



**Florida Department of Revenue**  
*Technical Assistance and Dispute Resolution*

**Jim Zingale**  
Executive Director

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**QUESTION:** How should the taxpayer source its income from services it provides?

**ANSWER:** The taxpayer should source its income from services it provides to the location to which the services are provided, on a market basis.

September 11, 2020

XXX  
XXX  
XXX  
XXX

Re: Technical Assistance Advisement 20C1-010  
Request for Sales Sourcing Guidance  
Section 220.15, F.S.  
Rule 12C-1.0155, F.A.C.  
XXX ("the taxpayer")  
FEIN: XXX

Dear XXX:

This is in response to your request dated XXX, for a Technical Assistance Advisement ("TAA") pursuant to s. 213.22, F.S., and Rule Chapter 12-11, F.A.C., regarding guidance on the sourcing of sales. An examination of your letter has established that you have complied with the statutory and regulatory requirements for issuance of a TAA. Therefore, the Department is hereby granting your request for a TAA.

**FACTS SUPPLIED BY TAXPAYER**

The taxpayer is headquartered in XXX. It XXX with XXX charged with XXX. The taxpayer also provides services to XXX.

The taxpayer has XXX located in XXX, including Florida, that XXX.

The copies of contracts provided with the TAA request indicate that the taxpayer is XXX.

**ISSUE**

The taxpayer is requesting guidance on the proper sourcing of income derived from the activities of XXX, for Florida corporate income tax purposes.

**LAW**

Section 220.15(5)(a), F.S., states:

(5) The sales factor is a fraction the numerator of which is the total sales of the taxpayer in this state during the taxable year or period and the denominator of which is the total sales of the taxpayer everywhere during the taxable year or period.

(a) As used in this subsection, the term “sales” means all gross receipts of the taxpayer except interest, dividends, rents, royalties, and gross receipts from the sale, exchange, maturity, redemption, or other disposition of securities. However:

1. Rental income is included in the term if a significant portion of the taxpayer’s business consists of leasing or renting real or tangible personal property; and
2. Royalty income is included in the term if a significant portion of the taxpayer’s business consists of dealing in or with the production, exploration, or development of minerals.

Rule 12C-1.0155, F.A.C., states in part:

(1) For the purposes of the sales factor, the term “sales” means all gross receipts received by the taxpayer from transactions and activities in the regular course of its trade or business.

\* \* \*

(h) Sales of services. In the case of a taxpayer engaged in providing services, such as the operation of an advertising agency, the performance of equipment service contracts, or research and development contracts, “sales” includes the gross receipts from the performance of such services including fees, commissions, and similar items.

\* \* \*

(2) Florida sales. The numerator of the sales factor includes gross receipts attributed to Florida which were derived by the taxpayer from transactions and activities in the

regular course of its trade or business. All interest income, service charges, carrying charges, or time-price differential charges incident to such gross receipts shall be included, regardless of the place where the account records are maintained or the location of the contract or other evidence of indebtedness.

\* \* \*

### **ANALYSIS**

Subsection 220.02(1), F.S., provides that it is the intent of the Florida Legislature to impose a corporate income tax on every taxpayer in each taxable year, for the privilege of conducting business, deriving income, or being incorporated in this state. Subsection 220.15(5), F.S., defines the sales factor as a fraction, the numerator of which is the total sales of the taxpayer in Florida during the taxable year or period and the denominator of which is the total sales of the taxpayer everywhere during the taxable year or period. Rule 12C-1.0155, F.A.C., describes how the receipts from different types of sales activities are computed, and then provides information on the computation of the Florida portion of those receipts. Rule 12C-1.0155(2), F.A.C., provides that the numerator of the sales factor includes gross receipts attributed to Florida which were derived by a taxpayer from transactions and activities in the regular course of its trade or business. In this case, the taxpayer's activities do not constitute the sale of tangible personal property. Therefore, the discussion below will focus on the sourcing of sales other than tangible personal property, namely the sale of services.

The taxpayer is entitled to receive income for providing services to XXX. The XXX receiving those services XXX.

Section 220.15, F.S., and Rule 12C-1.0155, F.A.C., direct that the income received for services provided by the taxpayer XXX should be sourced to the location of XXX, on a market basis. Therefore, to the extent that the XXX is located or resides in Florida, such income should appear in both the numerator and the denominator of the Florida sales factor computed in the taxpayer's Florida corporate income tax return.

### **CONCLUSION**

The income the taxpayer receives from services XXX should appear in both the numerator and the denominator of the Florida sales factor computed in the taxpayer's Florida corporate income tax return, when the XXX receiving the service is located or resides in Florida.

This response constitutes a Technical Assistance Advisement under s. 213.22, F.S., which is binding on the Department only under the facts and circumstances described in the request for this advice as specified in s. 213.22, F.S. Our response is predicated on those facts and the specific situation summarized above. You are advised that subsequent statutory or

administrative rule changes, or judicial interpretations of the statutes or rules, upon which this advice is based, may subject similar future transactions to a different treatment than expressed in this response.

You are further advised that this response, your request and related documents are public records under Chapter 119, F.S., which are subject to disclosure to the public under the conditions of s. 213.22, F.S. Your name, address, and any other details, which might lead to identification of the taxpayer, must be deleted before disclosure. In an effort to protect the confidentiality of such information, we request you provide the undersigned with an edited copy of your request for Technical Assistance Advisement, backup material and response within fifteen days of the date of this advisement.

Sincerely,

*Suzanne C. Paul*

Suzanne C. Paul  
Tax Law Specialist  
Technical Assistance and Dispute Resolution

cc: XXX  
XXX  
XXX  
XXX

AMS No.: 7000367197