



Tax Information Publication

TIP

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Florida Corporate Income/Franchise Tax Research and Development Tax Credit - Applications for Allocation of Credit Open March 20 - 26, 2017

Beginning Monday, March 20, 2017, 12:00 a.m., Eastern Time (ET) and ending Sunday, March 26, 2017, 11:59 p.m. (ET), qualified target industry businesses subject to the Florida corporate income tax may apply online for an allocation of Florida research and development tax credit for expenses incurred during the 2016 calendar year.

The application will be available on the Department of Revenue website (www.floridarevenue.com) through the Tax Incentives page. When the completed application is submitted online, the Department will provide a confirmation number, indicating receipt of the application.

Please remember:

- The target business enterprise must be a corporation, as defined in section (s.) 220.03, Florida Statutes (F.S.), as well as a qualified target industry business, as defined in s. 288.106, F.S. Only qualified target industry businesses in the manufacturing, life sciences, information technology, aviation and aerospace, homeland security and defense, cloud information technology, marine sciences, materials science, and nanotechnology industries may qualify for a research and development tax credit.
- Businesses that are partnerships, limited liability companies taxed as partnerships, or disregarded single member limited liability companies, are not considered corporations under s. 220.03, F.S.; therefore, they do not qualify for an allocation of credit. However, each corporate partner of a partnership may apply separately for an allocation of credit based on the corporation's separate research expenses, including allocated partnership research expenses. For disregarded entities, the single member that is a corporation must apply separately for an allocation of credit based on the corporation's separate research expenses, including those of the disregarded single member limited liability company. For purposes of s. 41, Internal Revenue Code (IRC), research expenses are apportioned among the partners during the taxable year and are treated as paid or incurred directly by the partners rather than by the partnership.
- In order to apply for an allocation of research and development tax credit, a business must first obtain a certificate letter from the Department of Economic Opportunity (DEO) confirming that it is a qualified target industry business - unless it will timely challenge DEO's denial to issue the certification letter. The Department of Economic Opportunity will accept requests for a certification letter for the 2016 year until 5:00 pm (ET) on Tuesday, February 28, 2017. Applicants may obtain the DEO Certification Request Form at DEO's Research and Development Tax Credit Program website at:

<http://www.floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resources/research-and-development-tax-credit-program>

- Applicants may also obtain and submit the DEO Certification Request by sending an email message to: DEOCertificationrequest@deo.myflorida.com
- The Florida credit is equal to 10 percent of the amount of qualified research expenses incurred in Florida and allowed under s. 41, IRC, which exceeds the base amount, defined as the average of the qualified research expenses incurred in Florida for the four tax years prior to the calendar year for which the credit is determined. The Florida credit may be prorated if the total credits applied for by all applicants exceed the credit cap (currently \$9 million).
- In situations where a business overstates the amount of credit for which it applied, the percentage of the original allocation provided by the Department will be applied to the lesser amount of credit that should have been requested.

For example: Taxpayer A requested an allocation of credit for 2016 of \$800,000, and the Department prorated the request and issued a letter allocating Taxpayer A \$368,000 in research and development tax credit. Later, it was determined Taxpayer A should have only applied for an allocation of \$400,000 in credit because its qualifying Florida expenditures were less than originally computed. Taxpayer A is only entitled to a credit allocation of \$184,000 ($\$400,000 \times \$368,000 / \$800,000$).

On the other hand, if the amount of credit requested by a business enterprise is later determined to be understated, the taxpayer may not claim more credit on its Florida corporate income/franchise tax return than it was originally allocated by the Department because of the annual cap on credit allocations.

For example: Taxpayer Z requested an allocation of credit for 2016 of \$700,000, and the Department prorated the request and issued a letter allocating Taxpayer Z \$322,000 in research and development tax credit. Later, Taxpayer Z determined its allocation request should have been \$950,000, because its qualifying Florida expenditures were more than originally computed. Taxpayer Z is limited to a Florida research and development credit of \$322,000 when it files its Florida corporate income/franchise tax return.

For screen shots of the online application and additional information about the Florida research and development tax credit, see TIP [15C01-03](#) and TIP [15C01-05](#).

References: Section 220.196, Florida Statutes (2016); Rule 12C-1.0196, Florida Administrative Code

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 website at www.floridarevenue.com or call Taxpayer Services at 800-352-3671, Monday through Friday (excluding holidays).

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, MS 3-2000, 5050 West Tennessee Street, Tallahassee, FL 32399-0112.

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