

REVENUE ESTIMATING CONFERENCE

Revenue Source: Corporate Income Tax, Insurance Premium Tax

Issue: The Live Local Tax Donation Program

Bill Number(s): [SB102 – Section 16,17,19,20,32,37 and 39](#)

☐ **Entire Bill:**

☒ **Partial Bill:**

Sponsor(s): N/A

Month/Year Impact Begins: July 1, 2023

Date(s) Conference Reviewed: February 3, 2023

Section 1: Narrative

- a. **Current Law:** The *Florida Tax Credit Scholarship Program* (FTC) was established in 2001 through the provision of tax credits to corporate income taxpayers that contribute money to nonprofit Scholarship-Funding Organizations (SFOs). The SFOs award scholarships to students, with the greatest benefit going to families with limited financial resources. In 2009, the program was expanded to provide credits against the insurance premium tax. In 2010, the program was expanded again to provide tax credits against corporate income tax, insurance premium tax, severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders, and alcoholic beverage taxes on beer, wine, and spirits.

More recently, HB7061 created the Strong Families Tax Credit, which provides a credit for 100% of an eligible contribution to an eligible charitable organization under s. 402.62, F.S. This bill became law effective July 1, 2021. It authorized a dollar-for-dollar tax credit up to \$5 million annually (which has been subsequently increased to \$10 million) against corporate income tax, insurance premium tax, severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders, and alcoholic beverage taxes on beer, wine, and spirits.

The New Worlds Reading Initiative was established in 2021 (and revised in 2022) through the provision of tax credits for businesses that make monetary donations to the administrator of the New Worlds Reading Initiative, a literacy program that provides books to elementary school students in Florida who read below grade level. The tax credits are a dollar-for-dollar credit against corporate income tax, insurance premium tax, severance taxes on oil and gas production, self-accrued sales tax liabilities of direct pay permit holders, and alcoholic beverage taxes on beer, wine, and spirits. The annual tax credit cap was \$10 million for FY 2021-22, \$30 million for FY 2022-23, and \$60 million for all fiscal years thereafter.

- b. **Proposed Change:** The proposed law establishes the Live Local Program. The Live Local Program allows companies to gain tax credits for either Insurance Premium Tax or Corporate Income Tax in exchange for contributing to the State Apartment Incentive Loan Program under s 420.5087. The State Apartment Incentive Loan Program provides funding for the construction of multifamily construction units in areas underserved or lacking multifamily housing. Beginning in FY 2023-24, the tax credit cap amount is \$100 million dollars. The tax credit may be carried forward for a period not to exceed 10 years. A taxpayer may transfer the credit to members of an affiliated group of corporations if the type of tax credit remains the same. By August 15th of every year, the Department of Revenue shall notify the top 500 corporate income or franchise due taxpayers of the existence of the Live Local Program and the process for obtaining an allocation of the tax credit cap.

Section 2: Description of Data and Sources

Historical distribution of New World Reading Initiative (NWRI), Strong Families and Scholarship Funding Organization (SFO) Tax Credit Programs (provided by Department of Revenue)

General Revenue Conference, August 2022

Section 3: Methodology (Include Assumptions and Attach Details)

The analysis reviewed prior tax credit programs and the timing of credit usage for those programs. This program and previous tax credit programs were similar in that they offered tax credits for charitable donations. They differ in that this program only offers tax credits against CIT and IPT. Further, they differ in that the cap for this program is \$100 million while similar programs such as New Worlds Reading Initiatives and Strong Families are capped much lower (beginning Fiscal Year 2022-23) at \$60 million and \$10 million respectively. These two programs have not yet seen their caps reached. This would argue for lower participation in the program, especially in the initial years. Alternatively, this program requires the Department of Revenue to notify the top 500 taxpayers of this new credit, a feature that is not required in the other programs. This may increase participation in the program.

To address all of these issues, the analysis offers a low, middle and high estimate. The low and middle assume a staggered participation in the program, with all estimates reaching the cap by the last year of the forecast.

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The middle methodology assumes that the tax credit will reach 50% of the credit cap in the first year of implementation, then 75%, and finally reaches the cap by FY 2025-26.

The low assumes 50% utilization for the first three fiscal years then 75%, then 100% by the last fiscal year.

The high methodology assumes the program reaches its cap on the first year of implementation.

The breakdown of the distribution of the credit between IPT and CIT comes from the forecast of NWRI, Strong Families, and SFO tax credits. This analysis assumes 78% of the tax credit will be taken as a CIT credit and 22% of the credit impacts IPT. Both will only affect General Revenue.

Section 4: Proposed Fiscal Impact

	High		<i>Middle</i>		Low	
	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(\$100m)	(\$100m)	(\$50m)	(\$100m)	(\$50m)	(\$100m)
2024-25	(\$100m)	(\$100m)	(\$75m)	(\$100m)	(\$50m)	(\$100m)
2025-26	(\$100m)	(\$100m)	(\$100m)	(\$100m)	(\$50m)	(\$100m)
2026-27	(\$100m)	(\$100m)	(\$100m)	(\$100m)	(\$75m)	(\$100m)
2027-28	(\$100m)	(\$100m)	(\$100m)	(\$100m)	(\$100m)	(\$100m)

Revenue Distribution: General Revenue

Section 5: Consensus Estimate (Adopted: 02/03/2023): The Conference adopted the middle estimate.

	GR		Trust		Local/Other		Total	
	Cash	Recurring	Cash	Recurring	Cash	Recurring	Cash	Recurring
2023-24	(50.0)	(100.0)	0.0	0.0	0.0	0.0	(50.0)	(100.0)
2024-25	(75.0)	(100.0)	0.0	0.0	0.0	0.0	(75.0)	(100.0)
2025-26	(100.0)	(100.0)	0.0	0.0	0.0	0.0	(100.0)	(100.0)
2026-27	(100.0)	(100.0)	0.0	0.0	0.0	0.0	(100.0)	(100.0)
2027-28	(100.0)	(100.0)	0.0	0.0	0.0	0.0	(100.0)	(100.0)

August 2022 General Revenue Conference Forecast

CIT	Traditional	New Worlds	Strong Families	Total	
FY 2023-24	\$ 260.0	\$ 33.7	\$ 3.0	\$ 296.7	
FY 2024-25	\$ 260.0	\$ 33.7	\$ 3.0	\$ 296.7	
FY 2025-26	\$ 260.0	\$ 33.7	\$ 3.0	\$ 296.7	
FY 2026-27	\$ 260.0	\$ 33.7	\$ 3.0	\$ 296.7	
FY 2027-28	\$ 260.0	\$ 33.7	\$ 3.0	\$ 296.7	78%

IPT	Traditional	New Worlds	Strong Families	Total	
FY 2023-24	\$ 75.0	\$ 9.6	\$ 1.0	\$ 85.6	
FY 2024-25	\$ 75.0	\$ 9.6	\$ 1.0	\$ 85.6	
FY 2025-26	\$ 75.0	\$ 9.6	\$ 1.0	\$ 85.6	
FY 2026-27	\$ 75.0	\$ 9.6	\$ 1.0	\$ 85.6	
FY 2027-28	\$ 75.0	\$ 9.6	\$ 1.0	\$ 85.6	22%

Combined	Traditional	New Worlds	Strong Families	Total
FY 2023-24	\$ 335.0	\$ 43.3	\$ 4.0	\$ 382.3
FY 2024-25	\$ 335.0	\$ 43.3	\$ 4.0	\$ 382.3
FY 2025-26	\$ 335.0	\$ 43.3	\$ 4.0	\$ 382.3
FY 2026-27	\$ 335.0	\$ 43.3	\$ 4.0	\$ 382.3
FY 2027-28	\$ 335.0	\$ 43.3	\$ 4.0	\$ 382.3