

REVENUE ESTIMATING CONFERENCE

Tax: Corporate Income Tax

Issue: Piggyback Bill, Decouple GILTI (RETRO), Repeal Rate Reduction, Extend Refunds One Year

Bill Number(s): CS/CS/SB 576

Entire Bill

Partial Bill:

Sponsor(s): N/A

Month/Year Impact Begins: Applies retroactively to January 1, 2019, affecting revenues in 2019-20

Date of Analysis: 4/16/2019

Section 1: Narrative

a. Current Law: Florida adopted the provisions with respect to taxation of Global Intangible Low Taxed Income (GILTI).

Section 220.1105, Florida Statutes, provides for rate reduction and refunds if the net collections for 2018-19 exceed the amount of forecasted revenues for 2018-19 as forecast by the Revenue Estimating Conference on February 23, 2018 multiplied by 1.07. Any revenues that exceeded the forecast collection amount times 1.07% would be refunded to taxpayers in 2019-20. The tax rate for tax years beginning on or after January 1, 2019 would be reduced by the following factor: $((\text{forecast collections as of 2/23/2018} \times 1.07) / \text{collections 2018-19}) \times 5.5\%$. The rate reduction was repealed for all tax years beginning January 1, 2020, returning the rate to 5.5% for all future years.

b. Proposed Change: Decouples from the taxation of GILTI by providing for a subtraction for all amounts included in taxable income under s. 951A of the Internal Revenue Code.

Extends the refund provision to also apply to 2019-20 compared to the February 23, 2018 REC estimate. Provides that refunds issued due to receipts in 2018-19 exceeding the February 23, 2018 estimate times 1.07 are not included in determining whether the 2019-20 trigger is hit.

Eliminates the Rate Reduction Mechanism.

Provides for certain information reporting by CIT filers. Provides for penalties of \$1000 or 1% of the tax determined to be due, whichever is greater, for failure to provide the required information.

Section 2: Description of Data and Sources

February 23, 2018 General Revenue Estimating Conference workpapers

March 14, 2019 General Revenue Estimating Conference workpapers

Joint Committee on Taxation Publication JCX-67-17 Estimated Budget Effects of the Conference Agreement for H.R. 1, The "Tax Cuts and Jobs Act" by United States Congress Joint Committee of Taxation (JCT) - December 18, 2017

Conversations with staff of the Joint Committee on Taxation.

Section 3: Methodology (Include Assumptions and Attach Details)

Simulated additional refunds based upon the specified trigger amounts not including excess collection refunds in determining whether trigger is hit. If trigger is hit, measured the amount of additional refunds to be issued. Removed any impact from the rate reduction for 2019 liability.

The current forecast revenues from the 3/14/2019 General Revenue Estimating Conference were adjusted to eliminate the 2019 liability year rate reduction impact under current law from the forecast.

Provisions decoupling from GILTI

The JCT analysis of the impacts of HR 1 – the Tax Cuts and Jobs Act was the starting point for the analysis. Impacts at the federal level were converted to base impacts using the new federal CIT rate of 21% for most items. There were certain business tax change item that JCT indicated were a mixture of impacts to CIT and Personal Income Tax. The Rate used for PIT impacts was 19% for those changes that JCT indicated were split between CIT and PIT, the splits were obtained and then converted to reflect the various effective rates. These base amounts were then shared to Florida using an assumed share of 4.4% of federal taxable profits. The 5.5% state rate was then applied.

Amounts were then converted to Florida's July 1 to June 30 fiscal year from the federal October 1 to September 30th fiscal year. The average annual percent of total collections for the months of July, August, and September was 21.04% over the period from July 2009 to June 2018). This share was used to convert federal fiscal years to state fiscal years under the assumption that federal receipts would have the same percentage share of total collections as Florida does for this three-month period.

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Impacts indicated to occur in 2017-18 and 2018-19 for GILTI by this analysis were rolled into 2019-20 as they would have to be realized by refund.

Section 4: Proposed Fiscal Impact

Repeal Rate Reduction, Extend Refunds One Year

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			\$121.5	\$0		
2020-21			(\$151.3 M)	\$0		
2021-22			\$3.0	\$0		
2022-23			\$0	\$0		
2023-24			\$0	\$0		

Decouple from GILTI

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20			(\$320.1 M)	(\$105.5 M)		
2020-21			(\$109.7 M)	(\$105.5 M)		
2021-22			(\$107.7 M)	(\$105.5 M)		
2022-23			(\$104.4 M)	(\$105.5 M)		
2023-24			(\$105.5 M)	(\$105.5 M)		

List of affected Trust Funds:

CIT Group

Section 5: Consensus Estimate (Adopted: 04/19/2019) The Revenue Estimating Conference has identified that as much as \$340 million of Corporate Income Tax receipts on a recurring basis is attributable to the Federal Tax Cuts and Jobs Act. Provisions relating to GILTI represents a substantial share of that amount. The exclusion of GILTI as a result of this bill will likely cause downward revisions to the future CIT forecasts that support the General Revenue Fund. In addition, the ability for the GILTI decoupling to apply retroactively produces a multi-year impact in FY 2019-20 from those prior year reversals. Finally, the extension of the refund provision introduces additional uncertainty regarding the net effect of the bill. The Conference adopted a negative indeterminate impact.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2019-20	(**)	(**)	0.0	0.0	0.0	0.0	(**)	(**)
2020-21	(**)	(**)	0.0	0.0	0.0	0.0	(**)	(**)
2021-22	(**)	(**)	0.0	0.0	0.0	0.0	(**)	(**)
2022-23	(**)	(**)	0.0	0.0	0.0	0.0	(**)	(**)
2023-24	(**)	(**)	0.0	0.0	0.0	0.0	(**)	(**)

	A	B	C	D	E	F	G	H	I	J	K	
1	February 23, 2018 Corporate Income Tax Forecast											
2			Forecast/ Net collections * 1.07	Simulated Collections								
3	2019-20	\$2,185.50	\$2,338.49									
4	2020-21	\$2,234.40	\$2,390.81									
5	2021-22	\$2,288.00	\$2,448.16									
6	2022-23	\$2,359.50	\$2,524.67									
7												
8												
9	March 14, 2019 Corporate Income Tax Forecast											
10				Unadjusted Net Collections	Excess collection from prior period refund	Effect of Rate Reduction on collections	Total forecast collections					
11	2016-17	\$2,366.4	\$193.9	\$2,172.5								
12	2017-18	\$2,413.0	\$230.0	\$2,183.0								
13	2018-19	\$2,754.8	\$262.7	\$2,492.1								
14	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3	\$121.5	\$2,259.8					
15	2020-21	\$2,856.7	\$272.5	\$2,584.2		\$57.8	\$2,526.4					
16	2021-22	\$2,919.8	\$268.6	\$2,651.2		\$3.0	\$2,648.2					
17	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7					
18	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6					
19												
20												
21	March 14, 2019 Corporate Income Tax Forecast											
22				Unadjusted Net Collections	Excess collection from prior period refund		Total forecast collections	Net Collections before excess collection refunds	Trigger Amount	Is Trigger hit?	Excess Collections refunds to be issued	
23	2016-17	\$2,366.4	\$193.9	\$2,172.5								
24	2017-18	\$2,413.0	\$230.0	\$2,183.0								
25	2018-19	\$2,754.8	\$262.7	\$2,492.1								
26	2019-20	\$2,816.1	\$268.5	\$2,547.6	\$166.3		\$2,381.3	\$2,547.6	\$2,338.5	Yes	\$209.1	
27	2020-21	\$2,856.7	\$272.5	\$2,584.2	\$209.1		\$2,375.1					
28	2021-22	\$2,919.8	\$268.6	\$2,651.2			\$2,651.2					
29	2022-23	\$3,001.9	\$276.2	\$2,725.7			\$2,725.7					
30	2023-24	\$3,074.5	\$282.9	\$2,791.6			\$2,791.6					
31												
32												
33		Repeal of Rate Cut Mechanism	additional Refunds	Total Impact								
34	2019-20	\$ 121.5		\$ 121.5								
35	2020-21	\$ 57.8	\$ (209.1)	\$ (151.3)								
36	2021-22	\$ 3.0	\$ -	\$ 3.0								
37	2022-23	\$ -	\$ -	\$ -								
38	2023-24	\$ -	\$ -	\$ -								

	A	B	C	D	E	F	G	H
1	GILTI - JCT Methodology							
2	Table 1 - (Millions)							
3	Line	Federal Fiscal Years	2018	2019	2020	2021	2022	2018 - 2022
4	1	Global Intangible Low Taxed Income	\$7,700	\$12,500	\$9,600	\$9,500	\$9,300	\$48,600
5	2	100% Federal CIT Impact	\$7,700	\$12,500	\$9,600	\$9,500	\$9,300	\$48,600
6	3	Conversion to base impact	\$36,667	\$59,524	\$45,714	\$45,238	\$44,286	\$231,429
7	4	Florida taxable Income Share of Federal Base (4.4%)	\$1,613	\$2,619	\$2,011	\$1,990	\$1,949	\$10,183
8	5	Florida Tax Impact prior to state fiscal year conversion	\$89	\$144	\$111	\$109	\$107	\$560
9	6	Conversion to Florida Fiscal Year	\$70	\$132	\$118	\$110	\$108	\$538
10								
11	Table 2 - (Millions)							
12	Line	Federal Fiscal Years	2023	2024	2025	2026	2027	2018 - 2027
13	1	Global Intangible Low Taxed Income	\$9,000	\$9,200	\$9,300	\$15,100	\$21,200	\$112,400
14	2	100% Federal CIT Impact	\$9,000	\$9,200	\$9,300	\$15,100	\$21,200	\$112,400
15	3	Conversion to base impact	\$42,857	\$43,810	\$44,286	\$71,905	\$100,952	\$535,238
16	4	Florida taxable Income Share of Federal Base (4.4%)	\$1,886	\$1,928	\$1,949	\$3,164	\$4,442	\$23,550
17	5	Florida Tax Impact prior to state fiscal year conversion	\$104	\$106	\$107	\$174	\$244	\$1,295
18	6	Conversion to Florida Fiscal Year	\$104	\$106	\$107	\$160	\$230	\$1,244
19								
20								
21		Florida Impacts of Coupling to GILTI	Impacts of Decoupling from GILTI					
22	2017-18	\$70.1						
23	2018-19	\$132.4						
24	2019-20	\$117.7					-\$320.1	
25	2020-21	\$109.7					-\$109.7	
26	2021-22	\$107.7					-\$107.7	
27	2022-23	\$104.4					-\$104.4	
28	2023-24	\$105.5					-\$105.5	