

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Finance and Tax

BILL: SPB 7058

INTRODUCER: Finance and Tax Committee

SUBJECT: Internal Revenue Code

DATE: April 18, 2023

REVISED: 4/19/23

ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. Gross	Babin		FT Submitted as Comm. Bill/Fav

I. Summary:

SPB 7058 updates Florida's corporate income tax by adopting the federal Internal Revenue Code in effect on January 1, 2023. By adopting the updated code, Florida recognizes the changes made to the code.

The Revenue Estimating Conference analyzed a proposal identical to the bill and determined that it would result in no change to General Revenue Fund receipts.

The bill takes effect upon becoming law and operates retroactively to January 1, 2023.

II. Present Situation:

Florida imposes a 5.5 percent tax on the taxable income of corporations and financial institutions doing business in Florida.¹ A corporation calculates its taxable income for Florida tax purposes by starting with its taxable income determined for federal tax purposes.² Additional adjustments are then made to determine the corporation's Florida taxable income. By starting with federal taxable income, Florida eases the administrative burden on Florida taxpayers.

Florida maintains its relationship with the federal Internal Revenue Code by each year adopting the federal Internal Revenue Code as it exists on January 1 of the year. By doing this, Florida adopts any changes that were made in the previous year to the determination of federal taxable income.

Because Florida relies on federal taxable income to determine Florida taxable income, changes to the calculation of federal taxable income will affect the calculation of Florida taxable income and may increase or decrease Florida tax receipts if Florida adopts the most recent federal Internal Revenue Code. In some instances, Florida has adopted the new federal Internal Revenue Code, but excluded some changes.

¹ Sections 220.11(2) and 220.63(2), F.S.

² See generally s. 220.13(2), F.S.

Inflation Reduction Act

The Inflation Reduction Act of 2022 (Act) made changes to the code, which in part, are aimed at increasing revenue through tax policy, reducing costs on individuals and the federal government through drug price negotiations, and creating or bolstering policies to incentivize investments in clean energy products and manufacturing through tax credits and program funding.³

To raise revenue, the Act imposes a new corporate alternative minimum tax (CAMT) of 15 percent, effective in taxable years beginning after December 31, 2022, on corporations whose average annual adjusted financial statement income exceeds \$1 billion over a three-year period. Subject corporations are required to calculate tax owed using two methods; a regular tax calculation and a CAMT calculation. The larger amount must be remitted.

Florida's corporate income tax code includes an alternative minimum tax and it subjected certain taxpayers to tax at a rate of 3.3 percent, rather than 5.5 percent.⁴ Florida's alternative minimum tax, which is not operative, was connected to the obsolete federal alternative minimum tax that was repealed in 2017.⁵ The adoption of the Internal Revenue Code as contemplated by the bill would not impose the new federal CAMT in Florida.⁶

III. Effect of Proposed Changes:

The bill updates Florida's corporate income tax by adopting the federal Internal Revenue Code in effect on January 1, 2023. By adopting the updated code, Florida recognizes the changes made to the code.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Not applicable. The bill does not require counties or municipalities to spend funds, reduce counties' or municipalities' authority to raise revenue, or reduce the percentage of state tax shared with counties and municipalities.

B. Public Records/Open Meetings Issues:

None.

³ Pub. L. No. 117-169. *See* H.R.5376 - 117th Congress (2021-2022): Inflation Reduction Act of 2022. (2022). <https://www.congress.gov/bill/117th-congress/house-bill/5376> (last visited Mar. 16, 2023).

⁴ Section 220.11(4), F.S.

⁵ Section 12001, Pub. L. No. 115-97.

⁶ Email correspondence, the Florida Department of Revenue, (Sept. 15, 2022) (on file with the Committee on Finance and Tax).

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

Not applicable. The bill does not create or increase state taxes or fees. Thus, Art. VII, s. 19 of the Florida Constitution does not apply.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The Revenue Estimating Conference analyzed a proposal identical to the bill and determined that it would result in no change to General Revenue Fund receipts in Fiscal Year 2023-2024 or throughout the forecast period.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends section 220.03 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.

This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.
