

TAX: Corporate Income Tax
 ISSUE: Corporate Income Tax Credits/Education
 BILL NUMBER(S): SB 2106
 SPONSOR(S): Senator Wilson
 MONTH/YEAR COLLECTION IMPACT BEGINS: July 1, 2004
 DATE OF ANALYSIS: March 16, 2004

SECTION 1: NARRATIVE

a. Current Law: Section 220.187, F.S., provides for a credit against corporate income tax for eligible contributions made by taxpayers to eligible nonprofit scholarship funding organizations. The credit is computed as 100% of eligible contributions made to eligible nonprofit scholarship funding organizations, which are used to provide scholarships for qualified students. The credit granted is reduced by the difference between the amount of federal corporate income tax, taking into account the credit granted by this section, and the amount of federal corporate income tax without application of the credit granted by this section.

The total amount of tax credit that may be granted is \$88 million annually, and at least 5 percent of the \$88 million is reserved for taxpayers who meet the definition of a small business at the time of application. Each taxpayer, including a group filing a consolidated corporate income tax return, is limited to a maximum credit amount equal to 75% of its corporate income tax liability. A taxpayer may not contribute more than \$5 million annually to any single eligible nonprofit scholarship-funding organization. Unused credits may be carried forward up to 3 years when a taxpayer has insufficient tax liability to utilize the entire credit earned during a tax year. Transfers of this credit are only allowed when all of the assets of the taxpayer are conveyed, assigned, or transferred in the same transaction.

b. Proposed Change: Amends s. 220.187, F.S. The bill provides that the credit is not only applicable for contributions to nonprofit scholarship-funding organizations, but also for contributions to nonprofit educational-improvement organizations. An eligible nonprofit educational-improvement organization is defined as a charitable organization that is exempt from federal income tax and that spends 100% of eligible contributions in the state fiscal year in which the contribution was received, to establish intensive reading teachers for grades 1-3 in eligible public schools that are located in Florida and receiving a performance grade of "D" or "F".

The total amount of credit available is still \$88 million, however \$60 million is allocated for contributions to nonprofit scholarship funding organizations and \$28 million is allocated for contributions to nonprofit educational-improvement organizations. Five percent of the total amount of the credit available is still reserved for small businesses.

SECTION 2: DESCRIPTION OF DATA & SOURCES

SECTION 3: ASSUMPTIONS & RATIONALE

SECTION 4: METHODOLOGY

Since this bill simply redistributes pre-existing tax credits, the impact is insignificant.

SECTION 5: IMPACT SUMMARY (DETAILS ATTACHED)

State Impact—All Funds	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High		(\$38) Million	
Middle	Insignificant	Insignificant	Insignificant
Low			

Consensus Estimate: Adopted: 3/19/04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue		(28.0)	
Total State Impact			
Total Local Impact		28.0	28.0
Total Impact		0	28.0