Debbie Longman

From:	Quinn, Kathleen <Kquinn@mwe.com>
Sent:	Tuesday, August 21, 2018 6:11 PM
To:	CITReview
Cc:	McLoughlin, Alysse; Smith, Diann; Kranz, Stephen P; Carstens, Eric
Subject:	Comments re Florida's Response to TCJA
Attachments:	STAR Florida DOR.pdf

Dear Sir or Madam,

On behalf of the State After Tax Reform (STAR) Partnership, attached please find comments and suggestions regarding Florida's treatment of certain provisions of the federal tax reform bill (the Tax Cuts and Jobs Act) passed by Congress in December 2017. We plan on participating in the Public Hearing tomorrow to discuss the issues raised in our letter.

Please contact us with any questions or if you would like to discuss.

Kathleen M. Quinn
Associate

McDermott Will & Emery LLP | 340 Madison Avenue | New York, NY 10173-1922
Tel +1 212 547 5718 | Fax +1 212 547 5444

Website | vCard | Email | Twitter | LinkedIn | Blog

The limitation provides no material benefit to the state because Florida already has provisions in place to address improper interest deductions, such as the application of transfer pricing principles. This can all be avoided by decoupling from IRC section 163(j).

Expensing: Florida should revisit its historic decoupling from federal depreciation provisions and conform to IRC section 168(k). The federal government has provided companies with the ability to immediately deduct the cost to purchase certain assets in an attempt to stimulate the economy and encourage companies to make capital investments. Florida should do the same as decoupling negatively impacts companies with a significant presence in Florida. Such an approach would similarly make Florida an attractive location for investment.

Capital Contributions: Florida should conform to IRC section 118 as it was in effect prior to the Tax Cuts and Jobs Act. Conforming to the current version of IRC section 118 taxes corporations on contributions by governmental entities and civic groups such that state and local governmental incentives to attract and retain businesses would be taxable to the receiving corporation. If a state wants to use incentives to attract and retain businesses, imposing tax on such incentives reduces the effectiveness of such policy.

FDIC Premiums: Florida should decouple from IRC section 162(r). This federal provision disallowing a deduction for FDIC fees was included purely as a means of raising revenue to offset other provisions that reduced the overall amount of corporate federal income taxes that will be paid to the federal government. Because taxpayers are not benefitting from an overall tax reduction in Florida, there is no rationale for limiting the deductibility of FDIC fees. Furthermore, this provision negatively impacts institutions with a significant presence in Florida.

Please contact me at (202) 756-8180 if you have any questions or would like to discuss any of our comments in more detail.

Sincerely,

Stephen Kranz

Partner, McDermott Will & Emery