

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Prepared By: Government Efficiency Appropriations Committee

BILL: SB 1798

SPONSOR: Senator Atwater

SUBJECT: Corporate Income Tax/2005 IRS Code

DATE: March 18, 2005

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Johansen</u>	<u>GE</u>	Favorable
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

Senate Bill 1798 updates references in Chapter 220, Florida Statutes (the Florida Income Tax Code) to reflect changes in the U.S. Internal Revenue Code adopted after Jan 1, 2004.

This bill substantially amends s. 220.03, F.S.

II. Present Situation:

Florida's Corporate Income Tax Code follows the federal Internal Revenue Code by using federal rules and starting with federal taxable income as the tax base for the Florida income tax. Section 220.03, F.S., defines specific terms as they apply to Florida's Corporate Income Tax Code. The term "Internal Revenue Code" is defined to mean those provisions of the United States Internal Revenue Code of 1986, as amended, in effect on January 1, 2004.

III. Effect of Proposed Changes:

This bill updates the Florida Income Tax Code to reflect changes in the U.S. Internal Revenue Code enacted by Congress in effect January 1, 2005. This definition provides for "piggybacking" each change made during 2004 in the Internal Revenue Code. These changes include the provisions of Public Law 108-218, signed into law April 10, 2004 and Public Law 108-357, signed into law October 22, 2004. The combined impact of these provisions is expected to have an indeterminate negative impact on Florida corporate income tax revenue.

This bill shall take effect upon becoming a law and shall operate retroactively to January 1, 2005.

IV. Constitutional Issues:**A. Municipality/County Mandates Restrictions:**

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

This bill maintains the link between Florida's corporate income tax code and the federal income tax code.

B. Private Sector Impact:

This bill ensures that corporations that are subject to Florida corporate income tax can base their tax calculations on current IRS rules. Failure to pass this bill would result in increased bookkeeping burdens for these entities.

C. Government Sector Impact:

Since Florida's corporate income tax is based upon a taxpayer's income as calculated for federal tax purposes, Florida can rely on the efforts of the IRS to ensure the accuracy of the starting point for determining tax liability. Passage of this bill is necessary to maintain this relationship, which significantly decreases the cost of enforcing Florida's income tax law.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
