

Florida Department of Revenue

Technical Assistance and Dispute Resolution

Jim Zingale Executive Director

5050 West Tennessee Street, Tallahassee, FL 32399

floridarevenue.com

Question: Taxpayer requests a written agreement to determine how the qualifying project's income will be computed, based upon s. 220.191, F.S., and Rule 12C-1.0191, F.A.C.

Answer: Based on the representation of Taxpayer, the Department concurs with Taxpayer's suggested calculation of the income generated by or arising out of the qualifying project based upon s. 220.191, F.S., and Rule 12C-1.0191, F.A.C. However, Taxpayer is reminded that should the facts provided in its request be determined to be incorrect or changed, the computation for the income generated by or arising out of the project could be substantially different from what has been agreed upon in this TAA.

June 27, 2023



Re: Technical Assistance Advisement – 23C1-004
Request for Written Agreement for Determination of Income
Sections 220.11, 220.13, 220.15, 220.191, Florida Statutes ("F.S.")
Rule 12C-1.0191, Florida Administrative Code ("F.A.C.")

("Taxpayer")
FEIN: ______
Project ID: _____

Florida Department of Economic Opportunity ("DEO") Enterprise Florida, Inc. ("EFI")

Dear :

This is in response to your request dated ______, for a Technical Assistance Advisement ("TAA") pursuant to section 213.22, F.S., and Rule Chapter 12-11, F.A.C., regarding your request for an agreement concerning how the method by which income generated by or arising out of Taxpayer's qualified capital investment project shall be determined for purposes of applying the Capital Investment Tax Credit ("CITC").

Section 220.191(5), F.S., addresses applications for CITC. That statute provides:

Applications shall be reviewed and certified pursuant to s. 288.061. The Department of Economic Opportunity, upon recommendation by Enterprise Florida, Inc., shall first certify a business as eligible to receive tax credits pursuant to this section prior to the commencement of operations of a qualifying project, and such certification shall be transmitted to the Department of Revenue. Upon receipt of the certification, the

Department of Revenue shall enter into a written agreement with the qualifying business specifying, at a minimum, the method by which income generated by or arising out of the qualifying project will be determined.

Pursuant to Rule 12C-1.0191, F.A.C., the Department of Revenue has adopted TAAs as the method for entering into such written agreements.

On DECOMPTION DEO certified Taxpayer as eligible to receive tax credits under s. 220.191, F.S. The Department of Revenue, having received said certification, has examined your letter and has established that you have complied with the statutory and regulatory requirements for issuance of a TAA. Therefore, the Department of Revenue is hereby granting your request for a TAA. The Department of Revenue, in issuing this TAA, has relied on the representations of Taxpayer and the certification of the Department of Economic Opportunity. This TAA specifies the method by which income generated by or arising out of the qualifying project will be determined based on the facts as represented to the Department of Revenue. This response to your request constitutes a Technical Assistance Advisement under Chapter 12- 11, F.A.C., and is issued to you under authority of s. 213.22, F.S.

ISSUE PRESENTED

In its letter dated _____, Taxpayer requests a written agreement to determine how the qualifying project's income will be computed, based upon s. 220.191, F.S., and Rule 12C-1.0191, F.A.C.

FACTS SUPPLIED BY TAXPAYER

Taxpayer is a	· •
. It employs about consolidated Florida and federal corporate incon	people worldwide. Taxpayer files ne tax returns.
Гахраyer has	
·	
Гахраyer has been awarded	
. The projects upgrade the	facilities which allows for the
retention and expansion of future program	
	e at least 100 net new-to-Florida full-time
equivalent jobs at the project location in	paying an average annualized wage of at

("project wage"). Taxpayer estimates that its cumulative capital investment will be

Taxpayer anticipates it will commence operations by	
tracks the financial and tax records for its locations on a consolidated ledger.	
Taxpayer proposes using	
·	
Taxpayer will prepare a pro forma return for the location. The pro forma format will separately account for all revenues, direct and indirect costs, book to tax adjustments and any other adjustments made in determining the location. The pro forma format will separately account for all revenues, direct and indirect costs, book to tax adjustments and any other adjustments made in determining the	
After the taxable income is determined using the method described above, the Florida apportionment factor for the project income to determine the Florida taxable income. The applicable Florida corporate income tax rate will then be applied to the apportioned project income to determine the project's tax liability and corresponding CITC based on the level of investment.	
The annual amount of CITC that	

LEGAL AUTHORITY

Section 220.11, F.S., states in part:

(1) A tax measured by net income is hereby imposed on every taxpayer for each taxable year commencing on or after January 1, 1972, and for each taxable year which begins before and ends after January 1, 1972, for the privilege of conducting business, earning or receiving income in this state, or being a resident or citizen of this state. Such tax shall be in addition to all other occupation, excise, privilege, and property taxes imposed by this state or by any political subdivision thereof, including any municipality or other district, jurisdiction, or authority of this state....

Section 220.13, F.S., states in part:

(1) The term "adjusted federal income" means an amount equal to the taxpayer's taxable income as defined in subsection (2), or such taxable income of more than one taxpayer as provided in s. 220.131, for the taxable year, adjusted as follows: ...

Section 220.15, F.S., states in part:

(1) Except as provided in ss. 220.151, 220.152, and 220.153, adjusted federal income as defined in s. 220.13 shall be apportioned to this state by taxpayers doing business within and without this state by multiplying it by an apportionment fraction composed of a sales factor representing 50 percent of the fraction, a property factor representing 25 percent of the fraction, and a payroll factor representing 25 percent of the fraction. ...

Section 220.191, F.S., states in part:

- (1) DEFINITIONS.—For purposes of this section:
- (a) "Commencement of operations" means the beginning of active operations by a qualifying business of the principal function for which a qualifying project was constructed.
- (b) "Cumulative capital investment" means the total capital investment in land, buildings, and equipment made in connection with a qualifying project during the period from the beginning of construction of the project to the commencement of operations.
- (c) "Eligible capital costs" means all expenses incurred by a qualifying business in connection with the acquisition, construction, installation, and equipping of a qualifying project during the period from the beginning of construction of the project to the commencement of operations, including, but not limited to: ...
- (d) "Income generated by or arising out of the qualifying project" means the qualifying project's annual taxable income as determined by generally accepted accounting principles and under s. 220.13.

(f) "Qualifying business" means a business which establishes a qualifying project in this state and which is certified by the Department of Economic Opportunity to receive tax credits pursuant to this section.

- (2)(a) An annual credit against the tax imposed by this chapter shall be granted to any qualifying business in an amount equal to 5 percent of the eligible capital costs generated by a qualifying project, for a period not to exceed 20 years beginning with the commencement of operations of the project. ...The annual tax credit granted under this section shall not exceed the following percentages of the annual corporate income tax liability or the premium tax liability generated by or arising out of a qualifying project:
- 1. One hundred percent for a qualifying project which results in a cumulative capital investment of at least \$100 million.
- 2. Seventy-five percent for a qualifying project which results in a cumulative capital investment of at least \$50 million but less than \$100 million.
- 3. Fifty percent for a qualifying project which results in a cumulative capital investment of at least \$25 million but less than \$50 million.

(4) Prior to receiving tax credits pursuant to this section, a qualifying business must achieve and maintain the minimum employment goals beginning with the commencement of operations at a qualifying project and continuing each year thereafter during which tax credits are available pursuant to this section.

(8) The Department of Revenue may specify by rule the methods by which a project's pro forma annual taxable income is determined.

DISCUSSION

On ______, DEO issued a letter approving Taxpayer's project for participation in Florida's CITC program, and indicated in its letter that the "Qualifying Project" would be located in a High Impact Performance Incentive Sector pursuant to s. 288.108, F.S. The certification approval entitles the project to eligibility for an annual tax credit against the corporate income tax imposed if certain criteria are met, in an amount equal to the lesser of the following for up to twenty years, beginning with the commencement of operations:

- Five (5) percent of the cumulative capital investment, which is expected to exceed \$
 ;
- 2. Fifty (50%), seventy-five (75%), or one hundred percent (100%) of the annual corporate income tax liability generated by or arising out of the qualifying project, depending on the level of cumulative capital investment; or
- 3. The tax due on the Florida consolidated corporate income tax return prior to application of this credit that includes the income generated by or arising out of the qualifying project.

DEO has required that the qualifying project meet certain criteria by the commencement of operations. The "commencement of operations" (as defined in s. 220.191, F.S.) will not be deemed to occur unless Taxpayer has provided DEO with evidence that it has met the following criteria:

- 1. Capital investment of at least \$25 million has been made at the project's location in the second state of the project's and
- 2. Creation of at least 100 net new-to-Florida full-time equivalent jobs paying at least the project wage at the project's location in the second sec

No annual CITC may be claimed without a letter from DEO stating that the appropriate annual requirements have been satisfied or maintained.

The Department concurs with Taxpayer's proposal. With its annual Florida corporate income tax filing, Taxpayer will provide a pro forma Florida corporate income tax return for the project and calculations used in the determination of the annual CITC. Taxpayer will also provide a copy of the letter from DEO certifying the annual requirements have been satisfied or maintained.

Pursuant to s. 220.191(2)(d), F.S., when the capital investment is at least \$100 million, credit amounts not fully used in any one year because of insufficient tax liability on the part of the qualifying business may be used in any one year or years beginning with the 21st year after the commencement of operations of the project and ending with the 30th year after the commencement of operations of the qualifying project.

The amount of carryover from any one taxable year is five (5) percent of the cumulative capital investment that is at least \$100 million less the amount of capital investment tax credit that could be used on the tax return for the taxable year. The amount of carryover from a taxable year may not exceed five (5) percent of the cumulative capital investment that is at least \$100 million.

Given the specific circumstances involved in this case, and based on the representation of the Taxpayer, the computation above properly computes the income generated by or arising out of the qualifying project based upon s. 220.191, F.S., and Rule 12C-1.0191, F.A.C. However, Taxpayer is reminded that should the facts provided in its request of the income generated by or arising out of the project could be substantially different from what has been agreed upon in this TAA.

This response constitutes a TAA 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 backup documents are public records under Chapter 119, F.S., and are subject to disclosure to the public under the conditions of s. 213.22, F.S. Confidential information must be deleted before public disclosure. In an effort to protect confidentiality, we request you provide the undersigned with an edited copy of your request for TAA, the backup material and this response, deleting names, addresses and any other details which might lead to identification of the Taxpayer. Your response should be received by the Department within ten (10) days of the date of this letter.

If you have any further questions with regard to this matter and wish to discuss them, you may contact me directly at (850)717-6478.

Sincerely,

Susan Coxwell

Susan Coxwell Revenue Program Administrator Technical Assistance & Dispute Resolution (850)717-6478

Record ID: 7001007204

TADR Satisfaction Survey

The Florida Department of Revenue invites you to complete the online TADR Satisfaction Survey to help us identify ways to improve our service to taxpayers. The survey is an opportunity to provide feedback on your recent experience with the Department's office of Technical Assistance and Dispute Resolution (TADR). To access the survey, place the following address in your browser's access bar:

https://tadr.questionpro.com

When you open the survey, you'll be asked to enter the following information. This information will enable you to complete and submit the survey.

Notification number: 7001007204

Respondent code: 44

Tax type: Corporate Income Tax

Correspondence type: Technical Assistance

If you need technical assistance accessing the survey, please email Douglas Charity at douglas.charity@floridarevenue.com.

Thank you.