CIGARETTE SURCHARGE

CS/CS/SB 1840 — Protecting Health/Surcharge on Tobacco Products
by Policy and Steering Committee on Ways and Means; Finance and Tax Committee; and Senators Deutch and Rich

The bill levies a $1 per pack surcharge on cigarettes. Revenue from the surcharge will be deposited in the Health Care Trust Fund in the Agency for Health Care Administration. On a recurring basis, the surcharge on cigarettes is expected to raise $942 million each year. It is also expected to reduce cigarette consumption by 9 percent, and the reduction is expected to grow over time to more than 10 percent by FY 2012-2013.

Tobacco products other than cigarettes and cigars are subject to a surcharge equal to 60 percent of the wholesale sales price. (This is the price that the distributor pays the manufacturer.) This is in addition to the current tax of 25 percent of the wholesale sales price. The surcharge on other tobacco products is expected to raise $48 million each year.

The surcharge is levied on cigarettes and other tobacco products in inventory in the state on July 1, 2009. To compensate for costs of taking this inventory, retailers, distributors, wholesalers, and manufacturers will get a 5 percent collection allowance for the surcharge on inventory.

The bill provides for regulation of internet and mail-order sales of cigarettes and other tobacco products to ensure that these products are not available to minors. It increases the penalties related to untaxed cigarettes, and creates a toll-free number for cigarette tax and surcharge violations to be reported. An informer may receive a reward for a report that leads to a fine being levied and paid. The bill also restricts the amount of tax-free cigarettes available to the recognized Indian tribes. Members of the tribes will be able to buy and consume cigarettes tax free on the reservations, but will not be able to sell untaxed cigarettes to non-Indians. It provides for the option of entering into an agreement with the state to share cigarette tax revenue for cigarettes sold on reservations, but the state must, at a minimum, receive all revenue from the surcharge created in this bill.

If approved by the Governor, these provisions take effect July 1, 2009.
Vote: Senate 40-0; House 85-30

CORPORATE INCOME TAX

SB 1112 — Corporate Income Tax

by Senators Altman and Lynn

This bill (Chapter 2009-18, L.O.F.) replaces provisions of the 2008 "piggy-back" bill – ch. 2008-206, L.O.F. Each year Florida adopts changes to the Federal Internal Revenue Code as it exists on January 1 of that year. This maintains the relationship between Florida and federal taxable income. The replacement bill provides a new method to exclude the temporary federal deductions from Florida income tax calculations that largely eliminates the unintended negative impact of ch. 2008-206, L.O.F., on the depreciation and additional expensing deductions available to Florida taxpayers. Specifically, the bill provides for a Florida subtraction for the bonus depreciation or additional expensing deduction claimed by a taxpayer on their federal return. The bill requires a taxpayer claiming bonus depreciation or additional expensing on its federal return to add 80 percent of the amount so claimed to its 2008 Florida taxable income. The taxpayer can then subtract 25 percent of the amount by which taxable income was increased in each of the 4 subsequent tax years.

These provisions became law upon approval by the Governor on March 17, 2009.
Vote: Senate 39-1; House 116-0

CS/SB 2504 — Corporate Income Tax

by Finance and Tax Committee and Senator Altman

Each year Florida adopts changes to the Federal Internal Revenue Code as it exists on January 1 of that year. This maintains the relationship between Florida and federal taxable income. Congress approved the American Recovery and Reinvestment Act of 2009 (ARRTA) that made changes to the federal tax code which, if adopted by Florida, would likely have reduced corporate tax receipts over the next several fiscal years. As a result, Florida did not adopt provisions related to bonus depreciation and additional expensing, and extended the special provisions for dealing with bonus depreciation and additional expensing adopted in SB 1112 (Chapter 2009-18, L.O.F) for another year. It also requires taxpayers taking advantage of the ARRTA provisions allowing them to defer the recognition of income on the cancellation of debt to add back the deferred income for Florida tax purposes. The general effect of the bill is to place the taxpayer in the same position for Florida tax purposes as they would have been had they not taken advantage of these federal provisions.

If approved by the Governor, these provisions take effect upon becoming law.
Vote: Senate 39-0; House 117-0