

## REVENUE ESTIMATING CONFERENCE

**Revenue Source:** Corporate Income Tax

**Issue:** Business Interest Expense

**Bill Number(s):** Proposed Amendment

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** January 1, 2023

**Date(s) Conference Reviewed:** February 10, 2023

### Section 1: Narrative

**a. Current Law:** F.S. 220.013 (1) (e) 4 For taxable years beginning after December 31, 2018, and before January 1, 2021, there shall be added to such taxable income an amount equal to the excess, if any, of:

a. One hundred percent of any amount deducted for federal income tax purposes as business interest expense for the taxable year pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 2306 of Pub. L. No. 116-136; over

b. One hundred percent of the amount that would be deductible for federal income tax purposes as business interest expense for the taxable year if calculated pursuant to s. 163(j) of the Internal Revenue Code of 1986, as amended by s. 13301 of Pub. L. No. 115-97.

Any expense added back pursuant to this subparagraph shall be treated as a disallowed business expense carryforward from prior years for the year or years following the addition, until such time as the expense has been used.

**b. Proposed Change:** The proposed language changes F.S. 220.013 (1) (e) 4, replacing it with the following:

For taxable years beginning on or after January 1, 2023, there shall be added to such taxable income an amount equal to the amount of business interest taken as a deduction for federal tax purposes subject to the limitation provided in s. 163(j) of the Internal Revenue Code. There shall be subtracted from such taxable income the amount of business interest paid or accrued within the taxable year which would have been deductible at the federal level consistent with s. 163 of the Internal Revenue Code as it existed and applied immediately before the enactment of the Tax Cuts and Jobs Act of 2017, Pub. L. No. 115-97.

### Section 2: Description of Data and Sources

JCT Revenue Estimates – JCX-67-17 (“TCJA” Act)

SB1090 – CIT Piggyback analysis heard January 28, 2022

JCT Apportionment of Corporate Income Tax vs Personal Income Tax percentages – Based on prior interviews

General Revenue Estimating Conference - August 16, 2022

### Section 3: Methodology (Include Assumptions and Attach Details)

Utilizing the prior Piggyback analysis approach, the Joint Committee for Taxation (JCT) numbers for the business interest deductions were found from the JCX-67-17 Tax Cut and Jobs Act (TCJA) revenue estimates. The JCT revenue estimate window is between 2020 and 2027. To formulate the 2028 revenue estimate value, the average growth rate year over year is obtained using the JCT’s revenue estimates. The JCT analysis provides an apportionment of how certain business tax changes would impact corporate income tax (CIT) versus personal income tax (PIT). The splits were obtained and then converted for Florida to reflect various reduction rates. Previously, the conference has used 96% for the business interest expense reduction factor.

The middle impact uses a growth rate to determine the calendar year 2028 value. The growth rate is a 4-year average of the JCT values and used to grow the 2027 total to estimate the 2028 value. The low impact uses the General Revenue adopted CIT growth rates of the CIT collections at the pre-rate reduction level. The low impact growth rate is applied at the Florida level, whereas the JCT growth rate is applied at the JCT level before the 96% adjustment. The following methodology is applied to both impacts.

The Business Interest Expense totals from the JCT Revenue Estimates are reduced to 96% of their total amount to account for the JCT CIT vs. PIT share. The values are then backed out to their base values using the Federal Tax rate of 21% for 2020 and forward. The calculated Federal Base is then apportioned to Florida at 4.4% based on prior research on what percentage of Federal Returns are tied to Florida.

The tax rate is then applied to the Florida share of the national estimated base. The recurring in the first year is 15% of the 2024 calendar year total and 85% of the 2023 total. Each year thereafter, the recurring is 15% of the current year and 85% of the

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prior calendar year totals. The first-year cash is 15% of tax year 2024 and 100% of 2023 tax year, and cash values are set to the recurring each year thereafter.

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24			\$(383.2 M)	\$(333.1 M)	\$(383.2 M)	\$(333.1 M)
2024-25			\$(331.1 M)	\$(331.1 M)	\$(331.1 M)	\$(331.1 M)
2025-26			\$(356.6 M)	\$(356.6 M)	\$(356.6 M)	\$(356.6 M)
2026-27			\$(387.5 M)	\$(387.5 M)	\$(387.5 M)	\$(387.5 M)
2027-28			\$(411.4 M)	\$(411.4 M)	\$(409.3 M)	\$(409.3 M)

**Revenue Distribution:** Corporate Income Tax

**Section 5: Consensus Estimate (Adopted: 2/10/2023)** The Conference adopted the middle estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(383.2)	(333.1)	0.0	0.0	0.0	0.0	(383.2)	(333.1)
2024-25	(331.1)	(331.1)	0.0	0.0	0.0	0.0	(331.1)	(331.1)
2025-26	(356.6)	(356.6)	0.0	0.0	0.0	0.0	(356.6)	(356.6)
2026-27	(387.5)	(387.5)	0.0	0.0	0.0	0.0	(387.5)	(387.5)
2027-28	(411.4)	(411.4)	0.0	0.0	0.0	0.0	(411.4)	(411.4)

	A	B	C	D	E	F	G	H	I	J	K
1	<b>JCT Impacts - Federal Level (\$ Millions)</b>	<b>Adjustment Factor</b>	2020	2021	2022	2023	2024	2025	2026	2027	2028
2	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA") [In M\$]</b>										
3	D. Cost Recovery, etc.										4-Yr Average Growth Rate:
4	2. Limit net interest deductions to 30 percent of adjusted taxable income, carryforward of denied deduction.....	Growth Rates:		-0.51%	27.04%	21.29%	-1.99%	7.43%	9.12%	6.34%	5.23%
5			(19,700)	(19,600)	(24,900)	(30,200)	(29,600)	(31,800)	(34,700)	(36,900)	(38,829)
6	<b>(96% adjustment)</b>	<b>96.0%</b>	(18,912)	(18,816)	(23,904)	(28,992)	(28,416)	(30,528)	(33,312)	(35,424)	(37,275)
7											
8											
9	<b>Federal Base Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
10	<b>Federal Tax Rate</b>		21%	21%	21%	21%	21%	21%	21%	21%	21%
11											
12	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
13	D. Cost Recovery, etc.										
14	2. Limit net interest deductions to 30 percent of adjusted taxable income, carryforward of denied deduction.....		(90,057.1)	(89,600.0)	(113,828.6)	(138,057.1)	(135,314.3)	(145,371.4)	(158,628.6)	(168,685.7)	(177,501.7)
15											
16											
17	Florida CIT Growth Approach		(90,057.1)	(89,600.0)	(113,828.6)	(138,057.1)	(135,314.3)	(145,371.4)	(158,628.6)	(168,685.7)	-
18											
19											
20	<b>Florida Base Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
21	<b>Assumed Florida Share of Federal Base</b>		4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
22											
23	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
24	D. Cost Recovery, etc.										
25	2. Limit net interest deductions to 30 percent of adjusted taxable income, carryforward of denied deduction.....		(3,962.5)	(3,942.4)	(5,008.5)	(6,074.5)	(5,953.8)	(6,396.3)	(6,979.7)	(7,422.2)	(7,810.1)
26											
27											
28	Florida CIT Growth Approach		(3,962.5)	(3,942.4)	(5,008.5)	(6,074.5)	(5,953.8)	(6,396.3)	(6,979.7)	(7,422.2)	(7,547.2)
29	Adopted CIT Growth rates from August 16, 2022				4,839.2	4,839.2	4,909.2	4,987.6	5,083.5	5,164.0	5,251.0
30						0.00%	1.45%	1.60%	1.92%	1.58%	1.68%
31											

	A	B	C	D	E	F	G	H	I	J	K
33	<b>Florida Impacts (\$ Millions)</b>		2020	2021	2022	2023	2024	2025	2026	2027	2028
34	<b>Florida Tax Rate Applied</b>		4.458%	3.535%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%	5.500%
35											
36	<b>JCT Revenue Estimates - December 18, 2018 - JCX-67-17 ("TCJA")</b>										
37	D. Cost Recovery, etc.										
38	2. Limit net interest deductions to 30 percent of adjusted										
39	taxable income, carryforward of denied deduction.....		(176.65)	(139.36)	(275.47)	(334.10)	(327.46)	(351.80)	(383.88)	(408.22)	(429.55)
40											
41	Florida CIT Growth Approach		(176.65)	(139.36)	(275.47)	(334.10)	(327.46)	(351.80)	(383.88)	(408.22)	(415.10)
42											
43											
44	<b>Total Florida Impacts -- Business Interest Expense (JCX-67-17 )</b>		\$ (176.6)	\$ (139.4)	\$ (275.5)	\$ (334.1)	\$ (327.5)	\$ (351.8)	\$ (383.9)	\$ (408.2)	\$ (429.6)
45											
46	<b>Total</b>										
47	<b>JCT - Business Interest Expense (JCT Growth Rate)</b>		\$ (176.6)	\$ (139.4)	\$ (275.5)	\$ (334.1)	\$ (327.5)	\$ (351.8)	\$ (383.9)	\$ (408.2)	\$ (429.6)
48											
49	<b>Florida Growth Rate Business Interest Expense</b>		\$ (176.6)	\$ (139.4)	\$ (275.5)	\$ (334.1)	\$ (327.5)	\$ (351.8)	\$ (383.9)	\$ (408.2)	\$ (415.1)
50											
51											
52											
53						<b>Impact: Business Interest Expense</b>					
54							<b>Middle</b>	<b>Low</b>			
55							<b>Cash</b>	<b>Recurring</b>	<b>Cash</b>	<b>Recurring</b>	
56							2023-2024	\$ (383.2 M)	\$ (333.1 M)	\$ (383.2 M)	\$ (333.1 M)
57							2024-2025	\$ (331.1 M)	\$ (331.1 M)	\$ (331.1 M)	\$ (331.1 M)
58							2025-2026	\$ (356.6 M)	\$ (356.6 M)	\$ (356.6 M)	\$ (356.6 M)
59							2026-2027	\$ (387.5 M)	\$ (387.5 M)	\$ (387.5 M)	\$ (387.5 M)
							2027-2028	\$ (411.4 M)	\$ (411.4 M)	\$ (409.3 M)	\$ (409.3 M)

## REVENUE ESTIMATING CONFERENCE

**Revenue Source:** Documentary Stamp Tax

**Issue:** Exemption for Alarm System Contractors

**Bill Number(s):** [Proposed Language](#)

**Entire Bill**

**Partial Bill:**

**Sponsor(s):**

**Month/Year Impact Begins:** July 2023

**Date(s) Conference Reviewed:** February 10<sup>th</sup>, 2023

### Section 1: Narrative

- a. **Current Law:** Notes given as payment for alarm systems are taxable at the .035% (commonly expressed as 35¢ per \$1,000) notes tax rate.
- b. **Proposed Change:** The proposed language exempts non-interest-bearing notes from the documentary stamp tax so long as they are less than \$3,500 and made as payment to an alarm systems contractor in connection with the sale of an alarm system, using the definitions of “alarm system contractor” and “alarm system” from s.489.505 F.S.

### Section 2: Description of Data and Sources

2021 Sales Tax Annual Data

### Section 3: Methodology (Include Assumptions and Attach Details)

Assumptions:

- NAICS 561621: Security System Services (except Locksmiths) will contain the bulk of eligible entities
- NAICS 238210: Electrical and Other Wiring Installation Contractions will contain a small but possibly significant number of eligible entities
- The \$3,500 cap will be ineffective as there is no limit to the number of such notes that can be used to finance a single alarm system project
- This payment system is already in effect in all the major industry players and is assumed to be mirrored by the smaller players

We started by pulling all entities in our two *given NAICS* (561621 and 238210) from our annual sales tax data for 2021.

1. We then take all entities (by business partner, a unique registration identifier) in that pool and include all their other locations from the sales tax data. The rationale for this pool expansion is NAICS describes only the plurality of activity at a location, not the majority. If 35% of the business is HVAC maintenance and 30% of the business is alarm installation, then the primary NAICS would represent HVAC installation. By pulling in entities with at least one location in our target NAICS, we pull in all the likely participants.
2. Using this new expanded pool of businesses, we sum reported gross sales by pool section, one section for each given NAICS and one section for all the drag-in NAICS from our expansion.
3. We then assign *Qualification Rates* to each section, for each impact (High, Middle, Low). Qualification Rates are the percent of entities in each section that will be able to claim this exemption on its sales.
  - a. The qualification rates for the Low Impact are derived from the data. The top 20 entities by gross sales from our global pool represent a percent of gross sales in each section. This percent becomes the qualification rate for that section.
  - b. The exception is 561621: Security Systems Services. We feel that the smaller entities in this group are just as likely to claim the exemption as the larger ones, thus the qualification rate is set higher.
  - c. Qualification rates for the middle and the high are larger to offset the restrictive nature of the qualification rates used in the low.
4. Arriving at the impact from here is arithmetic:
  - a. Dividing by the \$3,500 cap gives up the number of notes equivalent to the gross sales
  - b. \$1.23 is the .035% Notes Tax due on a \$3,500 note.

$$Year\ 1\ Impact = \frac{2021\ Gross\ Sales \times Qualification\ Rate}{\$3,500\ Cap} \times \$1.23$$

5. The year 1 impact is grown by the Forecasted Docstamp growth rate from the August 2022 GR Conference.
6. First year cash is equivalent to recurring as docstamp is collected weekly and we believe activity will be delayed a week to push it into the exempt period.

**REVENUE ESTIMATING CONFERENCE**

**Revenue Source:** Documentary Stamp Tax

**Issue:** Exemption for Alarm System Contractors

**Bill Number(s):** [Proposed Language](#)

**Section 4: Proposed Fiscal Impact**

	High		Middle		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(1.73) M	(1.73) M	(1.65) M	(1.65) M	(1.47) M	(1.47) M
2024-25	(1.54) M	(1.54) M	(1.48) M	(1.48) M	(1.31) M	(1.31) M
2025-26	(1.56) M	(1.56) M	(1.49) M	(1.49) M	(1.32) M	(1.32) M
2026-27	(1.33) M	(1.33) M	(1.27) M	(1.27) M	(1.13) M	(1.13) M
2027-28	(1.35) M	(1.35) M	(1.29) M	(1.29) M	(1.15) M	(1.15) M

**Revenue Distribution:** Documentary Stamp Tax

**Section 5: Consensus Estimate (Adopted: 2/10/2023)** The Conference adopted the low estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(0.8)	(0.8)	(0.7)	(0.7)	0.0	0.0	(1.5)	(1.5)
2024-25	(0.7)	(0.7)	(0.6)	(0.6)	0.0	0.0	(1.3)	(1.3)
2025-26	(0.6)	(0.6)	(0.8)	(0.8)	0.0	0.0	(1.4)	(1.4)
2026-27	(0.5)	(0.5)	(0.7)	(0.7)	0.0	0.0	(1.2)	(1.2)
2027-28	(0.5)	(0.5)	(0.7)	(0.7)	0.0	0.0	(1.2)	(1.2)

	A	B	C	D	E	F	G	H
1	<b>Inputs From Sales Tax Data</b>							
2	<b>NAICS</b>	<b>Description</b>			<b>2021 Entities</b>		<b>2021 Gross Sales</b>	
3	561621	Security Systems Services (except Locksmiths)			1,286		\$ 3,551,748,306.85	
4	238210	Electrical and Other Wiring Installation Contractors			711		\$ 1,967,269,224.82	
5	999999	Other Associated NAICS Dragged into the Analysis			312		\$ 1,194,788,775.75	
6								
7	<b>Qualification Rate</b>							
8	<b>NAICS</b>	<b>High</b>		<b>Middle</b>		<b>Low</b>		
9	561621	100%		100%		90%		
10	238210	15%		10%		7%		
11	999999	90%		80%		71%		
12								
13	<b>Sales Pulled in by Qualification Rates</b>							
14	<i>2021 Gross Sales * Qualification Rates</i>							
15	<b>NAICS</b>	<b>High</b>		<b>Middle</b>		<b>Low</b>		
16	561621	\$	3,551,748,306.85	\$	3,551,748,306.85	\$	3,196,573,476.17	
17	238210	\$	295,090,383.72	\$	196,726,922.48	\$	137,708,845.74	
18	999999	\$	1,075,309,898.18	\$	955,831,020.60	\$	848,300,030.78	
19								
20	<b>Number of Equivalent Notes</b>							
21	<i>Sales Pulled in by Qualification Rates / \$3,500</i>							
22	<b>NAICS</b>	<b>High</b>		<b>Middle</b>		<b>Low</b>		
23	561621	1,014,785.23		1,014,785.23		913,306.71		
24	238210	84,311.54		56,207.69		39,345.38		
25	999999	307,231.40		273,094.58		242,371.44		
26								
27	<b>Impact of one \$3,500 Note</b>							
28	Rate: 35¢ per \$1,000			1000's in 3500: 3.5			Notes tax due: \$1.23	
29								
30	<b>Year 1 Docstamp Impact</b>							
31	<i>Number of Equivalent Notes * \$1.23</i>							
32	<b>NAICS</b>	<b>High</b>		<b>Middle</b>		<b>Low</b>		
33	561621	\$	1,248,185.83	\$	1,248,185.83	\$	1,123,367.25	
34	238210	\$	103,703.19	\$	69,135.46	\$	48,394.82	
35	999999	\$	377,894.62	\$	335,906.33	\$	298,116.87	
36		\$	1,729,783.65	\$	1,653,227.62	\$	1,469,878.94	
37								
39	<i>Aug GR Adopted Docstamp Rates</i>	High		Middle		Low		
40		Cash	Recurring	Cash	Recurring	Cash	Recurring	
41	2023-24	-15.6%	\$ (1.73)	\$ (1.73)	\$ (1.65)	\$ (1.65)	\$ (1.47)	\$ (1.47)
42	2024-25	-10.7%	\$ (1.54)	\$ (1.54)	\$ (1.48)	\$ (1.48)	\$ (1.31)	\$ (1.31)
43	2025-26	0.9%	\$ (1.56)	\$ (1.56)	\$ (1.49)	\$ (1.49)	\$ (1.32)	\$ (1.32)
44	2026-27	-14.7%	\$ (1.33)	\$ (1.33)	\$ (1.27)	\$ (1.27)	\$ (1.13)	\$ (1.13)
45	2027-28	1.5%	\$ (1.35)	\$ (1.35)	\$ (1.29)	\$ (1.29)	\$ (1.15)	\$ (1.15)

REVENUE ESTIMATING CONFERENCE

Revenue Source: Estate Tax
Issue: Estate Tax
Bill Number(s): SB 278 | HB 619

- Entire Bill:
Partial Bill:

Sponsor(s): Senator Rodriguez and Representative Tant
Month/Year Impact Begins: June 1, 2023 (upon becoming law)
Date(s) Conference Reviewed: February 10, 2023

Section 1: Narrative

a. Current Law:

The personal representative(s) of an estate of a person who died after December 31, 2004, can file an Affidavit of No Florida Estate Tax Due to remove the estate tax.

b. Proposed Change:

The bill eliminates the estate tax lien under Chapter 198, F.S., on estates of decedents who died after December 31, 2004. The Affidavit of No Florida Estate Tax Due is no longer required for such estates.

Section 1. Section 198.41, Florida Statutes, is amended to read:
198.41 Effectiveness of this chapter; applicability, etc.—

(1) Except as provided in this section, this chapter shall remain in force and effect so long as the Government of the United States retains in full force and effect as a part of the Revenue Laws of the United States a Federal Estate Tax, and this chapter shall cease to be operative as and when the Government of the United States ceases to impose any Estate Tax of the United States.

(2) This chapter does not apply with respect to the estate of a decedent who dies after December 31, 2004, if, upon the death of the decedent, a state death tax credit or state generation-skipping transfer tax credit is not allowable pursuant to the provisions of the Internal Revenue Code of 1986, as amended. This subsection applies to all probate proceedings commenced on or after the effective date of this act and to all probate proceedings pending on the effective date of this act for which an order of final discharge has not been entered.

Section 2. The Division of Law Revision is directed to replace the phrase "the effective date of this act" wherever it occurs in this act with the date this act becomes a law.

Section 3. This act shall take effect upon becoming a law.

Section 2: Description of Data and Sources

Section 3: Methodology (Include Assumptions and Attach Details)

The bill is an administrative change, which has no tax impact. The bill removes the estate tax lien on all estates of decedents who died after December 31, 2004, unless the relevant Federal tax credits become allowable. There will be a reduction in the number of pages filed related to this tax lien, solely limited to the filing of the No Florida Estate Tax Due document, but we do not expect that this will have an impact on the overall probate court filing fees.

Section 4: Proposed Fiscal Impact

Table with 7 columns: Year, High Cash, High Recurring, Middle Cash, Middle Recurring, Low Cash, Low Recurring. All values are \$0.

Revenue Distribution: Estate Tax



REVENUE ESTIMATING CONFERENCE

Revenue Source: Estate Tax

Issue: Estate Tax

Bill Number(s): SB 278 | HB 619

Section 5: Consensus Estimate (Adopted: 2/10/2023) The Conference adopted a zero estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2024-25	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2025-26	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2026-27	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2027-28	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0