

Debbie Longman

From: Carolyn Johnson <cjohnson@flchamber.com>
Sent: Friday, September 7, 2018 3:43 PM
To: CITReview
Subject: Florida Chamber Submission
Attachments: DOR Letter- TCJA.pdf

Please see the attached letter regarding the implementation of the federal Tax Cuts and Jobs Act in Florida.

Carolyn Johnson

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September 6, 2018

Corporate Income Tax Review
c/o Director of Legislative and Cabinet Services
Florida Department of Revenue
PO Box 5906
Tallahassee, FL 32314

RE: Impact of the Tax Cuts and Jobs Act of 2017

Dear Corporate Income Tax Review Group:

The Florida Chamber of Commerce appreciates the further examination of the Tax Cuts and Jobs Act as laid out by the Legislature during the 2018 legislative session. Earlier this year, Florida became a \$1 trillion economy and Florida boasts the 4th best tax climate for businesses in the country. Florida has outpaced the nation in job growth over the last year, and Florida's unemployment rate is at its lowest in a decade. This has happened not by accident, but instead is due to a Governor, Cabinet and Legislature that have focused on sound pro-business policies, including keeping taxation low and looking at opportunities to grow the economy.

Overall, the Tax Cuts and Jobs Act has had a positive impact to businesses and individuals, but how Florida conforms to its provisions will determine its full impact in Florida. On behalf of our members, we appreciate the study areas laid forth by the Department of Revenue, and specifically recommend the state decouple from Global Intangible Low-Taxed Income (GILTI) provisions and the net interest deduction under I.R.C. Sec. 163(j).

According to the Ernst & Young LLP study commissioned by the Council on State Taxation (COST), it is estimated that Florida's tax base will expand by 13 percent as a result of the Tax Cuts and Jobs Act. The two largest "base broadeners" are GILTI and net interest deduction, which account for about 10 percent of the base expansion. These provisions were considered by Congress as a means to pay for other tax decreases contained in the package. We recommend that the state decouple from these two provisions to avoid an unintentional tax increase.

Additionally, as other states make decisions related to the Tax Cuts and Jobs Act, or decrease their corporate income tax rates as a result, it is important that Florida remain competitive. Many states, including Georgia, have decoupled from base broadening measures and reduced corporate tax rates. Florida has currently provided for a tax cut mechanism for the 2019 tax year as well as a "refund" of excess collections for 2018-2019. As other states are making permanent corporate rate reductions, Florida should also consider a permanent rate reduction to offset any tax increases as a result of the Tax Cuts and Jobs Act. Furthermore, conforming to provisions like GILTI and the net interest deduction would only broaden Florida's tax base when other states are taking action to avoid taxing companies more.

We have an opportunity to remain competitive and encourage the growth and investment of businesses in Florida. As you review these new changes to the Internal Revenue Code, we recommend the state decouples from GILTI and the net interest deduction.

Securing Florida's Future

Regards,

A handwritten signature in blue ink that reads "Frank C. Walker III". The signature is fluid and cursive, with a prominent flourish at the end.

Frank C. Walker, III
Vice President of Government Affairs

CC: Bob Grammig, Chair, Florida Chamber of Commerce
Mark Wilson, President & CEO, Florida Chamber of Commerce
David Hart, Executive Vice President, Florida Chamber of Commerce