



Tax Information Publication

TIP

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Florida Corporate Income Tax

The Florida Corporate Income Tax Code Requires Additions to Income for First Year Federal Bonus Depreciation and the Expensing of Certain Property Above \$128,000

Retroactive to January 1, 2014

Each year, the Florida Legislature adopts the current Internal Revenue Code (Title 26, United States Code) so certain tax definitions and the calculation of adjusted federal income are consistent between the Internal Revenue Code and the Florida Income Tax Code (Chapter 220, Florida Statutes [F.S.]). The Florida corporate income tax "piggybacks" federal income tax determinations, and uses adjusted federal income as the starting point for computing Florida net income. Chapter 2015-35, Laws of Florida, amends the Florida Income Tax Code to partially adopt the Internal Revenue Code.

The Florida corporate income tax provides for certain additions and subtractions in determining adjusted federal income and Florida net income. Section 220.13(1)(e), F.S., has been amended to require the addition of amounts in excess of \$128,000 deducted under section 179 of the Internal Revenue Code for tax years beginning before January 1, 2015, and for amounts deducted as bonus depreciation under section 168(k) of the Internal Revenue Code for assets placed in service before January 1, 2015. There is a corresponding subtraction taken equally over a seven year period in the amount of the excess section 179 expense required to be added back and the amount of the special bonus depreciation required to be added back, beginning with the year the addition occurs.

The total amount that may be subtracted over the seven year period should equal, but may not exceed, the amounts of excess section 179 expense and bonus depreciation that have been added back to federal taxable income (defined in section 220.13(2), F.S.).

The subtractions allowed by section 220.13(1)(e), F.S., are the means by which the additions required by Section 220.13(1)(e), F.S., are reconciled and recovered. If a taxpayer does not claim a deduction for section 179 expense in excess of \$128,000 (for tax years beginning in 2014) or a deduction for bonus depreciation (for assets placed in service in 2014) on its federal income tax return, no add-back is required or subtraction allowed for Florida corporate income tax purposes. Similarly, if a taxpayer did not add back excess section 179 expense or bonus depreciation because, for example, it was not subject to the Florida corporate income tax in that year, no subtraction is allowed for Florida corporate income tax purposes.

Furthermore, subtractions under section 220.13(1)(e), F.S.:

- may create or increase a net operating loss.
- may be transferred to the surviving company in a merger or acquisition. Otherwise, if a taxpayer ceases to do business during the seven year period, it may not accelerate, transfer, or otherwise use a subtraction.

The adjustments required by section 220.13(1)(e), F.S., do not affect the basis of assets. The applicable depreciation conventions, methods, and recovery periods are computed in the same manner as they are computed in determining federal taxable income.

For the 2014 tax year, an amended return may be required for those taxpayers who originally filed their *Florida Corporate Income/Franchise Tax Return* (Florida Form F-1120) in a manner inconsistent with these changes in law. The additions are to be included in the "Other additions" line of Schedule I of the F-1120 for the 2014 tax year. Subtractions are included in Lines 9 (excess section 179 expense) and 10 (bonus depreciation) of Schedule II of the F-1120.

To the extent that any tax is due on an amended return as a result of this law change, reasonable cause exists under Rule 12-13.007, Florida Administrative Code, for a waiver of the resulting penalty. The provisions of this rule do not relieve a taxpayer of their obligation to file a Florida corporate income tax return and report the adjustments required by section 220.13(1)(e), F.S.

Taxpayers should maintain a schedule reflecting all the additions and subtractions made under Section 220.13(1)(e), F.S.

Partnerships filing a *Florida Partnership Information Return* (Form F-1065) should make the additions and subtractions required by Section 220.13(1)(e), F.S., on Part I of Form F-1065.

References: Chapter 2015-35, Laws of Florida; Sections 220.03 and 220.13, Florida Statutes

For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

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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