

[REDACTED]

DEPARTMENT OF REVENUE

Corporate, Estate and Intangible Tax

RULE NOS.:	RULE TITLES:
12C-1.013	Adjusted Federal Income Defined
12C-1.0198	Internship Tax Credit Program
12C-1.042	Methods of Accounting
12C-1.051	Forms

PURPOSE AND EFFECT: • The purpose of the proposed amendments to Rule 12C-1.013(3), F.A.C., is to delete obsolete language.

The purpose of the creation of Rule 12C-1.0198, F.A.C., is to implement the Florida Internship Tax Credit Program pursuant to s. 220.198, F.S., as created by section 34 of Chapter 2021-31, L.O.F., during the 2021 legislative session.

The purpose of the proposed amendments to Rule 12C-1.042, F.A.C., is to repeal the rule, as it contains obsolete language related to long-term contract adjustments.

Section 213.755(1), F.S., authorizes the Executive Director of the Department of Revenue to require a taxpayer to file returns and remit payments by electronic means when the amount of tax paid by the taxpayer in the previous state fiscal year was more than \$20,000. Effective January 1, 2023, Chapter 2022-151, L.O.F., reduces the electronic filing threshold for a taxpayer to file returns and remit payments from \$20,000 to \$5,000. The purpose of this rulemaking is to implement this law change and to provide other updates.

SUMMARY: • The proposed rulemaking deletes paragraph 12C-1.013(3)(b), as it consists of a cross-reference to Rule 12C-1.042, F.A.C., which is proposed for repeal, and also deletes obsolete language related to long-term contract adjustments in Rule 12C-1.013(3)(a); emergency excise tax in Rule 12C-1.013(3)(c); and installment sales adjustments in Rule 12C-1.013(3)(e). The proposed rulemaking specifies that the flush left paragraph in s. 220.131(1), F.S., referenced in Rule 12C-1.013(3)(a), may be viewed in the 1985 edition of the Florida Statutes.

Under s. 220.198, F.S., a business is eligible for a credit against the tax imposed by Ch. 220, F.S., equal to \$2,000 per student intern, but may not claim more than \$10,000 in any one taxable year. Rule 12C-1.0198, F.A.C., is created to implement the provisions of s. 220.198, F.S., and to provide guidelines for the eligibility to receive a credit against corporate income/franchise

tax. Revisions to Rule 12C-1.051, F.A.C., incorporate Form F-1198 (Florida Internship Tax Credit Program Application for Tax Credit). To claim a tax credit, businesses must meet the criteria specified in s. 220.198(3) and (4), F.S.

The proposed rulemaking repeals Rule 12C-1.042, F.A.C. Beginning January 1, 2023, the proposed amendments to Rule 12C-1.051, F.A.C., incorporate the reduced electronic filing threshold of \$5,000 requiring the electronic filing of tax returns and electronic payment of tax. Form F-1120N (Instructions for – Corporate Income/Franchise Tax Return) is revised to notify taxpayers of the lowered threshold amount requiring taxpayers to file Form F-1120 (Florida Corporate Income/Franchise Tax Return) and pay the tax by electronic means.

Other updates include:

Form F-1120 is revised to update the tax rate from 3.535% to 5.5% pursuant to s. 220.1105(5), F.S., and also revised to remove references to the obsolete Florida renewable energy production tax credit and to Internal Revenue Code s. 179 expenses.

Forms F-1120, F-1120N, and F-2220 are revised to incorporate the Strong Families and New Worlds Reading Initiative tax credits that may be taken against corporate income/franchise tax.

Form F-1198 is incorporated within the rule as part of the administration of the Florida Internship Tax Credit Program. This form is the means by which taxpayers may apply for an internship tax credit against corporate income/franchise tax.

SUMMARY OF STATEMENT OF ESTIMATED REGULATORY COSTS AND LEGISLATIVE RATIFICATION:

The Agency has determined that this will not have an adverse impact on small business or likely increase directly or indirectly regulatory costs in excess of \$200,000 in the aggregate within one year after the implementation of the rule. A SERC has not been prepared by the Agency.

The Agency has determined that the proposed rule is not expected to require legislative ratification based on the statement of estimated regulatory costs or if no SERC is required, the information expressly relied upon and described herein: 1) no requirement for the Statement of Economic Regulatory Costs (SERC) was triggered under Section 120.541(1), F.S.; and 2) based on past experiences regarding rules of this nature, the adverse impact or regulatory cost, if any, do not exceed nor would exceed any one of the economic analysis criteria in a SERC, as set forth in Section 120.541(2)(a), F.S.

Any person who wishes to provide information regarding a statement of estimated regulatory costs, or provide a proposal for a lower cost regulatory alternative must do so in writing within 21 days of this notice.

RULEMAKING AUTHORITY: 213.06(1), 220.192(7), 220.193(4), 220.196(4), 220.198(6), 220.42, 220.51, 1002.395(13) F.S., Section 3, Chapter 2009-192, L.O.F.

LAW IMPLEMENTED: 119.071(5), 212.08(5)(p), 213.37, 213.755(1), 220.02(3), 220.03(5), 220.11, 220.12, 220.13, 220.13(1), (2), 220.131(1), 220.15, 220.16, 220.181, 220.182, 220.183, 220.184, 220.1845, 220.185, 220.186, 220.1875, 220.1895, 220.1896, 220.1899, 220.191, 220.193, 220.194, 220.195, 220.196, 220.198, 220.21, 220.211, 220.22, 220.221, 220.222, 220.23, 220.24, 220.241, 220.31, 220.32, 220.33, 220.34, 220.41, 220.42, 220.43, 220.43(1), (3), 220.44, 220.51, 220.721, 220.723, 220.725, 220.737, 220.801, 220.803, 220.805, 220.807, 220.809, 221.04, 624.5105, 624.51055, 1002.395 F.S., section 2, Ch. 2022-151 LOF F.

IF REQUESTED WITHIN 21 DAYS OF THE DATE OF THIS NOTICE, A HEARING WILL BE HELD AT THE DATE, TIME AND PLACE SHOWN BELOW (IF NOT REQUESTED, THIS HEARING WILL NOT BE HELD):

DATE AND TIME: September 21, 2022, at 10:00 a.m.
 PLACE: 2450 Shumard Oak Boulevard, Building One, Room 1820, Tallahassee, Florida. If a hearing is requested in writing, members of the public can also attend electronically via webinar; participants will need to register for the webinar using the following link:
[\[https://attendee.gotowebinar.com/register/6119500614842689805\]](https://attendee.gotowebinar.com/register/6119500614842689805)

Pursuant to the provisions of the Americans with Disabilities Act, any person requiring special accommodations to participate in this workshop/meeting is asked to advise the agency at least 48 hours before the workshop/meeting by contacting: Tonya Fulford at (850)717-6799.. If you are hearing or speech impaired, please contact the agency using the Florida Relay Service, 1(800)955-8771 (TDD) or 1(800)955-8770 (Voice).

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED RULE IS: Jennifer Ensley, Technical Assistance and Dispute Resolution, Department of Revenue, P.O. Box 7443, Tallahassee, Florida 32314-7443, telephone (850)717-7659, email RuleComments@floridarevenue.com.

THE FULL TEXT OF THE PROPOSED RULE IS:

12C-1.013 Adjusted Federal Income Defined.

(1) through (2) No change

(3)(a) Adjustments to the federal taxable income reported on Form 1120 by a taxpayer may be necessary. That is, the federal taxable income reported on Form 1120 may not be the federal taxable income to which the additions and subtractions required by Section 220.13, F.S., are made. These adjustments include ~~long-term contract adjustments~~; adjustments related to depreciation required under Section 220.03(5)(b) and (c), F.S.,

~~and~~; consolidated income adjustments for taxpayers grandfathered under the provisions of the flush left paragraph in Section 220.131(1), F.S. (1985); and the installment sales adjustment that may be required for sales prior to October 19, 1980.

~~(b) Long term contract adjustment. See subsection 12C-1.042(1), F.A.C.~~

~~(b)(e) Depreciation adjustment. Cross reference: Chapter 12C 4, F.A.C.~~

~~1. Taxpayers governed by the General Rule pursuant to Section 220.03(5)(a), F.S., for all taxable years beginning on or after January 1, 1981, are required to compute emergency excise tax due under Chapter 221, F.S., but are not required to make an adjustment for depreciation.~~

~~1.2.~~ If Election A was made pursuant to Section 220.03(5)(b), F.S., and depreciable assets were placed in service between January 1, 1981 and December 31, 1981, a depreciation adjustment must be computed for these assets. The adjustment is for the difference, if any, between the depreciation deducted for federal purposes for these assets and the depreciation allowable for these assets under the Internal Revenue Code of 1954, as amended and in effect on January 1, 1980.

~~2.3.~~ If Election B was made pursuant to Section 220.03(5)(c), F.S., and depreciable assets were placed in service between January 1, 1981 and December 31, 1986, a depreciation adjustment must be computed for these assets. The adjustment is for the difference, if any, between the depreciation deducted for federal purposes for these assets and the depreciation allowable for these assets under the Internal Revenue Code of 1954, as amended and in effect on January 1, 1980.

~~(c)(d) Consolidated return adjustment.~~

1. No consolidated income adjustment is allowed unless an election was properly made under Section 220.131(1), F.S., to file a consolidated return on the same basis as consolidated returns were filed prior to July 19, 1983. Such election must have been made within 90 days of December 20, 1984, or upon filing the taxpayer's first return after December 20, 1984.

2. If this election was properly made, an adjustment will be required where the membership of the Florida affiliated group included in the Florida consolidated return differs from the membership in the federal affiliated group included in the federal consolidated return. The federal taxable income for the Florida affiliated group must be computed. The computation of the consolidated income of the Florida affiliated group must be made under the procedures, including all intercompany adjustments and eliminations, as are required by s. 1502, I.R.C. An adjustment is required for the difference, if any, between the income of the Florida and federal affiliated groups.

~~(e) Installment sales adjustment. The installment sales adjustment is not applicable to sales occurring on or after October 19, 1980. For installment sales occurring on or after October 19, 1980, taxpayers reporting income on the installment method for federal income tax purposes shall report such income on the same basis for Florida corporate tax purposes. For installment sales occurring prior to October 19, 1980, taxpayers elected, for Florida corporate tax purposes, to report installment income on the accrual or installment basis. Whichever method was previously elected is binding for all subsequent reporting periods for such installment income, unless permission to change such accounting method is granted by the Department of Revenue.~~

(4) through (21) No change

Rulemaking Authority 213.06(1), 220.51 FS., Section 3, Chapter 2009-192, L.O.F. Law Implemented 220.02(3), 220.03(5), 220.13, 220.131(1), 220.43(1), (3) FS. History—New 10-20-72, Amended 1-19-73, 10-20-73, 10-8-74, 4-21-75, 5-10-78, 11-13-78, 12-18-83, Formerly 12C-1.13, Amended 12-21-88, 12-7-92, 5-17-94, 10-19-94, 3-18-96, 10-2-01, 4-14-09, 6-28-10, 7-20-11, 1-10-17, 1-8-19, 12-12-19, XX-XX-XX.

12C-1.0198 Internship Tax Credit Program.

(1) Definitions. For purpose of this rule, the following terms mean:

(a) “Department” means the Florida Department of Revenue.

(b) “Full time” means at least 30 hours per week.

(c) “Qualified business” means a business that is in existence and has been continuously operating for at least 3 years.

(d) “Student intern” means a person who has completed at least 60 credit hours at a state university or a Florida College System institution, regardless of whether the student intern receives course credit for the internship; a person who is enrolled in a career center operated by a school district under s. 1001.44 or a charter technical career center; or any graduate student enrolled at a state university.

(2) Available Tax Credits for Qualified Businesses. For taxable years beginning during the 2022 and 2023 calendar years, a student internship tax credit is available against the tax imposed by Chapter 220, F.S., and equal to \$2,000 per student intern, but no more than \$10,000 per taxable year.

(a) These tax credits are available on a first-come, first-served basis.

(b) The Department must approve the tax credit before the taxpayer can take the credit on a return.

(c) Qualified businesses may carry forward any unused portion of the tax credit for up to two taxable years.

(3) Eligibility.

(a) To be eligible to request a tax credit, a qualified business must employ at least one student intern full time

during the 2022 or 2023 taxable year for at least 9 consecutive weeks, in addition to one of the following criteria:

1. Twenty percent or more of the business’ current full-time employees were previously employed as student interns by the qualified business.

2. Employed, on average for the 3 immediately preceding taxable years, 10 or fewer full-time employees and previously hired at least one student intern during that time.

(b) Qualified businesses must provide documentation demonstrating that each student intern employed during the 2022 or 2023 taxable year is enrolled in an educational institution as stated in paragraph (1)(d) and maintains a minimum grade point average of 2.0 on a 4.0 scale, if applicable.

(4) Application process.

(a) To apply for available program credits, a taxpayer must submit a Florida Internship Tax Credit Program – Application for Tax Credit (Form F-1198, incorporated by reference in rule 12C-1.051, F.A.C.), along with documentation demonstrating that the business and student intern meet the criteria to receive tax credits.

(b) Following receipt of an application, the Department will send written correspondence regarding the amount of tax credit approved or providing the reason the tax credit application could not be approved, whether in whole or in part. The taxpayer may protest a denial pursuant to Sections 120.569 and 120.57, F.S. The Department will reserve the denied amount of the allocation for the taxpayer during the protest period.

PROPOSED EFFECTIVE DATE: January 1, 2023

Rulemaking Authority 213.06(1), 220.198(6) FS. Law Implemented 220.198 FS. History—New 1-1-23.

12C-1.042 Methods of Accounting.

(1) Long-term Contracts.

(a) For purposes of section 220.42(3), F.S., “books of account” includes accountants’ work papers prepared in the normal course of business for the purpose of determining income and preparing periodic reports under the percentage of completion method provided:

1. They are sufficiently complete and accurate to provide a reliable basis for reconciling the regularly maintained books of account with the tax return;

2. The originals are turned over to the taxpayer and associated with its regular books of account; and,

3. They are retained so long as the contents thereof may be material to a proper determination of the tax under the Florida Income Tax Code.

(b) An election to file the same as Federal under section 220.42(3), F.S., shall be made by filing a timely return on which the income from long term contracts is reported on the

