

**TAX:** Corporate Income Tax

**ISSUE:** Subtraction for income received from ownership interest in LLC primarily engaged in space flight industry.

**BILL NUMBER(S):** CS/SB 1708

**SPONSOR(S):** Senator Saunders

**MONTH/YEAR COLLECTION IMPACT BEGINS:** UBL

**DATE OF ANALYSIS:** March 25, 2004

**SECTION 1: NARRATIVE**

**a. Current Law:** There is currently no subtraction from taxable income for income earned by reason of ownership of an interest in a limited liability company engaged primarily in a space flight business.

**b. Proposed Change:** Provides for a subtraction from taxable income, for purposes of computing adjusted federal income tax for the Florida CIT code, for an LLC that meets the following four criteria:

1. The LLC came into existence before January 1, 2004.
2. Is classified as a partnership for Federal Income Tax purposes.
3. Has at least 3,500 full-time employees in this state throughout the tax year.
4. Is, in this state, engaged primarily in a space flight business.

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

BLS, Employment data.

U.S. Census Bureau, County Business Patterns.

DOR Corporate Income Tax returns and Partnership returns.

Florida Department of State, Division of Corporations data on corporations and limited liability companies.

Tax liability data from affected firms.

**SECTION 3: ASSUMPTIONS & RATIONALE**

Firms currently qualified will continue to qualify and no new firms will qualify.

Tax liability will reflect recent history.

The high estimate assumes that, as the economy expands, tax liability would grow at 45% annually.

The middle estimate assumes growth of 15% annually.

The low estimate uses the most recent data from affected firms, grown at 3%.

**SECTION 4: METHODOLOGY**

BLS data on employment by NAICS code for Florida were used to select potential candidates.

These were cross referenced against IRS, DOR, and Department of State data to identify all firms that qualify.

Florida taxes from 2001-3 were grown at 3% to produce the low estimate.

Florida taxes from 2001-3 were grown at 15% to produce the middle estimate.

Florida taxes from 2001-3 were grown at 45% to produce the high estimate.

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

State Impact—All Funds	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High	(\$2.5) Million	(\$2.5) Million	(\$3.7) Million
Middle	(\$2.0) Million	(\$2.0) Million	(\$2.3) Million
Low	(\$1.8) Million	(\$1.8) Million	(\$1.9) Million

<b>Consensus Estimate:</b> Adopted: 3 / 26 / 04	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
General Revenue	-\$2.0	-\$2.0	-\$2.0
Total State Impact			
Total Local Impact			
Total Impact	-\$2.0	-\$2.0	-\$2.0

**CS/SB 1708**

**Subtraction from Adjusted Federal Income for income derived from ownership of LLCs in Space Flight Industry**

<b>Firms in Florida</b>				
<b>NAICS 5612</b>				
	# Firms	Employment	Assume	
		173	11082	
		80 1-4	1	80
		14 5-9	5	70
		16 10-19	10	160
		16 20-49	20	320
		16 50-99	50	800
		22 100-249	100	2200
		6 250-499	250	1500
		1 500-999	500	500
		2 1000 or more		5452
		One of which is at >3500		
		So the other is less than		1952

<b>Florida Taxes Paid</b>		All qualified firms
FY02	\$3,005,000	
FY03	\$1,257,000	
FY04	\$972,000 est.	
<i>FY02-04 Annualized estimate</i>		\$1,744,667

<b>Impact Estimates</b>		FY 2004-05	FY 2005-06
High	45% Growth	\$2,529,767	\$3,668,162
Middle	15% Growth	\$2,006,367	\$2,307,322
Low	3% Growth	\$1,797,007	\$1,850,917