



Florida Department of Revenue
Tax Information Publication

TIP

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**Corporate Income Tax and Insurance Premium Tax
Underpayment of Estimated Tax**

**Computation Changes to the Prior Year Exception for Credits for Contributions to
Nonprofit Scholarship Funding Organizations**

Credits earned for contributions to nonprofit scholarship funding organizations (SFOs) made on or after July 1, 2014 for corporate income tax or insurance premium tax will be taken into account when determining the estimated payment amounts required to meet the prior year exceptions for each tax.

Corporate Income Tax

The prior year exception states that no penalty or interest will be imposed for any underpayment of estimated tax if, on or before the due date for payment of the installment, an amount equal to the tax shown on the income tax return for the preceding year is paid. See Rule 12C-1.034(9)(b), Florida Administrative Code.

When determining the estimated payment required to meet the prior year exception, a taxpayer may reduce the amount required by the amount of SFO credit. The date of contribution on the certificate of contribution issued by the SFO will determine to which installment the SFO credit is to be applied.

Example 1: Taxpayer remitted four estimated tax payments of \$16,000 each on 4/30/2014, 6/30/2014, 9/30/2014, and 12/31/2014. Taxpayer also made a \$10,000 contribution to an SFO and was issued a certificate of contribution on 7/15/2014, which generated a credit for the Taxpayer. Taxpayer's Florida corporate income tax return reported \$75,000 total tax due for the tax year ending 12/31/2014. For the prior tax year ending 12/31/2013, Taxpayer's Florida corporate income tax return showed tax due of \$80,000 and an overpayment of \$2,000 that was carried forward and applied to the first installment in the subsequent tax year.

1. Total tax due for the year (F-1120, Line 13)					75,000.00
2. 90% of Line 1					67,500.00
Due dates (last day of the 4 th , 6 th , and 9 th month and last day of the tax year)	Computation of Underpayments				
	Due Dates of Installments				
	(1 st) 4/30/2014	(2 nd) 6/30/2014	(3 rd) 9/30/2014	(4 th) 12/31/2014	
3. Estimated tax due: 25% of Line 2	16,875.00	16,875.00	16,875.00	16,875.00	16,875.00
4. (a) Amount paid for each period	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00
(b) Overpayment credit from prior year	2,000.00				
(c) Overpayment of previous installment		1,125.00	250.00	0.00	

5. Total of Lines 4(a), 4(b), and 4(c)	18,000.00	17,125.00	16,250.00	16,000.00
6. Underpayment (Line 3 less Line 5) or overpayment (Line 5 less Line 3)	-1,125.00	-250.00	625.00	875.00

Prior year exception computation:

7. Total cumulative amount paid (or credited) from the beginning of the taxable year through the installment date indicated	18,000.00	34,000.00	50,000.00	66,000.00
8. (a) Tax on prior year's income using current year's rates	25% of tax 20,000.00	50% of tax 40,000.00	75% of tax 60,000.00	100% of tax 80,000.00
(b) Cumulative donations made on or after July 1, 2014, to SFOs from the beginning of the taxable year through the installment date indicated. Certificate of contribution must be issued on or before installment due date.	0.00	0.00	10,000.00	10,000.00
(c) Line 8(a) less Line 8(b). This is the prior year exception adjusted for the credit for contributions to SFOs per section (s.) 1002.395(5)(f), Florida Statutes (F.S.)	20,000.00	40,000.00	50,000.00	70,000.00
Installment meets prior year exception? To answer Yes, Line 7 must equal or exceed Line 8(c).	No	No	Yes	No

Taxpayer has overpaid the 1st and 2nd installments and underpaid the 3rd and 4th installments (see Line 6 above). However, Taxpayer met the prior year exception for the 3rd installment through a combination of payments and SFO credit so that estimated tax penalty and interest will not apply for the 3rd installment.

Example 2: Taxpayer remitted four estimated tax payments of \$10,000 each on 4/30/2015, 6/30/2015, 9/30/2015, and 12/31/2015. Taxpayer also made four \$10,000 contributions to an SFO and was issued four certificates of contribution on 4/30/2015, 6/30/2015, 9/30/2015, and 12/31/2015. Taxpayer's Florida corporate income tax return reported \$75,000 total tax due for the tax year ending 12/31/2015. For the prior tax year ending 12/31/2014, Taxpayer's Florida corporate income tax return showed tax due of \$80,000 and an overpayment of \$2,000 that was carried forward and applied to the first installment in the subsequent tax year.

Prior year exception computation:

7. Total cumulative amount paid (or credited) from the beginning of the taxable year through the installment date indicated	12,000.00	22,000.00	32,000.00	42,000.00
8. (a) Tax on prior year's income using current year's rates	25% of tax 20,000.00	50% of tax 40,000.00	75% of tax 60,000.00	100% of tax 80,000.00
(b) Cumulative donations made on or after July 1, 2014, to SFOs from the beginning of the taxable year through the installment date indicated. Certificate of contribution must be issued on or before installment due date.	10,000.00	20,000.00	30,000.00	40,000.00

(c) Line 8(a) less Line 8(b). This is the prior year exception adjusted for the credit for contributions to SFOs per s. 1002.395(5)(f), F.S.	10,000.00	20,000.00	30,000.00	40,000.00
Installment meets prior year exception? To answer Yes, Line 7 must equal or exceed Line 8(c).	Yes	Yes	Yes	Yes

Taxpayer's estimated tax due for each installment was \$16,875, as was the case in Example 1. Taxpayer is considered underpaid for all four installments. However, through a combination of payments and SFO credits, Taxpayer met the prior year exception for all four installments. No estimated tax penalty or interest will apply.

Insurance Premium Tax

The reduction in the amount of the installment required to meet the prior year exception for insurance premium tax operates in the same manner as for corporate income tax.

The prior year exception allows an insurer to pay, for each installment, 27 percent of the amount of annual tax reported, after allowable credits, on its return for the previous year without penalty or interest applying. See Rule 12B-8.001(2)(a), Florida Administrative Code.

When determining the estimated payment required to meet the prior year exception, an insurer may reduce the amount required by the amount of the approved SFO credit. The date of contribution on the certificate of contribution issued by the SFO will determine to which installment the SFO credit is to be applied.

References: Section 17, Chapter 2014-184, Laws of Florida; Section 1002.395, Florida Statutes (2014)

For More Information

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For forms and other information, visit our website at www.myflorida.com/dor or call Taxpayer Services, 8:00 a.m. to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671.

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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