



**Senator George S. LeMieux**  
Chairman of the Board of Trustees

**Dominic M. Calabro**  
President & Chief Executive Officer

**Comments to the Honorable Ana Maria Rodriquez, Chair, and Members of  
the Senate Finance and Tax Committee, regarding SB 1090 --- Corporate Income Tax**

My name is Dominic M. Calabro and I am President and CEO of Florida TaxWatch, an independent, nonpartisan, nonprofit, taxpayer research institute & government watchdog which, for over 40 years, has worked to improve the effectiveness, efficiency, and accountability of Florida government and promote a fair and equitable system of taxation.

Federal tax reform was a complex undertaking, as was formulating a Florida response. Florida's adoption of most of the provisions of the Tax Cuts and Jobs Act (TCJA) of 2017 for the state's corporate income tax code resulted in a larger CIT tax base. Florida TaxWatch commends the Florida Legislature for attempting to make the changes as revenue neutral as possible through an automatic refund and rate reduction process.

Despite these efforts, federal tax reform and Florida's response resulted in an effective tax increase for our state's corporations. Even after the refunds and rate reduction, companies will have paid \$1.9 billion more from FY2018-19 through FY2022-23 than was forecast before the TCJA was enacted. This is despite COVID-19's negative impact on tax collections.

Now, with the CIT tax rate returning to 5.5 percent beginning with tax years beginning in 2022, that tax increase is going to become even more pronounced. This original rate will be applied to a larger tax base. In FY2020-21, if the tax rate would have stayed at 5.5 percent, gross collections would have been \$4.1 billion. Gross collections were never more than \$2.4 billion in any year before the TCJA. Under current law, it is now estimated that collections will be \$4.5 billion in FY2025-26, the first year with no remaining effects of the automatic refunds and rate reductions.

A major increase in taxes due would be tough on companies recovering from the global pandemic. In our October 2021 report [\*Corporate Income Tax Issues for the 2022 Legislature: Repeal the Impending Tax Increase and Fix the "Retail Glitch" and Like-Kind Exchanges\*](#) Florida TaxWatch recommended that the 2022 Legislature repeal the scheduled increase in the corporate income tax rate back to 5.5 percent in order to stave off this tax increase.

This is a complex issue and there are multiple ways to make the impact of federal tax reform as revenue neutral as possible, which was the Legislature's intent in passing laws in responses to the federal changes. Adopting a rate of less than 5.5 percent is one way, decoupling from some of the TCJA's base expansion provisions (or adopting some of the later federal changes that reduce the base) is another.

We look forward to working with you and your colleagues on addressing this and other tax issues this session with an eye toward keeping the economy moving in the right direction, despite some of the potential impediments on the horizon. Thank you for your thoughtful consideration and, most of all, thank you and your family for your selfless public service to our state's taxpayers.