

STATE OF FLORIDA
DEPARTMENT OF REVENUE
CHAPTER 12C-1, FLORIDA ADMINISTRATIVE CODE
CORPORATE INCOME TAX
AMENDING RULE 12C-1.013
REPEALING RULE 12C-1.042

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)(c) 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)(4)~~ 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-1.042 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 percentage of completion method of accounting. The election must be made in the first year under the Florida Income Tax Code in which any portion of the taxpayer's gross income derived from long-term contracts would be required to be taken into account under the percentage of completion method for Federal tax purposes.~~

~~(c) In order to secure the Executive Director or the Executive Director's designee's consent for revocation of an election made pursuant to this subsection, the taxpayer must file an application in writing with the Department within 180 days after the beginning of the taxable year in which it is desired to revoke the election. The application shall show all amounts which would be duplicated or omitted as a result of the revocation and the taxpayer's computation of the adjustments required to take into account such duplications or omissions.~~

~~(2) Permission to revoke will not be granted unless the taxpayer and the Executive Director or the Executive Director's designee agree to the terms, conditions, and adjustment under which the change will be effected.~~

Rulemaking Authority 213.06(1), 220.42, 220.51 FS. Law Implemented 220.42 FS. History—New 10-8-74, Formerly 12C-1.42, Amended 12-21-88, 4-8-92, 3-18-96, 3-13-00, Repealed XX-XX-XX.