



- **NO** Corporate Income Tax on limited partnerships
- **NO** Corporate Income Tax on subchapter S-corporations
- **NO** State Personal Income Tax guaranteed by constitutional provision
- **NO** Corporate Franchise Tax on capital stock
- **NO** State-level Property Tax assessed
- **NO** Property Tax on business inventories
- **NO** Property Tax on goods-in-transit for up to 180 days
- **NO** Sales and Use tax on goods manufactured or produced in Florida for export outside the state
- **NO** Sales Tax on purchases of raw materials incorporated in a final product for resale, including non-reusable containers or packaging
- **NO** Sales and Use Tax on co-generation of electricity

2011 State Business Tax Climate

State	Overall Rank	Corporate Tax Index Rank	Individual Income Tax Index Rank	Sales Tax Index Rank	Unemployment Insurance Tax Index Rank	Property Tax Index Rank
South Dakota	1	1	1	25	36	13
Alaska	2	26	1	5	31	12
Wyoming	3	1	1	13	28	46
Nevada	4	3	6	43	40	17
Florida	5	15	1	30	3	28

Source: Tax Foundation, [2011 State Business Tax Climate Index](#)

Note: Rankings do not average across to total. States without a given tax rank equally as number 1.

Florida Tax System

The Florida tax system consists of the general property tax, sales and use taxes, corporate franchise (income) tax, public utility taxes and other special taxes. A constitutional amendment provides that no levy of *ad valorem* taxes upon real or personal property, except intangible property, may be made for state purposes, thus effecting a partial separation of state and local taxes.

- I. Corporate Income Tax
 - II. Sales tax and Use Tax
 - III. State Level Property Tax
 - IV. Ad Valorem Tax (Personal Property Tax)
 - V. Business Tax Receipts (Occupational License)
 - VI. Unemployment Insurance Tax
 - VII. Business Inventory Tax
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I. Corporate Income Tax

Corporate Income Tax (C – Corporations)

The Florida tax base is the taxpayer's federal taxable income modified by certain additions and subtractions. Taxpayers doing business solely within Florida are subject to tax on 100% of this adjusted federal taxable income. Taxpayers doing business in and outside the state apportion this adjusted federal income to Florida by a three-factor formula (25% to property, 25% to payroll, and 50% to sales). Non-business income allocated to Florida is added to the Florida portion of adjusted federal income. An exception of \$5,000 is subtracted to arrive at the Florida net income. Effective July 1, 2011 this exemption will increase to \$25,000. This net income is taxed at 5.5%.

If the Taxpayer's taxable year is less than a full 12 months, the exemption is prorated on the basis of the number of days in the taxable year to 365 days.

Taxpayers filing a consolidated return are entitled to only one exemption. Similarly, Florida members of a controlled group of corporations (as defined in IRC Sec. 1563) filing separate returns are entitled to only one exemption. The exemption is equally divided among all members of the group, unless each consents to an unequal allocation.

Taxpayers are liable for the greater of the income tax or the alternative minimum tax.

Corporation Franchise Tax

There is none on capital stock.

Corporate Income Tax (S – Corporations and partnerships)

S-Corporations, with certain exceptions, and partnerships do not pay the state corporate income tax on their earnings if they do not have federal taxable income. If they have federal taxable income, however, they are then required to file a Florida corporate income tax return and pay any tax due.

Alternative Minimum Tax

The alternative minimum tax is 3.3%

Emergency Excise Tax

Florida corporate income taxpayers are subject to an annual emergency excise tax on any depreciation deducted for assets placed in service after 1980 and before 1987. The tax does not apply to taxpayers that elected, before August 26, 1982, to report and pay corporate income taxes. The tax is imposed at a rate of 2.2% of a calculated amount of the deduction allowed for certain accelerated cost recovery system (ACRS) depreciation.

II. Sales tax and Use Tax

Florida sales tax is imposed on all dealers engaged in the sale, lease, or rental of tangible personal property sold at retail in the state. The use tax is imposed on all persons that use, consume, distribute, or store tangible personal property in the state and applies to tangible personal property purchased outside the state that would have been subject to the sales tax if purchased from a Florida dealer.

Sales tax

Florida sales tax is imposed at a percentage of the gross receipts of sales, leases, or rentals of tangible personal property sold at retail in the state. The sales tax is collected from all dealers on the sale at retail in the state of tangible personal property or taxable services. The tax is imposed on every person who does any of the following:

- Engages in the business of renting or leasing living
- Leases or rents parking or storage spaces for motor vehicles, docking or storage space for boats, or tie-down or storage space for aircraft
- Leases or rents real property
- Sells admissions
- Engages in the business of selling tangible personal property in the state, including the business of making mail order sales
- Rents or furnishes any taxable things or services
- Leases or rents tangible personal property in the state
- Engages in the state in the business of soliciting or issuing any service warranty

Florida has no inter-company sales exemption for sales tax purposes. Therefore, unless any sales between an LLC and its members qualify for some other exemption (i.e., resale, casual sale), there are sales tax ramifications to sale and leasing transactions between an LLC and its members.

Sales Tax Rate

The state sales tax rate in Florida is generally 6%.

Transactions taxed at the 6% rate

The 6% tax rate is imposed on the following Florida transactions:

- The retail sale of items of tangible personal property
- The retail sale of motor fuel and special fuel
- The provision of service warranties
- Admissions charges
- The lease or rental of tangible personal property
- Living quarters and sleeping or housekeeping accommodations
- The lease or rental of real property
- The lease or rental of parking spaces for motor vehicles, docking for boats, and tie-downs for aircraft
- The installation of telecommunications and telegraphic equipment
- Television system program services
- The sale, rental, use, consumption, or storage of machines, equipment, parts, and accessories used in manufacturing, processing, compounding, producing, mining, or quarrying personal property for sale or to be used in furnishing communications, transportation, or public utility services
- The use, consumption, distribution, or storage of tangible personal property in Florida
- Detective, burglar protection, and other protection services
- Nonresidential cleaning and nonresidential pest control services
- Coins or currency (whether in circulation or not) when not legal tender or, if legal tender, when sold, exchanged, or traded at higher than face value or based on the precious metal content

Local Discretionary Sales Surtax

Florida counties are authorized to impose local sales surtaxes and local option taxes in addition to any state sales tax already imposed. The surtax is levied on the first \$5,000 of any item of tangible personal property. The \$5,000 limitation does not apply to commercial rentals, transient rentals, or services.

Local sales surtax rates currently range from 0.25% to 1.5%.

III. State Level Property Tax

There is not state level property tax.

IV. Ad Valorem Tax (Personal Property Tax)

There is no state level property tax. Local governments are responsible for taxes on real and personal property. Rates are fixed locally to meet budgets. The tax rate of in mills is set by the taxing authority in the governmental unit where the property is located. An average rate is 17 mills.

"Personal property," for the purposes of ad valorem taxation, shall be divided into four categories as follows:

(1) "*Household goods*" means wearing apparel, furniture, appliances, and other items ordinarily found in the home and used for the comfort of the owner and his or her family. Household goods are not held for commercial purposes or resale.

(2) "*Intangible personal property*" means money, all evidences of debt owed to the taxpayer, all evidences of ownership in a corporation or other business organization having multiple owners, and all other forms of property where value is based upon that which the property represents rather than its own intrinsic value.

(3) "*Inventory*" means only those chattels consisting of items commonly referred to as goods, wares, and merchandise (as well as inventory) which are held for sale or lease to customers in the ordinary course of business. Supplies and raw materials shall be considered to be inventory only to the extent that they are acquired for sale or lease to customers in the ordinary course of business or will physically become a part of merchandise intended for sale or lease to customers in the ordinary course of business. Partially finished products which when completed will be held for sale or lease to customers in the ordinary course of business shall be deemed items of inventory. All livestock shall be considered inventory. Items of inventory held for lease to customers in the ordinary course of business, rather than for sale, shall be deemed inventory only prior to the initial lease of such items. For the purposes of this section, fuels used in the production of electricity shall be considered inventory.

(4) "*Tangible personal property*" means all goods, chattels, and other articles of value (but does not include the vehicular items enumerated in s. 1(b), Art. VII of the State Constitution and elsewhere defined) capable of manual possession and whose chief value is intrinsic to the article itself. "Construction work in progress" consists of those items of tangible personal property commonly known as fixtures, machinery, and equipment when in the process of being installed in new or expanded improvements to real property and whose value is materially enhanced upon connection or use with a preexisting, taxable, operational system or facility. Construction work in progress shall be deemed substantially completed when connected with the preexisting, taxable, operational system or facility. Inventory and "Predominant use of property" means use of property for exempt purposes in excess of 50 percent but less than exclusive household goods are expressly excluded from this definition.

Some items of personal property are not taxable, for example, licensed motor vehicles, boats, airplanes, trailers, trailer coaches, and certain mobile homes as defined by law.

Taxable items are assessed at just value based on an annual return that must be filed by April 1 with the county property appraiser. The year of purchase, original cost, and the taxpayer's estimate of just value is required on the return. The property appraiser has the duty to discover omissions and to place value upon personal property.

The amount of tax due is calculated by multiplying the value of the property by the tax rate set by the taxing authorities. The tax bill is mailed to the taxpayer, usually by November 1.

Pollution control equipment is assessed at salvage value for property tax purposes.

V. Business Tax Receipts

Counties and municipalities may levy business taxes (formerly called occupational license taxes) for the privilege of engaging in or managing business, professions, or occupations within their jurisdiction.

Business Tax Receipts Requirements (Inside Municipalities)

There are thirteen municipalities within Orange County. If a business will be located within city limits, two business tax receipts are required, one from the city and one from County.

When two licenses are required, the city license must be obtained first. The applicant must bring a receipt from the city to the Orange County Business Tax Office.

The cities that issue business tax receipts are: Apopka, Belle Isle, Eatonville, Edgewood, Maitland, Oakland, Ocoee, Orlando, Windermere, Winter Garden, and Winter Park. (The cities of Bay Lake and Lake Buena Vista do not issue business tax receipts. A local business tax receipt must be obtained from Orange County).

The issuance of an Business Tax Receipt is not authorization to occupy a building. Prior to occupancy, each tenant must obtain a Certificate of Occupancy from the Building Department.

Business Tax Receipt Fees for Orange County

Fees appropriate for the type of business, according to the county's approved fee schedule, are charged by the Local Business Tax Office at the time the license is issued. The charges are in addition to all other fees charged by the various departments.

VI. Unemployment Insurance Tax

Unemployment compensation provides partial, temporary income to workers who lose their jobs through no fault of their own, and are able and available for work. The objective is to provide a cushion to absorb some of the shock of unemployment to jobless workers, their families, and the business community.

Definitions

- Employment – Any service performed by an employee for the person employing that individual
- Employee – A person who is subject to the will and control of the employer not only as to what shall be done, but how it shall be done.
- Casual Labor – Work performed that is not in the course of the employer's regular trade or business and which is occasional, incidental, or irregular.
- Independent Contractor – One who is not subject to the will and control of the employer. The employer does not control or direct the manner or method of job performance.
- Salesperson - Any individual paid solely by commission under your direction and control is an employee. The law provides exemption for insurance agents, real estate agents, and barbers who are paid solely by commission. If they are paid by salary only or salary and commission, both are

taxable and exemption does not apply. There is no federal unemployment tax exemption for barbers paid solely by commission

Unemployment Insurance Tax Rates

Newly liable employers pay 2.7%. The maximum possible rate is 5.4% (see exception for short-time compensation employers, below). There is no employee tax.

The unemployment compensation system is a federal-state partnership. Each state determines benefit qualification levels and amounts, benefit duration, disqualification and tax structure, within certain federal limits.

For example, federal guidelines require each state to:

- Base its tax structure on benefit experience.
- Have a new employer tax rate of **at least** 1.0%.
- Have a maximum tax rate of at least 5.4%.
- Have a taxable wage base of **at least** \$7,000.

Each state sets tax rates, benefit levels, and trust fund balances based on that state's particular needs. Each state has its own benefit trust fund account within the U.S. Treasury. In Florida, the account is funded by a tax paid by employers.

Florida assigns new employers an initial tax rate of 2.7%. This rate stays in effect for the first 10 quarters. At the end of this period, an employer has enough history to qualify for an experienced-based tax rate. The formula for calculating the rate combines three major factors:

1. The individual benefit ratio makes up the greatest portion of the employer's final tax rate. This ratio is calculated by dividing the previous three years of benefit charges for former employees by the taxable payroll for that same three-year period. So the benefits charged and the size of the payroll have a direct effect on the employer's tax rate.
2. The variable adjustment factor is made up of three ratios that will spread the costs among employers that have had benefit charges in the three previous years.
 - The last three years of non-charged benefits (those not attributable to any employer).
 - Excess payments (the portion of benefit charges which exceed the maximum rate of 5.4%).
 - The fund size factor, which requires the state to keep a trust fund balance between 4% and 5% of one year's taxable payroll. If the trust fund has a balance that is within this range, the fund size factor will be zero.
3. The final adjustment factor spreads costs not included in the second factor to all employers whose rates are not at the initial or maximum levels. This factor is also distributed among employers who had no benefit charges in the preceding three years. This factor determines what the minimum rate for that tax year will be.

Ideally, each employer would pay the exact amount of unemployment compensation benefits that are chargeable to his or her account. This is not possible because the maximum contribution rate is 5.4%, and sometimes benefit payments are not charged to a specific employer. These added costs are divided among all rated employers through the variable adjustment factor and the final adjustment factor. Each employer's contribution rate is his or her benefit cost, plus a share of unassigned costs. This keeps the unemployment compensation program solvent.

When a new employer becomes liable for the tax, the rate is .0270 (2.7 percent) and will stay that until the employer has reported for 10 quarters. The account will then be rated by dividing the total benefits charged to the account by the taxable payroll reported for the first 7 of the last 9 quarters immediately preceding the quarter for which the rate is effective.

The one exception would be employers liable by succession and who choose to accept the tax rate of the previous employer, along with the responsibility of paying any outstanding amounts due. At that time, a tax rate will be calculated using the employment record and the rating factors, which are built into the Unemployment Compensation Law.

The maximum tax rate allowed by law is .0540 (5.4 percent), except for employers participating in the Short Time Compensation Program. Rate notices are mailed to all contributing employers each year. You may appeal your tax rate within 20 days from the date of notification (date printed on Form UCT-20, *Unemployment Compensation Tax Rate Notice*).

The minimum and maximum tax rates effective January 1, 2011 are as follows (based on annual salary up to \$7,000 per employee):

- Minimum rate: 0.0103 or \$72.10 per employee
- Maximum rate: 0.0540 or \$378 per employee

VII. Business Inventory Tax

There is no business inventory tax.
