

# FLORIDA HOUSE OF REPRESENTATIVES FINAL BILL ANALYSIS

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**BILL #:** [HB 7031](#) [PCB WMC 26-01](#)

**TITLE:** Internal Revenue Code

**SPONSOR(S):** Duggan

**COMPANION BILL:** [CS/SB 7048](#)

**LINKED BILLS:** None

**RELATED BILLS:** [CS/SB 7048](#)

**FINAL HOUSE FLOOR ACTION:** 109 Y's 0 N's

**GOVERNOR'S ACTION:** Pending

## SUMMARY

### Effect of the Bill:

With the exception of changes made by the federal One Big Beautiful Bill Act, the bill adopts the Internal Revenue Code as of January 1, 2026, for Florida corporate income tax purposes.

### Fiscal or Economic Impact:

The Revenue Estimating Conference estimated the bill will not impact state or local government revenues.

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## ANALYSIS

### EFFECT OF THE BILL:

#### Adoption of the Internal Revenue Code

The bill updates the Florida [corporate income tax](#) code by [adopting the Internal Revenue Code](#) (IRC) as amended and in effect on January 1, 2026, except for several specified sections that were amended by, or created in, [Public Law 119-21](#).<sup>1</sup> (Sections [1](#) and [2](#))

The bill retains the current law treatment of the following issues by retaining an adoption of the IRC as of January 1, 2025, for the following sections:

- Section 168(k), relating to [bonus depreciation](#) of assets,
- Section 174(a), relating to amortization of certain [research and experimental expenditures](#),
- Section 163(j), relating to the deduction for [interest paid by businesses](#),
- Section 274, relating to deductions for certain [business meals](#), and
- Section 179, relating to deductions made by certain [small businesses](#).

The bill does not adopt new sections created by federal law found in the following sections:

- Section 168(n), related to a deduction for [qualified production property](#), and
- Section 174A, a new deduction relating to domestic research and experimental expenditures.

By decoupling from these provisions, the bill retains the current corporate income tax structure for Florida taxpayers, and causes no impact on expected state revenues.

The bill provides emergency rulemaking authority and clarifies existing permanent rulemaking authority for the Department of Revenue. (Section 3)

<sup>1</sup> Public Law 119-21, known colloquially as the "One Big Beautiful Bill Act," made significant updates to the federal income tax code. The text of the bill is available at <https://www.congress.gov/bill/119th-congress/house-bill/1/text> (last visited March 12, 2026).

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**DATE:** 3/13/2026

Subject to the governor’s veto powers, the bill is effective upon becoming law and applies retroactively to January 1, 2026. (Sections [3](#) and [4](#))

#### **RULEMAKING:**

The Department has existing rulemaking authority for the statutes it administers, but the bill provides emergency rulemaking authority.

*Lawmaking is a legislative power; however, the Legislature may delegate a portion of such power to executive branch agencies to create rules that have the force of law. To exercise this delegated power, an agency must have a grant of rulemaking authority and a law to implement.*

#### **FISCAL OR ECONOMIC IMPACT:**

##### STATE GOVERNMENT:

The Revenue Estimating Conference estimated the bill will not impact state government revenues.

##### LOCAL GOVERNMENT:

The Revenue Estimating Conference estimated the bill will not impact local government revenues.

## **RELEVANT INFORMATION**

### **SUBJECT OVERVIEW:**

#### [Corporate Income Tax](#)

Florida levies a 5.5 percent tax on the taxable income of corporations and financial institutions doing business in Florida.<sup>2</sup> Florida utilizes the taxable income determined for federal income tax purposes as a starting point to determine the total amount of Florida corporate income tax due.<sup>3</sup> This means that a corporation paying taxes in Florida generally receives the same benefits from deductions allowed when determining taxable income for federal tax purposes as it does when determining taxable income for state taxation purposes, unless the state chooses not to adopt specific federal provisions.

#### [Adoption of the Internal Revenue Code](#)

Florida maintains its relationship with the federal Internal Revenue Code (IRC) by annually adopting the IRC as it exists on January 1.<sup>4</sup> By doing this, Florida adopts any changes related to determining federal taxable income that were made during the previous year. However, the Legislature may choose to not adopt, or to “decouple,” from particular changes made to the IRC in the prior year, and instead specify its own treatment of the issue, or allow the previous IRC treatment to continue for Florida tax purposes.

#### [Public Law 119-21](#)

The United States Congress adopted H.R. 1 on July 3, 2025, and it was signed into law on July 4, 2025.<sup>5</sup> The bill reinstated or modified a number of provisions from the Tax Cuts and Jobs Act of 2017 (TCJA),<sup>6</sup> as well as making

<sup>2</sup> [S. 220.11\(2\), F.S.](#)

<sup>3</sup> [S. 220.12, F.S.](#)

<sup>4</sup> [Ss. 220.03\(1\)\(n\) and \(2\)\(c\), F.S.](#)

<sup>5</sup> Public Law No. 119-21, H.R. 1 (July 4, 2025). The act was originally introduced as the One Big Beautiful Bill Act.

<sup>6</sup> Public Law No. 115-97, H.R. 1 (December 22, 2017). The act was originally introduced as the Tax Cuts and Jobs Act.

new changes to federal corporate income tax provisions. According to the Joint Committee on Taxation, these changes were estimated to reduce federal corporate income tax collections by nearly \$140 Billion for the federal tax year ending September 30, 2026.<sup>7</sup>

[Bonus Depreciation](#)

Federal Law

For most large assets, rather than deducting or expensing their value in the year purchased, a business was historically required to “capitalize” the asset by adding the value of the asset to their capital account and then depreciating that value over the useful life of the asset, either evenly (“straight line”)<sup>8</sup> or on an accelerated method that allows larger depreciation in early years.<sup>9</sup>

Before 2018, businesses were allowed to claim “bonus” depreciation of 50 percent of an asset’s basis in the year the asset was placed in service. This bonus depreciation provision was scheduled to phase out by the end of 2019. The remaining 50 percent of the asset’s basis was depreciated under standard straight line or accelerated depreciation methods.

The TCJA increased and extended bonus depreciation provisions. Under the TCJA, assets could be fully (100%) depreciated in the first year they were placed in service, from September 27, 2017, through December 31, 2022.<sup>10</sup>

Beginning in 2023, the 100 percent deduction has been phased out as follows:

Assets Placed in Service:	Bonus Depreciation Amount
2023	80%
2024	60%
2025	40%
2026	20%
2027	0% (return to full standard depreciation)

Beginning with assets placed in service after January 19, 2025, H.R. 1 made 100 percent bonus depreciation **permanent** for assets placed in service on or after President Trump’s second Inauguration Day (January 20, 2025).<sup>11</sup> There is no phaseout or expiration.

Florida Law

Historically (both before and after the TCJA), Florida has required businesses to add back whatever bonus depreciation they took at the federal level, and to spread that deduction out over seven years (that year and the six following years).<sup>12</sup> Florida specifically decoupled from the federal bonus depreciation provision in 2018 legislation and required the seven-year treatment.<sup>13</sup>

<sup>7</sup> Congress of the United States, The Joint Committee on Taxation, *Estimated Revenue Effects Relative To The Present Law Baseline Of The Tax Provisions In “Title VII – Finance” Of The Substitute Legislation As Passed By The Senate To Provide For Reconciliation Of The Fiscal Year 2025 Budget*, available at <https://www.jct.gov/publications/2025/jcx-35-25/> (last visited March 12, 2026).

<sup>8</sup> IRC s. 167

<sup>9</sup> IRC s. 168

<sup>10</sup> Pub. L. 115-97, s. 13201

<sup>11</sup> Pub. L. 119-21, s. 70301

<sup>12</sup> [S. 220.13\(1\)\(e\)1, F.S.](#)

<sup>13</sup> Ch. 2018-119, s. 2

## [Amortization of Research and Experimental Expenditures](#)

### Federal Law

Before January 1, 2022, certain research and experimental expenses paid in connection with a trade or business which were not chargeable to a capital account were fully (100%) deductible as a business expense in the year of purchase.<sup>14</sup> This deduction applied to both direct (computer supplies or salaries) and indirect (rent or utility bills for a lab) expenses that were related to science or technology only.

Beginning January 1, 2022,<sup>15</sup> those expenses were no longer deductible in the year incurred. Instead, they were required to be capitalized and taken over a period determined by the location of the research:

- Domestic (U.S.) research expenses could be deducted over a 5-year period, and
- Foreign (non-U.S.) research expenses could be deducted over a 15-year period.

For expenses paid on or after January 1, 2025, H.R. 1 changed this treatment again. The new Internal Revenue Code section 174A provides that *domestic* research and experimental expenditures are again deductible in the year incurred, for taxable years beginning after December 31, 2024.<sup>16</sup> The bill also allowed certain small businesses to retroactively apply the deduction for taxable years beginning after December 31, 2021,<sup>17</sup> and allowed all taxpayers to deduct in 2025 any remaining unamortized amounts from domestic expenses incurred after December 31, 2021, and before January 1, 2025.<sup>18</sup>

### Florida Law

Florida allowed for the deduction of these expenses prior to 2022, and adopted the amortization provisions from the TCJA in 2022.<sup>19</sup>

## [Deduction for Business Interest Expenses](#)

### Federal Law

Prior to 2018, interest paid by businesses was fully deductible as an ordinary business expense, with a narrow exception for certain tax-exempt interest that a corporation paid on debt owed to or guaranteed by a related party.

Beginning in 2018, under Section 163(j) of the Internal Revenue Code as amended by the TCJA,<sup>20</sup> interest paid by a business was still deductible by a corporation, but was generally **limited** to the sum of:

- The taxpayer's business interest *income* for the year, and
- 30% of the taxpayer's adjusted taxable income ("ATI") for the year.

How the ATI is calculated and/or limited for this deduction at the federal level has changed multiple times under federal law since 2018:

- For 2018 through 2021, under the TCJA, the ATI was calculated based on "EBITDA" – the "earnings before interest, taxes, depreciation and amortization."<sup>21</sup>
- For 2019 and 2020, under the CARES Act (in response to the pandemic), the ATI was calculated the same way, but the deduction was limited to 50% of the ATI instead of 30%.<sup>22</sup>

<sup>14</sup> IRC s. 174

<sup>15</sup> This section was amended in the TCJA, but had a delayed effective date until January 1, 2022. See Pub. L. 115-97, s. 13206.

<sup>16</sup> Pub. L. 119-21, s. 70302, created IRC section 174A.

<sup>17</sup> IRC s. 174A(f)(1)

<sup>18</sup> IRC s. 174A(f)(2)

<sup>19</sup> Ch. 2022-97, s. 26

<sup>20</sup> Pub. L. 115-21, s.13301

<sup>21</sup> IRC s. 163(j)(8)(a)(v), as amended in Pub. L. 115-21, s. 13301

- Beginning in 2022, per the TCJA, the ATI was calculated based on “EBIT,” which means the 30% limitation is applied to earnings *after* deductions for depreciation and amortization.<sup>23</sup> Using this method, a smaller business interest deduction was allowed.
- Beginning in 2025, under H.R. 1, the ATI calculation reverted to the “EBITDA” calculation allowed from 2018 through 2021, thereby allowing a larger interest deduction than was allowed from 2022 through 2024.<sup>24</sup>

H.R. 1 also made some smaller technical changes to the ATI calculation which have a small, positive impact that partially offsets the negative impact of returning to an EBITDA calculation:

- It excludes certain international tax items,<sup>25</sup> and
- Provides that any interest expense that is capitalized to property is still treated as “interest” and is limited by this provision.<sup>26</sup>

### Florida Law

Florida allowed for the full deduction of these expenses prior to 2018, and adopted the provisions related to business interest expenses in the TCJA, including the original and revised calculations of ATI.<sup>27</sup> Florida did not adopt federal changes under the 2020 CARES Act, and instead retained the 30% interest limitation from the TCJA.<sup>28</sup>

### Deductions for certain Business Meals

#### Federal Law

Most food and beverage expenses by a corporation are deductible at 50% of the cost, unless another provision applies.<sup>29</sup> Under the Consolidated Appropriations Act of 2021, there was a temporary increase in the allowable deduction for business meals to 100% of the cost.<sup>30</sup>

Under the TCJA, beginning in 2026, 100% of the deduction for meals provided to employees for the convenience of the employer, and 100% of the costs of an employer-owned operating eating facility (i.e., an employee cafeteria) were disallowed as expenses under new section 274(o).<sup>31</sup>

Under H.R. 1, there is an exception to the section 274(o) disallowance, so establishments that sell food and beverages to customers (i.e., restaurants) can deduct food and beverage expenses for their employees, and certain fishing vessels can deduct meal costs.<sup>32</sup>

#### Florida Law

Florida generally conformed to federal provisions relating to the deduction of certain business meal expenses, although Florida did not adopt the temporary increase in allowable deductions under the Consolidated Appropriations Act of 2021.<sup>33</sup>

<sup>22</sup> IRC s. 163(j)(10)(A)(i), as amended in Pub. L. 116-136, s. 2306(a)

<sup>23</sup> IRC s. 163(j)(8)(a), as amended in Pub. L. 115-21, s. 13301

<sup>24</sup> IRC s. 163(j)(8)(A)(v), as amended in Pub. L. 119-21, s. 70303

<sup>25</sup> IRC s. 163(j)(8)(A)(vi), as amended in Pub. L. 119-21, s. 70342

<sup>26</sup> IRC s. 163(j)(10), as amended in Pub. L. 119-21, s. 70341

<sup>27</sup> Ch. 2018-119, s. 2

<sup>28</sup> Ch. 2021-242, s. 3

<sup>29</sup> IRC s. 274(n)

<sup>30</sup> Pub. L. 116-260, Division EE, Title II, s. 210

<sup>31</sup> Pub. L. 115-97, s. 13304

<sup>32</sup> Pub. L. 119-21, s. 70305

<sup>33</sup> [S. 220.13\(1\)\(e\)6, F.S.](#)

[Small Businesses Expensing](#)Federal Law

For most large assets, rather than deducting or expensing their value in the year purchased, a business was historically required to “capitalize” the asset by adding the value of the asset to their capital account and then depreciating that value over the useful life of the asset, either evenly (“straight line”)<sup>34</sup> or on an accelerated method that allows larger depreciation in early years.<sup>35</sup>

Section 179 of the Internal Revenue Code, known colloquially as the “small business expensing” provision, allows small businesses to immediately expense some or all of the cost of qualifying equipment and purchases. This exemption is similar to Bonus Depreciation in practice. The primary distinctions between the two are that (1) Small Business Expensing under Section 179 can apply to certain building improvements (roofs, air conditionings, etc.), and (2) most large businesses have total expenditures so large that they do not qualify under this provision.

Section 179 is different from some other provisions, like bonus depreciation, in that the benefit phases out when a company has purchases in excess of a certain amount. In simple terms, for every dollar of investment in qualifying purchases over the threshold, the allowable exemption is decreased by one dollar.

The amount of the exemption, and the limitation on using the exemption, have changed a number of times in the decades since it was first enacted.<sup>36</sup>

In the decade before the TCJA, small businesses could expense property up to \$250,000 under the Economic Stimulus Act of 2008<sup>37</sup> and up to \$500,000 under the 2010 Small Business Jobs Act.<sup>38</sup> That \$500,000 level was maintained on a temporary basis under 2014 legislation<sup>39</sup> before permanently increasing to \$500,000 (with a \$2 million phaseout threshold) in the Consolidated Appropriations Act of 2016.<sup>40</sup>

The TCJA increased the cap to \$1 million of exemption, with a phaseout threshold of \$2.5 million.<sup>41</sup> As an example of how this worked in practice, under section 179 as amended by the TCJA, in 2018 a purchase of \$3 million in qualifying machinery and equipment would only receive a \$500,000 deduction, because the total purchase exceeded the \$2.5 million threshold by \$500,000.

Both the exemption amount and the phaseout threshold under the TCJA were subject to inflation adjustments, and for 2025 the exemption was capped at \$1.25 million, with the phaseout threshold at \$3.13 million.<sup>42</sup>

For assets purchased after January 19, 2025, H.R. 1 increased the exemption cap from \$1 million to \$2.5 million, and increased the phaseout threshold from \$2.5 million to \$4 million, both still indexed to inflation.<sup>43</sup> For 2026, the cap is increased to \$2.56 million, and the phaseout threshold is increased to \$4.09 million.<sup>44</sup>

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<sup>34</sup> IRC s. 167

<sup>35</sup> IRC s. 168

<sup>36</sup> IRC s. 179 was created in 1958 pursuant to Pub. L. 85-866, s. 204. The original allowance was for 20% of the property, up to \$10,000. In the Economic Recovery Tax Act of 1981, Pub. L. 97-34, s. 202, the allowance shifted to 100% of the cost, up to \$5,000. That amount continued to increase over time.

<sup>37</sup> Pub. L. 110-185, s. 102

<sup>38</sup> Pub. L. 111-240, s. 2021

<sup>39</sup> Pub. L. 113-295, s. 127

<sup>40</sup> Pub. L. 114-113, s. 124

<sup>41</sup> Pub. L. 115-97, s. 13101

<sup>42</sup> Rev. Proc. 24-40

<sup>43</sup> Pub. L. 119-21, s. 70306

<sup>44</sup> Rev. Proc. 25-32

Florida Law

Florida generally allowed a full deduction under section 179 until 2008. Beginning with the increased deduction under the Economic Stimulus Act of 2008,<sup>45</sup> and continuing through 2014, Florida limited the section 179 deduction to a specified amount (generally \$128,000) in the first year. Amounts in excess of that amount were required to be added back to Florida income and then deducted evenly over seven years, similar to requirements for bonus depreciation.

Beginning with property placed in service January 1, 2015, Florida allowed full 179 expensing, up to the federal limit.

Qualified Production PropertyFederal Law

Nonresidential real property (other than land) is generally depreciable under section 167 or 168 of the Internal Revenue Code. This includes most manufacturing buildings, which are generally depreciated over 39 years using a straight-line method.<sup>46</sup>

Under H.R. 1, certain “qualified production property” is immediately 100% deductible in the year the property is placed in service.<sup>47</sup>

Qualified production property means the portion of nonresidential real property which is:<sup>48</sup>

- Used as an integral part of a qualified production activity,
- Placed in service in the United States or a possession thereof,
- First used by the taxpayer (“original use”),
- Constructed between January 20, 2025, and December 31, 2028, and
- Placed in service before January 1, 2031.

Qualified production activities means “the manufacturing, production, or refining of [tangible personal property other than food or beverages in restaurants].”<sup>49</sup>

Florida Law

While this is a new federal allowance type, Florida has historically allowed these types of property to be deducted over 39 years under standard depreciation methods.

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<sup>45</sup> Ch. 2009-18, L.O.F.

<sup>46</sup> IRC s. 168(b)(3)

<sup>47</sup> Pub. L. 119-21, s. 70307

<sup>48</sup> IRC s. 168(n), as created by Pub. L. 119-21

<sup>49</sup> IRC s. 168(n)(2)(D)

**RECENT LEGISLATION:**

<b>YEAR</b>	<b>BILL #/SUBJECT</b>	<b>HOUSE/SENATE SPONSOR(S)</b>	<b>OTHER INFORMATION</b>
2025	<a href="#">HB 7031</a> - Taxation	Duggan	Ch. 2025-208, L.O.F.; adopted the Internal Revenue Code (IRC) for Corporate Income Tax (CIT) purposes.
2024	<a href="#">CS/HB 7073</a> - Taxation	McClain	Ch. 2024-158, L.O.F.; adopted the IRC for CIT purposes.
2023	<a href="#">HB 7063</a> - Taxation	McClain	Ch. 2023-157, L.O.F.; adopted the IRC for CIT purposes.
2022	<a href="#">CS/HB 7071</a> - Taxation	Payne	Ch. 2022-23, L.O.F.; adopted the IRC for CIT purposes.