

TAX: Corporate Income Tax
 BILL NUMBER(S): SB2410/HB691
 SPONSOR(S): SENATOR GARCIA
 MONTH/YEAR COLLECTION IMPACT BEGINS: UPON BECOMING LAW
 DATE OF ANALYSIS: March 24, 2003

SECTION 1: NARRATIVE

a. Current Law:

Section 220.191, F.S., defines qualifying projects that can be applied as capital investment tax credits against corporate income tax liability. Current law restricts the projects to new or expanding facilities, which create at least 100 new jobs and are in one of the high-impact sectors identified by Enterprise Florida. The high-impact sectors include, but are not limited to, aviation, aerospace, automotive, and silicon technology industries.

b. Proposed Change:

Section 220.191, F.S., is amended to include a new financial service facility which creates at least 2,000 new jobs in the state, pays an average annual wage of at least \$50,000 and makes a capital investment of at least \$30 million. This subparagraph of the section expires June 30,2004.

SECTION 2 : DATA AND SOURCES

- 1. Florida Enterprise staff estimate that the time for the completion the new financial services facility will be FY0405 when it is expected to be fully operational and profitable.**
- 2. Current s. 220.191(2)(a)(3), F.S., stipulates that for qualifying projects, that are valued \geq \$25million but $<$ \$50 million, an annual credit can not exceed 50% of the CIT liability that is attributable to the facility. Moreover, no more than 5% of the value of the investment project may be taken annually against CIT for a period not to exceed 20 years.**
- 3. A comparable group of 16.financial services corporations were selected from the CY99 CIT database in order to construct a profile of CIT liability before and after credits against the tax were taken.**

SECTION 3: ASSUMPTIONS

See attachment.

SECTION: 4. CALCULATIONS

See attachment.

SECTION 5: IMPACT SUMMARY

Adopted 3/28/03

State Impact-All Funds	FY2003-04- Recurring (\$millions)	FY2003-04 Cash (\$millions)	FY2004-05 Recurring (\$millions)	FY2004-05 Cash (\$millions)
High	-1.5	\$0	-1.75	-1.75
Middle - All GR	-1.0	\$0	-1.2	-1.2
Low	-.5	\$0	-.6	-.6

Data

- 1 SB2410 pertains to companies in the financial services sector that make a \$30m capital investment, and creates 2,000 new jobs at an average salary of \$50,000.

Annual payroll based on these qualifying criteria are $\$50,000 \times 2,000 =$ \$100 million

- 2 Sample of 16 corporations in the financial services sector, selected corporations are banks that provide investment advisory services, national and international banks, and financial advisors.

The profile for these companies, based on information reported on their CY99 CIT forms indicate:

	Average	Min	Max
Florida payroll	\$24,673,499	\$174,000	\$171,881,421
CIT before Credits	\$269,045	\$0	\$1,934,477
Credits	\$6,924	\$0	\$110,779
After Credit-CIT	\$262,120	\$0	\$1,934,477

Avg. Property Vaue \$86,113,664 \$218,198 \$506,783,326
 source: DOR cy99 CIT data base.

- 3 According to Florida Enterprise staff, the anticipated facility will be fully operational ans profitable in FY0405.

Assumptions

- 1 The proposed company will have a CIT liability that is proportional to the company's payroll relative to the average payroll of 16 similar entities.

CIT for anticipated company= $(\$100\text{million}/24\text{million}) \times$ average CY99 CIT after credits of \$262,120= \$1,065,528.46
 Low Estimate Max credit allowance can not exceed 50% of CIT liability = \$532,764.23

- 2 The proposed company will have a CIT liability that is proportional to the company's payroll relative to the maximum payroll of 16 similar entities.

CIT for anticipated company= $(\$172\text{million}/100\text{million}) \times$ maximumCY99 CIT after credits of \$1,934,477= \$3,327,300.44
 High Estimate Max credit allowance can not exceed 50% of CIT liability = \$1,663,650

- 3 The middle estimate is the average of the high and low estimates.

- 4 FY0405 estimates reflect the REC's 15% growth rate estimate for CIT.

Calculations

Current law allows up to 5% of the \$30million anticipated investment to be taken as a credit against CIT; but it may not exceed 50% of the company's CIT liability.

	Low	Middle	High
FY0304 cash impact =		0	0
FY0304 Recurring Impact= $5\% \times \$30\text{million}$ not to exceed 50% of CIT=	-\$532,764	-\$1,016,382	-\$1,500,000
FY0405 impact= FY0304 estimates* 1.15 to account for growth in CIT=	-\$612,679	-\$1,168,839	-\$1,725,000