

The Florida Senate
PROFESSIONAL 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: Finance and Tax Committee

BILL: CS/SB 2382

INTRODUCER: Finance and Tax Committee and Senator Webster

SUBJECT: Corporate Income Tax Trust Fund/DOR

DATE: April 24, 2007

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>deMarsh-Mathues</u>	<u>Matthews</u>	<u>ED</u>	<u>Favorable</u>
2.	<u>Fournier</u>	<u>Johansen</u>	<u>FT</u>	<u>Fav/CS</u>
3.	_____	_____	<u>EA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

This bill creates the Corporate Income Tax Trust Fund to be made up of funds collected by the Department of Revenue pursuant to the corporate income tax. The bill provides that the fund is established for use as a depository for funds to be appropriated by the Legislature for any purpose other than education. The trust fund will be terminated, unless re-created, on July 1, 2011, pursuant to s. 19(f), Art. III of the State Constitution.

This bill creates section 220.7015 of the Florida Statutes.

II. Present Situation:

Corporate Income Tax Code

The corporate income tax is codified in ch. 220, F.S, which imposes a tax upon all corporations, organizations, associations, and other artificial entities for the privilege of conducting business, deriving income, or existing within this state.¹ Partnerships, proprietorships, limited liability companies which are taxed as a partnership for federal income tax purposes, and private trusts are not subject to the tax.²

¹ s. 220.02(1), F.S.

² *Id.*

A corporation's net income for taxation purposes is its adjusted federal income plus nonbusiness income allocated to Florida less an exemption.³ The code adds certain items back to a corporation's federal income which were allowed as a deduction or were excluded from income under the federal or state corporate income tax credits.⁴ Items that are added back include the following:

- Specific interest which was excluded from federal income tax;
- Items for regulated investment companies and real estate investment trusts;
- The amount of the Florida emergency excise tax deducted under the Internal Revenue Code;
- Amounts for a guaranteed association;
- Pari-mutuel operations of a nonprofit corporation;
- Rural job tax credit and urban high crime area job tax credit;
- State housing credit; and
- Credits for contributions to nonprofit scholarship-funding organizations.⁵

In addition to adding amounts back to a corporation's taxable income, the code also subtracts certain items from the taxpayer's taxable income.⁶

Taxes under ch. 220, F.S., are collected by the Department of Revenue (DOR) and are paid into the General Revenue Fund.⁷

Creation, Operation, and Termination of Trust Funds

A trust fund consists of monies received by the state, which under law or under trust agreement, are segregated for a purpose authorized by law.⁸ Section 19(f), Art. III of the State Constitution, governs the creation of trust funds. This constitutional provision prohibits the creation by law of a trust fund of the state or other public body without a three-fifths vote of the membership of each house of the Legislature. This provision further specifies that a trust fund must be created in a separate bill for that purpose only.

In addition, the Legislature has established criteria governing the establishment of trust funds. Under these criteria, a law creating a trust fund must, at a minimum, specify:

- The name of the trust fund;
- The agency or branch of state government responsible for administering the trust fund;
- The requirements or purposes that the trust fund is established to meet; and

³ s. 220.12, F.S. See also Benjamin A. Jablow, Florida Bar Journal, *The ABCs of Florida Corporate Income Tax*, December 2002, p. 82-83.

⁴ See also Benjamin A. Jablow, Florida Bar Journal, *The ABCs of Florida Corporate Income Tax*, December 2002, p. 82-83.

⁵ s. 220.13(1)(a), F.S.

⁶ s. 220.13(1)(b), F.S., provides a list of the items subtracted from a corporation's taxable income.

⁷ s. 220.701, F.S.

⁸ s. 215.32(2)(b)1., F.S.

- The sources of moneys to be credited to the trust fund or specific sources of receipts to be deposited in the trust fund.⁹

The Chief Financial Officer is directed to invest all the trust funds and all agency funds of each state agency.¹⁰

Section 19(f)(2), Art. III of the State Constitution specifies that trust funds created after November 4, 1992, with certain exceptions, shall terminate not more than four years after the effective date of the act authorizing the creation of the trust fund, unless the Legislature by law sets a shorter time period. Accordingly, a bill that creates a trust fund should specify the trust fund's date of termination, or, if the trust fund is exempt from the automatic 4-year termination requirement, the bill should declare that the trust fund is exempt from this requirement.¹¹

The Legislature established a schedule and process for reviewing trust funds.¹²

III. Effect of Proposed Changes:

Corporate Income Tax Trust Fund

This bill creates the Corporate Income Tax Trust Fund to be made up of funds collected by the Department of Revenue pursuant to s. 220.11, F.S. The bill provides that the fund is established for use as a depository for funds to be appropriated by the Legislature for any purpose other than education.

The trust fund shall be terminated on July 1, 2011, unless terminated sooner, and is subject to review under the Florida Statutes prior to its termination.

Effective Date

This act takes effect July 1, 2007, contingent upon the enactment of legislation amending s. 220.701, F.S., to require taxes collected under chapter 220, F.S., to be deposited into the Corporate Income Tax Trust Fund, in the same legislative session, or an extension thereof.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

⁹ s. 215.3207, F.S.

¹⁰ s. 17.61, F.S.

¹¹ See Florida Senate, *Manual for Drafting General Bills*, p. 82 (September 1999).

¹² ss. 215.3206 and 215.3208, F.S.

C. Trust Funds Restrictions:

This bill creates the Corporate Income Tax Trust Fund to be comprised of certain funds collected by the Department of Revenue. This bill appears to comply with s. 19(f), Art. III of the State Constitution, relating to the creation and termination of trust funds. The bill must pass by a three-fifths vote of the membership of each house to become law pursuant to s. 19(f), Art. III of the State Constitution.

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

This bill creates the Corporate Income Tax Trust Fund for use as a depository for funds to be appropriated by the Legislature for any purpose other than education. Moneys to be credited to the trust fund include revenues collected through the corporate income tax.

B. Private Sector Impact:

None.

C. Government Sector Impact:

This bill creates the Corporate Income Tax Trust Fund. Moneys to be credited to the trust fund include revenues collected through the corporate income tax. Depositing corporate income tax revenue into this fund instead of directly into General Revenue may result in a one-time shift of General Revenue funding from FY 2007-08 to FY 2008-09.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Summary of Amendments:

None.

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