

**Florida Department of Revenue
Tax Information Publication**

See TIP 04C1-03 Dated Jun 11, 2004 for Updated Information

TIP 04C01-01

Date: January 27, 2004

**CORPORATE INCOME TAX
FEDERAL BONUS DEPRECIATION**

During the 2003 legislative session, Chapter 2003-85, Laws of Florida, amended the Florida Corporate Income Tax Code (CIT) to adopt the Internal Revenue Code (IRC) that was in effect on January 1, 2003. On May 28, 2003, the Jobs and Growth Tax Relief Reconciliation Act of 2003 (Act) amended the IRC to provide for increased first-year bonus depreciation from 30% to 50% for assets placed in service after May 5, 2003. Therefore, the additional bonus depreciation deductions were not included in the IRC when Florida passed the 2003 piggyback of the IRC. The Florida Legislature will consider as part of the 2004 legislative session whether Florida will adopt the 50% first-year bonus depreciation provisions of the Act.

Since the Florida Legislature is not expected to make a determination whether Florida will follow the increase in the first-year bonus depreciation until the 2004 legislative session, the Department is providing this TIP to alert taxpayers to this situation. A taxpayer whose return is affected by the bonus depreciation provisions of the Act may have to decide how to file a Florida CIT return before the Florida Legislature addresses this issue. When making this decision, taxpayers may wish to consult with their tax advisors to determine the best course of action to take.

Among the filing options available to a taxpayer are the following:

1. The taxpayer may compute and file its Florida CIT return anticipating the Florida Legislature will adopt the additional bonus depreciation provisions; or
2. The taxpayer may compute and file its Florida CIT return anticipating the Florida Legislature will NOT adopt the additional bonus depreciation provisions. For those taxpayers that select this option, an addition to Florida taxable income should be included in the "Other Additions" line of Schedule I of the F-1120 (Florida Corporate Income/Franchise and Emergency Excise Tax Return) for the extra 20% bonus depreciation taken federally on assets placed in service after May 5, 2003. This addition will reflect the deviation between the deduction taken for the additional bonus depreciation on the federal return and the amount allowed on the Florida CIT return, and will also include an adjustment for regular depreciation deduction differences resulting from the different basis of assets caused by the nonconforming bonus depreciation provisions.

The Department will provide additional information on this issue upon action of the Florida Legislature to adopt either of the options listed above or any alternative provisions. This information will include any further steps that may be

required of taxpayers, such as the filing of amended returns, interest that may be due on underpayments or overpayments of tax, and the compromise of penalties that may be asserted.

References: Chapter 2003-85, Laws of Florida

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 Internet site 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 or 850-488-6800.

Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.