

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** PCB FTSC 14-03 Relating to Adoption of the Internal Revenue Code for Purposes of the Corporate Income Tax

**SPONSOR(S):** Finance & Tax Subcommittee

**TIED BILLS:**           **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
Orig. Comm.: Finance & Tax Subcommittee	16 Y, 0 N	Wolfgang	Langston

### SUMMARY ANALYSIS

Florida imposes a 5.5% tax on the taxable income of corporations doing business in Florida. The determination of taxable income for Florida tax purposes begins with the taxable income used for federal income tax purposes. This linkage to the federal Internal Revenue Code requires annual updates to Florida's tax code if the administrative and bookkeeping benefits of "piggybacking" on the federal system are to be retained.

This bill updates Florida's Corporate Income Tax Code by adopting the Internal Revenue Code as in effect on January 1, 2014.

The Revenue Estimating Conference (REC) has estimated that the bill will not have a fiscal impact.

The bill is effective upon becoming law and applies retroactively to January 1, 2014.

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. EFFECT OF PROPOSED CHANGES:

##### Current Situation

Florida imposes a 5.5% tax on the taxable income of corporations doing business in Florida. The determination of taxable income for Florida tax purposes begins with the taxable income used for federal income tax purposes. This means that a corporation paying taxes in Florida generally receives the same benefits from deductions allowed in determining its federal taxable income. With federal taxable income as a starting point, Florida law then requires a variety of additions and subtractions to reflect Florida-specific policies to determine Florida taxable income.

Florida maintains this relationship by each year adopting the Federal Internal Revenue Code as it exists on January 1 of the year in question. By doing this, Florida adopts any changes that were made in the previous year to the determination of federal taxable income. The bill adopting the federal code is commonly referred to as the "piggyback bill."

This year there have been no significant changes to the federal income tax code.

##### Proposed Changes

The bill updates the Florida Corporate Income Tax Code to reflect changes in the federal Internal Revenue Code, by adopting the Internal Revenue Code as in effect on January 1, 2014.

The bill is effective upon becoming law and applies retroactively to January 1, 2014.

#### B. SECTION DIRECTORY:

Section 1: Amends ss. 220.03(1) and (2), F.S., to update the version of the Internal Revenue Code adopted by Chapter 220, F.S., from 2013 to 2014.

Section 2: Provides an effective date and that applies retroactively to January 1, 2014.

### II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

None

##### 2. Expenditures:

None

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

None.

##### 2. Expenditures:

None.

#### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

None.

D. FISCAL COMMENTS:

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**