

TAX: Corporate Income Tax  
 ISSUE: APPORTIONMENT FACTOR FOR SIC CODE 2033  
 BILL NUMBER(S): HB1155  
 SPONSOR(S): REPRESENTATIVE BENNETT  
 MONTH/YEAR COLLECTION IMPACT BEGINS: January 1, 2001  
 DATE OF ANALYSIS: March 28, 2001

**SECTION 1: NARRATIVE**

**a. Current Law:**

The sales factor component of the apportionment factor of adjusted federal income is calculated by dividing the total sales of the taxpayer in Florida during the taxable year by the total sales of the taxpayer anywhere during the taxable year. The sale is determined to have taken place in Florida if the property is delivered or shipped to a purchaser within the state, regardless of the ultimate destination of the property, unless shipment is made via a common or contract carrier.

**b. Proposed Change:**

For industries in SIC code 2033 (Canned Fruits, Vegetables, Preserves, Jams, and Jellies), property sold and delivered or shipped to a purchaser within Florida is not considered to have been sold in Florida if the ultimate destination is to a location outside the state, irrespective of whether the shipment is made via a common or contract carrier.

**SECTION 2: DESCRIPTION OF DATA & SOURCES**

Phillip Lesser – Florida Department of Citrus – Orange Juice Sales and Grapefruit Juice Sales  
 U.S. Department of Commerce – US Citrus Juice Exports; US Exports of Fresh Citrus

**SECTION 3: ASSUMPTIONS & RATIONALE**

Currently considered to have been sold at the port of shipment, shipments of citrus products by the producer to overseas destinations via boat would be excluded for purposes of the sales factor calculation. The Florida component of US citrus juice exports ranges in between 80-90% of total US exports, hence amounts to \$330m to \$370m annually – or between 4.5% and 5.1% of total Florida citrus juice shipments. Depending on the industry profit margin, taxable income associated with Florida citrus juice shipments ranges between \$365m (@5% margin) and \$1,095m (@15% margin). An exclusion of an additional 4 –5% of income hence would result in an annual tax impact ranging between \$385,000 and \$1.375m. Initial year cash impact includes a 25% reduction in estimated payments for the second year.

**SECTION 4: METHODOLOGY**

See attached

**SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)**

State Impact - All Funds	FY 2001-02 Annualized	FY 2001-02 Cash	FY 2002-03 Cash
High	- \$1.375m	- \$1.719m	- \$1.375m
Middle	- \$ .880m	- \$1.100m	- \$ .880m
Low	- \$ .385m	- \$ .481m	- \$ .385m

Consensus Estimate Adopted: 3/30/01	FY 2001-02 Annualized	FY 2001-02 Cash	FY 2002-03 Cash
General Revenue	(.9)	(1.1)	(.9)
Total State Impact			
Total Local Impact			
Total Impact	(.9)	(1.1)	(.9)

**1. Sales Factor Change Impact on Florida Tax Liability**

**Current Apportionment Factor**

$$FAF_{old} = .5 * (\text{Florida Sales}/\text{Total Sales}) + .25 * (\text{Florida Payroll}/\text{Total Payroll}) + .25 * (\text{Florida Assets}/\text{Total Assets})$$

**Apportionment Factor following Exclusion of Additional Sales**

$$FAF_{new} = .5 * ((\text{Florida Sales} - \text{Newly Excluded Sales})/\text{Total Sales}) + .25 * (\text{Florida Payroll}/\text{Total Payroll}) + .25 * (\text{Florida Assets}/\text{Total Assets})$$

or

$$FAF_{new} = FAF_{old} - .5 * (\text{Newly Excluded Sales}/\text{Total Sales})$$

**Current Tax Liability**

$$TAX_{old} = \text{Adjusted Federal Income (AFI)} * FAF_{old} * 5.5\%$$

**Tax Liability following Exclusion of Additional Sales**

$$TAX_{new} = \text{Adjusted Federal Income (AFI)} * FAF_{new} * 5.5\%$$

or

$$TAX_{new} = TAX_{old} - \text{Adjusted Federal Income (AFI)} * 2.75\% * (\text{Newly Excluded Sales}/\text{Total Sales})$$

**TAX IMPACT**

		Ratio of Newly Excluded Sales to Total Sales					
		1%	2%	3%	4%	5%	5%
Adjusted Federal Income	\$ 100 m	27,500	55,000	82,500	110,000	137,500	132,000
	\$ 250 m	68,750	137,500	206,250	275,000	343,750	330,000
	\$ 350 m	96,250	192,500	288,750	385,000	481,250	462,000
	\$ 1,000 m	275,000	550,000	825,000	1,100,000	1,375,000	1,320,000
	\$ 1,500 m	412,500	825,000	1,237,500	1,650,000	2,062,500	1,980,000

**2. Data: Phillip Lesser, Florida Department of Citrus**

<i>US Citrus Juice Exports 1998 - 99</i>		<i>FLORIDA Citrus Juice Exports 1998 - 99</i>		
Orange Juice	\$ 301.5 m	FL as % of US	80%	\$ 328.9 m
Grapefruit Juice	\$ 52.4 m	FL as % of US	90%	\$ 370.0 m
Other	\$ 57.2 m			
<b>TOTAL</b>	<b>\$ 411.1 m</b>			

  

<i>Florida Citrus Juice Shipments</i>		
Orange Juice	1.5 billion gallons @ \$4.35 per gallon	\$ 6,525.0 m
Grapefruit Juice	150 million gallons @ \$5.10 per gallon	\$ 765.0 m
		\$ 7,290.0 m

  

<i>Taxable Income Associated with Florida Citrus Juice Shipments</i>	
@ 5% Margin	\$ 364.5 m
@ 10% Margin	\$ 729.0 m
@ 15% Margin	\$ 1,093.5 m

  

<i>Florida Citrus Juice Exports as a Percent of Total Citrus Juice Shipments</i>		
FL as % of US	80%	4.5%
FL as % of US	90%	5.1%

**3. EXAMPLE**

	OLD	NEW	DIFF
Total Sales	\$ 7,000.0 m	\$ 7,000.0 m	
Excluded Sales	\$ 2,100.0 m	\$ 2,450.0 m	\$ 350.0 m
% <del>Old</del> Excluded	30.00%	35.00%	5.0%
Apportionment Factor			
Sales	70.0%	65.0%	-5.0%
Assets	60.0%	60.0%	
Payroll	80.0%	80.0%	
Total	70.0%	67.5%	-2.5%
Pre-Tax Income @ 10% Margin	\$ 700.0 m	\$ 700.0 m	
Florida Apportioned Income	\$ 490.0 m	\$ 472.5 m	(\$17.5 m)
CIT Impact @ 5.5%	\$ 26.9 m	\$ 26.0 m	(\$962,500)