

REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax
ISSUE: Cultural Contributions Tax Credit
BILL NUMBER(S): HB 243/SB 1582
SPONSOR(S): Representative Brutus/Senator Bullard
MONTH/YEAR COLLECTION IMPACT BEGINS: July 2005
DATE OF ANALYSIS: February 9, 2005

SECTION 1: NARRATIVE

a. Current Law: Section 220.192, F.S. does not exist and Chapter 220, F.S., does not contain a credit for contributions made to the Cultural Institutions Trust Fund.

b. Proposed Change: Creates s. 220.192, F.S. The bill provides for a credit against the corporate income tax for 50 percent of a contribution to the Cultural Institutions Trust Fund. If the credit for contributions to the Cultural Institutions Trust Fund is not fully used in any one year, the unused amount may not be carried forward. Taxpayers cannot convey, assign, or transfer the credit for contributions to the Cultural Institutions Trust Fund to another entity unless all of the assets of the taxpayer are conveyed, assigned, or transferred in the same transaction.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

IRS, SOI-2001, Corporation Income Tax Returns, September 2004.
 IRS, Publication 542, Corporations.

SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

Florida's share of U.S. Corporate Charitable contributions is 5.8%.
 Cultural contributions comprise between 10% (low) and 25% (high) of charitable contributions. The middle estimate assumes 20%.
 Corporations will divert their current cultural donations to the Cultural Institutions Trust Fund and claim both the deduction from Federal Taxable income and the Florida Corporate Income Tax Credit.
 Contributions grow at 3% annually.

SECTION 4: PROPOSED FISCAL IMPACT

State Impact—All Funds	FY 2005-06 Annualized	FY 2005-06 Cash	FY 2006-07 Cash
High	(\$90.2 million)	(\$90.2 million)	(\$92.9 million)
Middle	(\$72.2 million)	(\$72.2 million)	(\$74.3 million)
Low	(\$36.1 million)	(\$36.1 million)	(\$37.2 million)

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/4/05) The conference adopted the low estimate.

	FY 2005-06 Annualized	FY 2005-06 Cash	FY 2006-07 Cash
General Revenue	(36.1)	(36.1)	(37.2)
Total State Impact	(36.1)	(36.1)	(37.2)
Total Local Impact			
Total Impact	(36.1)	(36.1)	(37.2)

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Cultural Contributions Tax Credit

Examples			
Contribution	\$0	\$10,000	\$50,000
Taxable income	\$1,000,000	\$990,000	\$950,000
Federal taxes	\$340,000	\$336,600	\$323,000
State taxes	\$54,725	\$49,175	\$26,975
After tax profit	\$605,275	\$604,225	\$600,025
Tax benefit		\$8,950	\$44,750
% reduction in FL CIT		55.5%	55.5%
Contribution	\$0	\$5,000	\$10,000
Taxable income	\$100,000	\$95,000	\$90,000
Federal taxes	\$22,250	\$20,550	\$18,850
State taxes	\$5,225	\$2,450	\$0
After tax profit	\$72,525	\$72,000	\$71,150
Tax benefit		\$4,475	\$8,625
% reduction in FL CIT		55.5%	52.3%
Percent of contribution returned	89.5%		

IRS Data			
Charitable contributions of U.S. Corporations	\$11,210,502,000		Tax year 2001
Florida share	\$650,209,116	5.80%	Based on population
Cultural	\$130,041,823	20%	Assumption
GR Impact	\$72,173,212	55.5%	Statutory

	FY 2004-05 Annualized	FY 2004-05 Cash	FY 2005-06 Cash
High	\$90,216,515	\$90,216,515	\$92,923,010
Middle	\$72,173,212	\$72,173,212	\$74,338,408
Low	\$36,086,606	\$36,086,606	\$37,169,204