A bill to be entitled
An act relating to a tax credit for carbon farming; creating s. 220.197, F.S.; providing legislative findings and intent; defining terms; establishing a tax credit for carbon farming; requiring the Secretary of Environmental Protection, in consultation with the executive director of the Department of Revenue and the Commissioner of Agriculture, to determine the amount of the tax credit; requiring the Department of Revenue to certify the taxpayer’s eligibility for the credit; authorizing the tax credit to carry forward under certain circumstances for a specified period of time; requiring the department to adopt rules; amending s. 220.02, F.S.; making a technical change; revising the order in which credits against the corporate income tax or franchise tax may be taken to include credits for carbon farming; amending s. 220.13, F.S.; making a technical change; revising the term “adjusted federal income” to include certain tax credits taken relating to carbon farming; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Section 220.197, Florida Statutes, is created to read:

220.197 Carbon farming tax credit.—
(1) LEGISLATIVE FINDINGS AND INTENT.—The Legislature finds that soil and vegetation management can significantly enhance
soil and carbon sequestration, resulting in a wide range of environmental and agricultural benefits to this state’s farmers and residents, including increased yields, soil health, improved water quality, and reductions in greenhouse gas emissions. The Legislature further finds that enhancing carbon sequestration as defined in subsection (2) is in the best interest of this state.

It is the intent of the Legislature to encourage farmers to further sequester and mitigate carbon in this state by establishing a carbon farming tax credit to reward and incentivize farmers to maintain or adopt practices that help maximize this state’s carbon sequestration potential.

(2) DEFINITIONS.—As used in this section, the term:

(a) “Carbon farming” means implementing a land management strategy to reduce, sequester, and mitigate greenhouse gas emissions on land to support a farm operation and quantifying those greenhouse gas benefits using the United States Department of Agriculture’s COMET-Planner and other quantification tools.

(b) “Carbon sequestration” means the long-term storage of carbon in plants, soils, geologic formations, and the ocean through farming.

(c) “Farm product” means an agricultural, dairy, or horticultural product, or any product designed for food which is manufactured or prepared principally from an agricultural, dairy, or horticultural product, and the commercial raising, shearing, feeding, and management of animals on a ranch.

(3) TAX CREDIT.—An agricultural business that produces farm products is eligible for a credit against the tax imposed by this chapter for carbon farming.

(a) The Secretary of Environmental Protection, in
consultation with the director and the Commissioner of Agriculture, shall determine the amount of the credit, which must be based on the economic value of carbon farming.

(b) The department shall certify a taxpayer’s eligibility for the credit, and the taxpayer shall attach to its tax return the final certificate of eligibility. The taxpayer is not eligible for a credit greater than the amount of the credit listed on the final certificate certifying the emissions reductions to be credited to the taxpayer.

(c) If the amount of the credit allowable under this section for any taxable year exceeds the taxpayer’s tax for such year, the unused amount may be carried forward for a period not to exceed 3 years. The carryover credit may be used in a subsequent year when the tax imposed by this chapter for such year exceeds the credit for such year, after applying the other credits and unused credit carryovers in the order provided in s. 220.02(8).

(4) RULES.—The department shall adopt rules to administer this section, including, but not limited to, rules prescribing forms and application procedures, and may establish guidelines for making an affirmative showing of qualification for a credit and any evidence needed to substantiate a claim for credit under this section.

Section 2. Subsection (8) of section 220.02, Florida Statutes, is amended to read:

220.02 Legislative intent.—

(8) It is the intent of the Legislature that credits against either the corporate income tax or the franchise tax be applied in the following order: those enumerated in s. 631.828,
Section 3. Paragraph (a) of subsection (1) of section 220.13, Florida Statutes, is amended to read:

220.13 “Adjusted federal income” defined.—

(1) The term “adjusted federal income” means an amount equal to the taxpayer’s taxable income as defined in subsection (2), or such taxable income of more than one taxpayer as provided in s. 220.131, for the taxable year, adjusted as follows:

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

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

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

2. The amount of interest which is excluded from taxable income under s. 103(a) of the Internal Revenue Code or any other federal law, less the associated expenses disallowed in the computation of taxable income under s. 265 of the Internal Revenue Code or any other law, excluding 60 percent of any amounts included in alternative minimum taxable income, as defined in s. 55(b)(2) of the Internal Revenue Code, if the taxpayer pays tax under s. 220.11(3).

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

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

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

6. The amount taken as a credit under s. 220.195 which is deductible from gross income in the computation of taxable income for the taxable year.
7. That portion of assessments to fund a guaranty association incurred for the taxable year which is equal to the amount of the credit allowable for the taxable year.

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

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

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

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

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

12.13. The amount taken as a credit for the taxable year under s. 220.193.

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

14.15. The costs to acquire a tax credit pursuant to s. 288.1254(5) that are deducted from or otherwise reduce federal taxable income for the taxable year.
15. The amount taken as a credit for the taxable year pursuant to s. 220.194.

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

17. The amount taken as a credit for the taxable year under s. 220.197.

Section 4. This act shall take effect July 1, 2020.