
717 ~~amount of tax imposed upon the consolidated group.~~

718 Section 10. Subsection (2) of section 220.1875, Florida  
719 Statutes, is amended to read:

720 220.1875 Credit for contributions to eligible nonprofit  
721 scholarship-funding organizations.—

722 ~~(2) A taxpayer who files a Florida consolidated return as a~~  
723 ~~member of an affiliated group pursuant to s. 220.131(1) may be~~  
724 ~~allowed the credit on a consolidated return basis; however, the~~  
725 ~~total credit taken by the affiliated group is subject to the~~

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726 ~~limitation established under subsection (1).~~

727 Section 11. Paragraphs (a) and (c) of subsection (3) of  
728 section 220.191, Florida Statutes, are amended to read:

729 220.191 Capital investment tax credit.—

730 (3) (a) Notwithstanding subsection (2), an annual credit  
731 against the tax imposed by this chapter shall be granted to a  
732 qualifying business which establishes a qualifying project  
733 pursuant to subparagraph (1)(g)3., in an amount equal to the  
734 lesser of \$15 million or 5 percent of the eligible capital costs  
735 made in connection with a qualifying project, for a period not  
736 to exceed 20 years beginning with the commencement of operations  
737 of the project. The tax credit shall be granted against the  
738 corporate income tax liability of the qualifying business ~~and as~~  
739 ~~further provided in paragraph (c).~~ The total tax credit provided  
740 pursuant to this subsection shall be equal to no more than 100  
741 percent of the eligible capital costs of the qualifying project.

742 (c) The credit granted under this subsection may be used in  
743 whole or in part by the qualifying business ~~or any corporation~~  
744 ~~that is either a member of that qualifying business's affiliated~~  
745 ~~group of corporations, is a related entity taxable as a~~  
746 ~~cooperative under subchapter T of the Internal Revenue Code, or,~~  
747 ~~if the qualifying business is an entity taxable as a cooperative~~  
748 ~~under subchapter T of the Internal Revenue Code, is related to~~  
749 ~~the qualifying business. Any entity related to the qualifying~~  
750 ~~business may continue to file as a member of a Florida-nexus~~  
751 ~~consolidated group pursuant to a prior election made under s.~~  
752 ~~220.131(1), Florida Statutes (1985), even if the parent of the~~  
753 ~~group changes due to a direct or indirect acquisition of the~~  
754 ~~former common parent of the group. Any credit can be used by any~~

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755 ~~of the affiliated companies or related entities referenced in~~  
756 ~~this paragraph to the same extent as it could have been used by~~  
757 ~~the qualifying business. However, any such use shall not operate~~  
758 ~~to increase the amount of the credit or extend the period within~~  
759 ~~which the credit must be used.~~

760 Section 12. Subsection (2) of section 220.192, Florida  
761 Statutes, is amended to read:

762 220.192 Renewable energy technologies investment tax  
763 credit.—

764 (2) TAX CREDIT.—For tax years beginning on or after January  
765 1, 2013, a credit against the tax imposed by this chapter shall  
766 be granted in an amount equal to the eligible costs. Credits may  
767 be used in tax years beginning January 1, 2013, and ending  
768 December 31, 2016, after which the credit shall expire. If the  
769 credit is not fully used in any one tax year because of  
770 insufficient tax liability on the part of the corporation, the  
771 unused amount may be carried forward and used in tax years  
772 beginning January 1, 2013, and ending December 31, 2018, after  
773 which the credit carryover expires and may not be used. A  
774 ~~taxpayer that files a consolidated return in this state as a~~  
775 ~~member of an affiliated group under s. 220.131(1) may be allowed~~  
776 ~~the credit on a consolidated return basis up to the amount of~~  
777 ~~tax imposed upon the consolidated group.~~ Any eligible cost for  
778 which a credit is claimed and which is deducted or otherwise  
779 reduces federal taxable income shall be added back in computing  
780 adjusted federal income under s. 220.13.

781 Section 13. Paragraphs (c) and (e) of subsection (3) of  
782 section 220.193, Florida Statutes, are amended to read:

783 220.193 Florida renewable energy production credit.—

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784 (3) An annual credit against the tax imposed by this  
785 section shall be allowed to a taxpayer, based on the taxpayer's  
786 production and sale of electricity from a new or expanded  
787 Florida renewable energy facility. For a new facility, the  
788 credit shall be based on the taxpayer's sale of the facility's  
789 entire electrical production. For an expanded facility, the  
790 credit shall be based on the increases in the facility's  
791 electrical production that are achieved after May 1, 2012.

792 (c) If the amount of credits applied for each year exceeds  
793 the amount authorized in paragraph (f) ~~(g)~~, the Department of  
794 Agriculture and Consumer Services shall allocate credits to  
795 qualified applicants based on the following priority:

796 1. An applicant who places a new facility in operation  
797 after May 1, 2012, shall be allocated credits first, up to a  
798 maximum of \$250,000 each, with any remaining credits to be  
799 granted pursuant to subparagraph 3., but if the claims for  
800 credits under this subparagraph exceed the state fiscal year cap  
801 in paragraph (f) ~~(g)~~, credits shall be allocated pursuant to  
802 this subparagraph on a prorated basis based upon each  
803 applicant's qualified production and sales as a percentage of  
804 total production and sales for all applicants in this category  
805 for the fiscal year.

806 2. An applicant who does not qualify under subparagraph 1.  
807 but who claims a credit of \$50,000 or less shall be allocated  
808 credits next, but if the claims for credits under this  
809 subparagraph, combined with credits allocated in subparagraph  
810 1., exceed the state fiscal year cap in paragraph (f) ~~(g)~~,  
811 credits shall be allocated pursuant to this subparagraph on a  
812 prorated basis based upon each applicant's qualified production

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813 and sales as a percentage of total qualified production and  
814 sales for all applicants in this category for the fiscal year.

815 3. An applicant who does not qualify under subparagraph 1.  
816 or subparagraph 2. and an applicant whose credits have not been  
817 fully allocated under subparagraph 1. shall be allocated credits  
818 next. If there is insufficient capacity within the amount  
819 authorized for the state fiscal year in paragraph (f) ~~(g)~~, and  
820 after allocations pursuant to subparagraphs 1. and 2., the  
821 credits allocated under this subparagraph shall be prorated  
822 based upon each applicant's unallocated claims for qualified  
823 production and sales as a percentage of total unallocated claims  
824 for qualified production and sales of all applicants in this  
825 category, up to a maximum of \$1 million per taxpayer per state  
826 fiscal year. If, after application of this \$1 million cap, there  
827 is excess capacity under the state fiscal year cap in paragraph  
828 (f) ~~(g)~~ in any state fiscal year, that remaining capacity shall  
829 be used to allocate additional credits with priority given in  
830 the order set forth in this subparagraph and without regard to  
831 the \$1 million per taxpayer cap.

832 ~~(c) A taxpayer that files a consolidated return in this~~  
833 ~~state as a member of an affiliated group under s. 220.131(1) may~~  
834 ~~be allowed the credit on a consolidated return basis up to the~~  
835 ~~amount of tax imposed upon the consolidated group.~~

836 Section 14. Section 220.51, Florida Statutes, is amended to  
837 read:

838 220.51 Adoption ~~Promulgation~~ of rules and regulations.—In  
839 accordance with the Administrative Procedure Act, chapter 120,  
840 the department is authorized to make, adopt ~~promulgate~~, and  
841 enforce such reasonable rules and regulations, and to prescribe

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842 such forms relating to the administration and enforcement of ~~the~~  
843 ~~provisions of~~ this code, as it may deem appropriate, including:

844 (1) Rules for initial implementation of this code and for  
845 taxpayers' transitional taxable years commencing before and  
846 ending after January 1, 1972; and

847 (2) Rules or regulations to clarify whether certain groups,  
848 organizations, or associations formed under the laws of this  
849 state or any other state, country, or jurisdiction shall be  
850 deemed "taxpayers" for the purposes of this code, in accordance  
851 with the legislative declarations of intent in s. 220.02; ~~and~~

852 ~~(3) Regulations relating to consolidated reporting for~~  
853 ~~affiliated groups of corporations, in order to provide for an~~  
854 ~~equitable and just administration of this code with respect to~~  
855 ~~multicorporate taxpayers.~~

856 Section 15. Section 220.64, Florida Statutes, is amended to  
857 read:

858 220.64 Other provisions applicable to franchise tax.—To the  
859 extent that they are not manifestly incompatible with ~~the~~  
860 ~~provisions of~~ this part, parts I, III, IV, V, VI, VIII, IX, and  
861 X of this code and ss. 220.12, 220.13, 220.136, 220.1363,  
862 220.15, and 220.16 apply to the franchise tax imposed by this  
863 part. Under rules prescribed by the department ~~in s. 220.131,~~ a  
864 consolidated return may be filed by any affiliated group of  
865 corporations composed of one or more banks or savings  
866 associations, ~~its or~~ their Florida parent corporations  
867 ~~corporation,~~ and any nonbank or nonsavings subsidiaries of such  
868 parent corporations ~~corporation.~~

869 Section 16. Paragraph (f) of subsection (4) and paragraph  
870 (a) of subsection (5) of section 288.1254, Florida Statutes, are

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871 amended to read:

872 288.1254 Entertainment industry financial incentive  
873 program.—

874 (4) TAX CREDIT ELIGIBILITY; TAX CREDIT AWARDS; QUEUES;  
875 ELECTION AND DISTRIBUTION; CARRYFORWARD; CONSOLIDATED RETURNS;  
876 PARTNERSHIP AND NONCORPORATE DISTRIBUTIONS; MERGERS AND  
877 ACQUISITIONS.—

878 ~~(f) Consolidated returns. A certified production company~~  
879 ~~that files a Florida consolidated return as a member of an~~  
880 ~~affiliated group under s. 220.131(1) may be allowed the credit~~  
881 ~~on a consolidated return basis up to the amount of the tax~~  
882 ~~imposed upon the consolidated group under chapter 220.~~

883 (5) TRANSFER OF TAX CREDITS.—

884 (a) *Authorization.*—Upon application to the Office of Film  
885 and Entertainment and approval by the department, a certified  
886 production company, or a partner or member that has received a  
887 distribution under paragraph (4) (f) ~~(4) (g)~~, may elect to  
888 transfer, in whole or in part, any unused credit amount granted  
889 under this section. An election to transfer any unused tax  
890 credit amount under chapter 212 or chapter 220 must be made no  
891 later than 5 years after the date the credit is awarded, after  
892 which period the credit expires and may not be used. The  
893 department shall notify the Department of Revenue of the  
894 election and transfer.

895 Section 17. Subsections (9) and (10) of section 376.30781,  
896 Florida Statutes, are amended to read:

897 376.30781 Tax credits for rehabilitation of drycleaning-  
898 solvent-contaminated sites and brownfield sites in designated  
899 brownfield areas; application process; rulemaking authority;

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900 revocation authority.—

901 (9) On or before May 1, the Department of Environmental  
902 Protection shall inform each tax credit applicant that is  
903 subject to the January 31 annual application deadline of the  
904 applicant's eligibility status and the amount of any tax credit  
905 due. The department shall provide each eligible tax credit  
906 applicant with a tax credit certificate that must be submitted  
907 with its tax return to the Department of Revenue to claim the  
908 tax credit or be transferred pursuant to s. 220.1845(2)(f) ~~s.~~  
909 ~~220.1845(2)(g)~~. The May 1 deadline for annual site  
910 rehabilitation tax credit certificate awards shall not apply to  
911 any tax credit application for which the department has issued a  
912 notice of deficiency pursuant to subsection (8). The department  
913 shall respond within 90 days after receiving a response from the  
914 tax credit applicant to such a notice of deficiency. Credits may  
915 not result in the payment of refunds if total credits exceed the  
916 amount of tax owed.

917 (10) For solid waste removal, new health care facility or  
918 health care provider, and affordable housing tax credit  
919 applications, the Department of Environmental Protection shall  
920 inform the applicant of the department's determination within 90  
921 days after the application is deemed complete. Each eligible tax  
922 credit applicant shall be informed of the amount of its tax  
923 credit and provided with a tax credit certificate that must be  
924 submitted with its tax return to the Department of Revenue to  
925 claim the tax credit or be transferred pursuant to s.  
926 220.1845(2)(f) ~~s. 220.1845(2)(g)~~. Credits may not result in the  
927 payment of refunds if total credits exceed the amount of tax  
928 owed.



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929 Section 18. Transitional rules.-

930 (1) For the first taxable year beginning on or after  
931 January 1, 2020, a taxpayer that filed a Florida corporate  
932 income tax return in the preceding taxable year and that is a  
933 member of a water's edge group shall compute its income together  
934 with all members of its water's edge group and file a combined  
935 Florida corporate income tax return with all members of its  
936 water's edge group.

937 (2) An affiliated group of corporations which filed a  
938 Florida consolidated corporate income tax return pursuant to an  
939 election provided in former s. 220.131, Florida Statutes, shall  
940 cease filing a Florida consolidated return for taxable years  
941 beginning on or after January 1, 2020, and shall file a combined  
942 Florida corporate income tax return with all members of its  
943 water's edge group.

944 (3) An affiliated group of corporations which filed a  
945 Florida consolidated corporate income tax return pursuant to the  
946 election in s. 220.131(1), Florida Statutes (1985), which  
947 allowed the affiliated group to make an election within 90 days  
948 after December 20, 1984, or upon filing the taxpayer's first  
949 return after December 20, 1984, whichever was later, shall cease  
950 filing a Florida consolidated corporate income tax return using  
951 that method for taxable years beginning on or after January 1,  
952 2020, and shall file a combined Florida corporate income tax  
953 return with all members of its water's edge group.

954 (4) A taxpayer that is not a member of a water's edge group  
955 remains subject to chapter 220, Florida Statutes, and shall file  
956 a separate Florida corporate income tax return as previously  
957 required.

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958       (5) For taxable years beginning on or after January 1,  
959 2020, a tax return for a member of a water's edge group must be  
960 a combined Florida corporate income tax return that includes tax  
961 information for all members of the water's edge group. The tax  
962 return must be filed by a member that has a nexus with this  
963 state.

964       Section 19. Funds recaptured pursuant to this act must be  
965 appropriated in the General Appropriations Act to the various  
966 school districts to reduce the required local effort millage.

967       Section 20. This act shall take effect July 1, 2019.