



Tax Information Publication

TIP

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Florida Corporate Income Tax Tax Cuts and Jobs Act of 2017

In 2018, the Florida Legislature retroactively adopted the Internal Revenue Code (IRC) to January 1, 2018, which includes changes made by the Federal Tax Cuts and Jobs Act of 2017 (TCJA). However, Florida continued to decouple from the federal treatment of bonus depreciation which must be claimed over a seven-year period in Florida. For more information, review [TIP 18C01-02](#).

Pursuant to Chapter 2018-119, Laws of Florida, the Department of Revenue issued a report on February 1, 2019, that explained certain aspects of the TCJA and its impact on the Florida corporate income/franchise tax. The final report is available on the Department's website at floridarevenue.com/CITReview, listed under the "Reports" header.

Pursuant to Chapter 2019-168, Laws of Florida, (Section 220.27, Florida Statutes), all taxpayers that file a Florida corporate income tax return are required to submit certain information from their federal income tax returns on the Department's website concerning the TCJA impacts on Florida corporate income tax. The webpage will be available on or before September 3, 2019. A Tax Information Publication will be mailed to each registered corporation whose registration indicates the taxpayer is required to file Florida corporate income/franchise tax returns.

Explanations of how certain sections of the IRC affected by the TCJA flow into the Florida corporate income/franchise tax return, beginning with the applicable federal effective date of the provision, are presented below.

Florida Net Operating Losses (NOL)

Pursuant to section 220.13(1)(b)1., Florida Statutes (F.S.), Florida piggybacks the new federal NOL provisions to treat them in the same manner, to the same extent, and for the same time periods as are provided federally in section 172, IRC. Florida NOLs are computed and limited in the same manner as before the TCJA, but with a few differences.

Unused Florida NOLs generated in taxable years beginning after December 31, 2017, are now carried forward indefinitely until used and do not expire. Although there are special federal rules with carryback provisions for certain insurance and farming businesses, Florida law continues to specifically bar the carryback of Florida NOLs.

Florida law piggybacks the new 80% limitation on the use of NOL deductions. A Florida NOL generated in taxable years beginning after December 31, 2017, may only be carried forward and applied toward 80% of a taxpayer's Florida tentative apportioned adjusted federal income. This allows a taxpayer to use its \$50,000 Florida exemption to offset some, or all, of the remaining 20% income instead of using more of its Florida NOL carryover, as previously required.

NOLs generated in taxable years beginning before January 1, 2018, are not subject to the 80% limitation.

Taxpayers should maintain a schedule of NOLs with information substantiating the amount of the NOL, including tax returns where an NOL is generated, used, or carried forward.

Base Erosion and Anti-Abuse Tax (BEAT)

Florida does not have a separate BEAT tax. There is no separate Florida addition required or Florida subtraction allowed for federal amounts subject to BEAT. For more information, see section 59A, IRC.

Global Intangible Low-Taxed Income (GILTI)

After the Department's issuance of the February 2019 report, section 220.13(1)(b), F.S., was amended to provide a Florida subtraction for GILTI. The Florida subtraction is net of direct and indirect expenses incurred to earn the income and net of the related amount subtracted on the federal return under section 250, IRC. This subtraction applies to taxable years that begin after December 31, 2017.

Foreign-Derived Intangible Income (FDII)

No Florida adjustment is required for FDII or the deduction permitted on the federal return for the eligible percentage of FDII. For more information, see section 250, IRC.

Deduction for Foreign-Source Portion of Dividends Received

No Florida adjustment is required for the deduction permitted on the federal return for the foreign-source portion of dividends received from certain foreign corporations by corporate U.S. shareholders. For more information, see section 245A, IRC.

Limit Net Interest Deductions

The TCJA amended section 163(j), IRC, to create a new limitation on the deductibility of interest (the sum of 30% of adjusted taxable income, plus business interest income, plus floor plan financing interest). This limitation applies to interest on debt with related and unrelated lenders and applies to taxable years that begin after December 31, 2017.

When the Florida filer is identical to the federal filer, no separate interest limitation is computed for Florida income tax purposes. However, when the Florida filer is different from the federal filer (generally a separate single-corporation Florida return vs. an affiliated group consolidated federal return), the interest limitation must be computed for Florida income tax purposes as if the Florida filer (generally a corporation) had filed a separate federal income tax return for the taxable year.

The limitation does not preclude deduction in a subsequent taxable year. The TCJA permits taxpayers to carry forward any disallowed interest expense indefinitely and include the carryover amount as interest that may be deducted in a subsequent taxable year, subject to the limitation.

Taxpayers should maintain a schedule of disallowed interest with information substantiating the amount of interest and the amount carried over, including tax returns where an interest carryover is generated, used, or carried forward.

Like-Kind Exchange

Effective January 1, 2018, exchanges of personal or intangible property such as machinery, equipment, vehicles, artwork, collectibles, patents, and other intellectual property generally do not qualify for nonrecognition of gain or loss as like-kind exchanges under section 1031, IRC. Recognition of such income or loss flows through to the Florida corporate income/franchise tax return.

In many cases, such new assets qualify for federal bonus depreciation, which Florida spreads out over seven years. There is no acceleration of depreciation for Florida income tax purposes when the asset is subsequently sold or otherwise disposed of. For more information, review [TIP 16C01-02](#).

Amended Return Required

Based on the date this Tax Information Publication is issued, some taxpayers may have already filed a Florida corporate income/franchise tax return under a different basis than what is explained here. If so, taxpayers should file an amended return(s) and explain the reason for the amendment. The Department will work with these taxpayers to resolve any penalty imposed on such amended return(s) that is a direct result of these items.

Required Information Reporting

Pursuant to section 220.27, F.S., all taxpayers filing a Florida corporate income/franchise tax return (Florida Forms F-1120 or F-1120A) for a taxable year beginning within the 2018 and 2019 calendar years are required to key in additional information concerning TCJA changes using the Department's website. When the webpage is established, a Tax Information Publication will be mailed to each registered corporation whose registration indicated the taxpayer is required to file Florida corporate income/franchise tax returns.

References: Chapters 2018-119 and 2019-168, Laws of Florida; Sections 220.03, 220.13, and 220.27, Florida Statutes

For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit the Department's website at floridarevenue.com or call Taxpayer Services at (850) 488-6800, Monday through Friday (excluding holidays).

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services MS 3-2000, 5050 West Tennessee Street, Tallahassee, FL 32399-0112.

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