

TAX: Corporate Income Tax
ISSUE: CREDIT FOR DONATION OF QUALIFIED COMPUTER EQUIPMENT
BILL NUMBER(S): HB 1159
SPONSOR(S): REPRESENTATIVE MACK
MONTH/YEAR COLLECTION IMPACT BEGINS: January 1,2002
DATE OF ANALYSIS: March 8, 2001

SECTION 1: NARRATIVE

a. Current Law:

No provisions exist for a tax credit for donations of qualified computer equipment.

b. Proposed Change:

Introduction of a credit against corporate income tax liability for the donation of qualified computer equipment to a public elementary or secondary school, community college, area technical center, or university - amounting to 50% of the purchase price of equipment one year old or less (capped at \$300 per item), 40% of the purchase price of equipment between one and two years old (capped at \$200 per item), and 30% of the purchase price for equipment older than two years (capped at \$100 per item).

SECTION 2: DESCRIPTION OF DATA & SOURCES

DOR Corporate Income Tax Database - # of CIT taxpayers by amount of tax liability

SECTION 3: ASSUMPTIONS & RATIONALE

1. the weighted average value of a donation amounts to \$135 per item based on a 10/15/75 split between equipment less than one year, between one and two years, and more than two years of age
2. the percentage of taxpayers and the number of individual donations increases with the size of the taxpayer – as indicated by the amount of the taxpayer’s Florida corporate income tax liability
3. becoming effective on January 1,2002, the credit can only be taken for tax years ending in 2002 and beyond
4. FY2001/02 cash impact consists of a reduction in estimated payments for CY2002 – estimated at 25% of the annualized credit

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	- \$36.4m	- \$9.0m	- \$36.4m
Middle	- \$27.3m	- \$7.8m	- \$27.3m
Low	- \$18.2m	- \$4.5m	- \$18.2m
Consensus Estimate Adopted: 3 / 30 / 01			
	FY 2001-02 Annualized	FY 2001-02 Cash	FY 2002-03 Cash
General Revenue	(27.3)	(7.8)	(27.3)
Total State Impact	(27.3)	(7.8)	(27.3)
Total Local Impact			
Total Impact	(27.3)	(7.8)	(27.3)

Computer Equipment Donations

1. Average Donation Value

Equipment	Value	Proportion	Value
less than 1 year old	\$300	10%	\$30
between 1 and 2 years old	\$200	15%	\$30
older than 2 years	\$100	75%	\$75
Weighted Average Item Donation Value			\$135

2. Total Donation Value

Tax Liability		% making donation	# of items donated each	total # of items
less than \$1,000	16,300	10%	1	1,630
\$ 1,000 to \$ 10,000	15,000	15%	5	11,250
\$ 10,000 to \$100,000	4,550	20%	10	9,100
\$100,000 to \$500,000	1,000	25%	100	25,000
over \$500,000	350	50%	500	87,500
	37,200			134,480
	average donation value per item			135
	total donation value			18,154,800

3. Example: Impact on Corporate Income Tax Liability

Scenario 1	no add-back of credit taken to adjusted federal income
Scenario 2	add-back of credit taken to adjusted federal income

Example of \$100,000 Credit		CURRENT	PROPOSED	
			Scenario 1	Scenario 2
Federal Taxable Income		10,000,000	10,000,000	10,000,000
Addback for Donations		0	0	100,000
Adjusted Federal Taxable Income		10,000,000	10,000,000	10,100,000
Florida Portion	100%	10,000,000	10,000,000	10,100,000
Corporate Income Tax Due		550,000	550,000	555,500
Tax Credit		0	(100,000)	(100,000)
Tax Liability		550,000	450,000	455,500
Change in Tax Liability	Amount		100,000	94,500
	% of Credit		100.0%	94.5%

Note: Percentage in Scenario 2 will increase with decreasing Florida Portion

4. CIT Impact

		PROPOSED	
		Scenario 1	Scenario 2
Recurring Impact			
Based on	18,154,800 total donation value	18,154,800	17,156,286