REVENUE ESTIMATING CONFERENCE

TAX: Corporate Income Tax
ISSUE: Spaceflight Project
BILL NUMBER(S): SB1188 / HB133
SPONSOR(S): Senator Altman, Representative Poppell
MONTH/YEAR COLLECTION IMPACT BEGINS: January 1, 2014
DATE OF ANALYSIS: March 11th, 2010

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, 2014, 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, and (3) 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. The maximum amount of credit granted to any one business is $1 million with the entire credit capped at $10 million per state fiscal year.

(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 not to exceed $2.5 million for a single company in a single tax year. 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. The entire credit is capped at $25 million per state fiscal year.

(3) 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 up to a total of $5 million. Only $20 million in total may be approved in a single state fiscal year. Any unused credits may carry forward five years.

SECTION 2: DESCRIPTION OF DATA AND SOURCES

2007 Corporate Income Tax Return Data
http://www.bea.gov/industry/xls/Annual_IOMakeUse_Before_Redefinitions_1998-2007.xls

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 estimates are based upon isolating and examining the NAICs codes 33641 and 32541. 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 2010-11 Cash	Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
High		($1.4m)			
Middle	$0	($1m)	$0	$0	$0
Low		($0.8m)			

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

State Impact: All Funds	FY 2010-11 Cash	Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
High		($6.2m)			
Middle	$0	($4.8m)	$0	$0	$0
Low		($3.7m)			

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

State Impact: All Funds	FY 2010-11 Cash	Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
High		($20m)			
Middle	$0	-	$0	$0	$0
Low		($1.6m)			

SECTION 5: CONSENSUS ESTIMATE (ADOPTED 3/19/10) The conference adopted an estimate of zero for the fiscal years 2010-11 through 2013-14. The bill first has an impact in fiscal year 2014-15. Assuming that the language is clarified so that OTTED is not authorized to grant any credits prior to 1/1/14 and that the caps are binding, the State's maximum exposure would be the statutory caps.

	FY 2010-11 Cash	Annualized	FY 2011-12 Cash	FY 2012-13 Cash	FY 2013-14 Cash
Non-transferable credit	0	(10.0)	0	0	0
Transferable non-operating loss credit	0	(25.0)	0	0	0
Machinery and equipment tax credit	0	(20.0)	0	0	0

Nontransferable Corporate Income Tax Credit	
Firms	39
Total Corporate Income Tax Liability	$1,462,881
Credit (2014)	$823,243

Transferable net Operating Loss Corporate Income Tax Credit	
Firms	70
Total Losses (2014)	$3,654,282

Machinery and Equipment Credit	
Firms	39
High Investment	$12,000,000
Medium Investment	$6,250,000
Low Investment	$500,000
High Impact (2014)	$39,505,359
Medium Impact (2014)	$20,575,708
Low Impact (2014)	$1,646,057