

## REVENUE ESTIMATING CONFERENCE

**TAX:** Corporate Income Tax

**ISSUE:** Spaceflight Project

**BILL NUMBER(S):** SB 1526 Amendment

**SPONSOR(S):** Senator Haridopolos, Senator Baker

**MONTH/YEAR COLLECTION IMPACT BEGINS:** January 1, 2013

**DATE OF ANALYSIS:** April 9th, 2009

### SECTION 1: NARRATIVE

#### a. Current Law:

Currently, there are no tax credits for certified commercial space flight businesses.

#### b. Proposed Change:

“Certified commercial space flight business” is defined as a business that has been certified by OTTED, is registered with the Secretary of State to do business in Florida and is currently undertaking, for non governmental purposes, activities that will eventually result in a launch from a commercial launch zone. Certified commercial space flight businesses must have created at least 35 new jobs, invested 15 million in an individual spaceflight project and participated in a successful launch from a commercial launch zone during the previous 3 calendar years.

The bill creates four distinct tax credits for Florida’s corporate income tax. Starting with tax years beginning on or after January 1, 2013, a certified commercial spaceflight business may select only one of the following credits: (1) Non-Transferable Corporate Income Tax Credit, (2) Transferable Net Operating Loss Tax Credit, (3) Jobs Tax Credit, and (4) Machinery and Equipment Tax Credit.

**(1) Non-Transferable Corporate Income Tax Credit** – This credit provides for a 50% credit for the certified commercial space flight business’ Florida corporate income tax.

**(2) Transferable Net Operating Loss Tax Credit** – This credit is the total net operating losses incurred by the certified commercial spaceflight business in any of the previous 3 calendar years. The business must not be at least 50% owned or controlled by another corporation that has demonstrated a positive net income in that same time frame. If sold, the credits must receive at least 75 percent of the face value. Any unused tax credit by the transferee may carry forward the amount for 5 years.

**(3) Jobs Tax Credit** – This credit is equal to ten percent of the annual wages of each employee in a new job, up to \$7,500 per employee. New jobs are defined as full time created on or after January 1, 2010. New jobs do not include positions held by the owner, partner or majority stockholder. They also exclude positions being created as administrative, clerical or janitorial.

**(4) Machinery and Equipment Tax Credit** – Companies that have invested a cumulative total of at least \$500,000 in machinery and equipment associated specifically with one commercial space flight project will receive a 7.5% of the annual capital investment in tax credits. Total credits are not to exceed 50% of the tax liability that year. Any unused credits may carry forward five years.

### SECTION 2: DESCRIPTION OF DATA AND SOURCES

Florida Corporate Income Tax Data

### SECTION 3: METHODOLOGY (INCLUDE ASSUMPTIONS AND ATTACH DETAILS)

A review of Florida corporate income tax of seemingly eligible companies and estimating likely credits, were grown at 3 percent per annum.

The bill does not explicitly state whether or not the Non transferable corporate income tax credit is cumulative and can be drawn upon from previous years. The transferable net operating loss tax credit is interpreted as optional in whether or not the tax credit will be transferred.

The estimates are based upon the most likely companies to take part in the tax credits. Each impact analysis assumes all partake in given tax credit.

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**SECTION 4A: PROPOSED FISCAL IMPACT (NON-TRANSFERABLE CORPORATE INCOME TAX CREDIT)**

State Impact: All Funds	FY 2012-13 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High	(\$13.1m)				
Middle	(\$6.55m)	\$0	\$0	\$0	\$0
Low	(\$3.22m)				

**SECTION 4B: PROPOSED FISCAL IMPACT (TRANSFERABLE NET OPERATING LOSS TAX CREDIT)**

State Impact: All Funds	FY 2012-13 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High					
Middle	(\$8.5m)	\$0	\$0	\$0	\$0
Low					

**SECTION 4C: PROPOSED FISCAL IMPACT (JOBS TAX CREDIT)**

State Impact: All Funds	FY 2012-13 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High					
Middle	(\$17.6m)	\$0	\$0	\$0	\$0
Low					

**SECTION 4D: PROPOSED FISCAL IMPACT (MACHINERY AND EQUIPMENT TAX CREDIT)**

State Impact: All Funds	FY 2012-13 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
High	(\$13.1m)				
Middle		\$0	\$0	\$0	\$0
Low					

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**SECTION 5: CONSENSUS ESTIMATE (ADOPTED 4/17/09)**

**Non-Transferable Corporate Income Tax Credit--Potential tax loss once fully utilized is indeterminate, beginning in 2013-14.**

	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
General Revenue State Trust Total State Impact					
Total Local Impact					
Total Impact	0	0	0	0	0

**Transferable Net Operating Loss Tax Credit--Potential tax loss once fully utilized may be up to \$50m per year, beginning in 2013-14.**

	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
General Revenue State Trust Total State Impact					
Total Local Impact					
Total Impact	0	0	0	0	0

**Jobs Tax Credit--Potential tax loss once fully utilized may be up to \$15m per year, beginning in 2013-14.**

	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
General Revenue State Trust Total State Impact					
Total Local Impact					
Total Impact	0	0	0	0	0

**Machinery and Equipment Tax Credit--Potential tax loss once fully utilized may be up to \$6m per year, beginning in 2013-14.**

	FY 2009-10 Annualized	FY 2009-10 Cash	FY 2010-11 Cash	FY 2011-12 Cash	FY 2012-13 Cash
General Revenue State Trust Total State Impact					
Total Local Impact					
Total Impact	0	0	0	0	0

**Average Emp Growth Rate= 0.05**

**Average Wage/ Deduction Growth= 0.04**

<b>Year</b>	<b>Total Employees</b>	<b>New Employees</b>	<b>Wage Per Capita</b>
2007	11861	-	4418
2008	12508	648	4659
2009	13192	683	4914
2010	13912	721	5182
2011	14672	760	5465
2012	15474	801	5764
2013	16319	845	6079

**New Deductions, New Employee\*Wage Per Cap**

<b>Year</b>	<b>New Deductions</b>
2008	3018540
2009	3357303
2010	3734086
2011	4153154
2012	4619253
2013	5137661
<b>Total</b>	<b>17644154</b>