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MULTISTATE INCOME/FRANCHISE TAX

Florida updates Internal Revenue Code conformity while decoupling from certain federal provisions

Tax Alert

Overview

On June 29, 2021, Florida Governor Ron DeSantis signed House Bill 7059 ("H.B. 7059") into law. HB 7059 amends certain provisions of Florida's corporate income tax law, including updating Florida's conformity to the Internal Revenue Code ("IRC") as in effect on January 1, 2021, and decoupling from certain recent federal tax provisions.

This Tax Alert summarizes some of the relevant provisions of H.B. 7059.

Conformity to the IRC

Effective June 29, 2021, H.B. 7059 retroactively updates Florida's federal tax conformity to the IRC as of January 1, 2021.

Decoupling from certain provisions of federal law

Internal Revenue Code section 163(j)

H.B. 7059 decouples from IRC section 163(j) limitation for taxable years beginning after December 31, 2018 and before January 1, 2021. As such, taxpayers filing Florida corporate income tax returns are required to add back to federal taxable income the difference between the interest expense allowed pursuant to IRC section 163(j) as modified by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") , which limits the interest deduction to 50% of adjusted taxable income and the amount of the interest expense allowed pursuant to IRC section 163(j) under the Tax Cut and Jobs Act ("TCJA"), which limited the interest deduction to 30% of adjusted taxable income. The required add back may be carried forward indefinitely to future years until the expense has been fully deducted.

Qualified improvement property

H.B. 7059 decouples from the accelerated federal deduction for qualified improvement property ("QIP"), as defined in IRC section 168(e)(6) and as amended by the CARES Act, placed in service on or after January 1, 2018. Taxpayers filing Florida corporate income tax returns are required to add back to federal taxable income 100% of accelerated depreciation for QIP expenses, and are permitted an offsetting subtraction from federal taxable income each year equal to the amount of depreciation that would have been allowed pursuant to IRC section 167(a), as if the CARES Act had not been enacted. Taxpayers subject to the Florida QIP add back are permitted to take the offsetting QIP subtraction modification regardless of whether the QIP is no longer in service, sold, or disposed of by the taxpayer.

Other provisions

For taxable years beginning after December 31, 2020, and before January 1, 2026, H.B. 7059 decouples from the IRC by disallowing:

- The extension of expensing provisions for certain qualified film and television and live theatrical productions pursuant to IRC section181(g), and
- The temporary increase in business meal expense deduction from 50% to 100% pursuant to IRC section 274(n)(2).

Get in touch

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