



Florida Department of Revenue Tax Information Publication

TIP

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Research and Development Tax Credit For Florida Corporate Income Tax

A research and development tax credit against Florida corporate income tax is provided in section 220.196, Florida Statutes (F.S.), to a target industry business that claims and is allowed a research credit against federal corporate income tax for qualified research expenses as provided in section 41 of the Internal Revenue Code (26 U.S.C.). The combined total amount of tax credits which may be granted to all business enterprises during any calendar year is \$9 million.

Tax credit applications approved for the 2012 calendar year (application date beginning on March 20, 2013, 8:00 a.m., ET), will be based on qualified research expenses incurred during calendar year 2012 for tax years that begin in 2012.

The target business enterprise **must** be a corporation, as defined in s. 220.03, F.S., **and** a target industry business, as defined in s. 288.106, F.S. A target industry business is a corporate headquarters business or any business that is engaged in one of the target industries identified by the Department of Economic Opportunity in consultation with Enterprise Florida. A list of target industry businesses is provided by Enterprise Florida, Inc., at http://www.enterpriseflorida.com/wp-content/uploads/SI_Targeted_Industries.pdf. For more information on target industry businesses, contact Enterprise Florida, Inc., at 407-956-5600.

To receive an annual allocation of the annual funds available for this tax credit, a business must apply online for an Allocation for Research and Development Tax Credit for Corporate Income Tax on or after March 20 of each year. The application will be available on the Department of Revenue's Internet site at www.myflorida.com/dor/ through the Tax Incentives page. When the completed application is submitted online, the Department will provide a confirmation number.

Taxpayers applying for the research and development tax credit will be required to supply the following information:

- Tax year
- Federal Employer Identification Number (FEIN)
- Corporation name and date of incorporation
- Mailing address
- Contact person's name, telephone number, and email address
- Parent corporation's name and FEIN (if filing a consolidated Florida income tax return)
- Indication of corporation's target industry and list of corporation's activities, products, and services in Florida
- Indication of corporation's intent to claim a federal research credit and amount of corporation's total (including Florida and non-Florida) research expenses qualifying for the federal research credit under section 41, Internal Revenue Code (IRC), incurred during calendar year 2012
- Research expenses incurred in Florida during the base years that qualified for the federal research credit under section 41, IRC

- Qualified research expenses incurred in Florida during the 2012 calendar year

Credits will be allocated by the Department in the order in which completed applications are received. Beginning April 1 of each year, the Department will notify eligible taxpayers by letter of the amount of credit that is allocated to them and the tax year in which the target industry business may claim the credit on its Florida corporate income tax return.

A federal research credit must be taken on the federal return filed by the target industry business for the same tax year in which the Florida research and development credit is taken. The amount taken as a Florida research and development credit must be added to taxable income prior to computing the Florida corporate income tax due.

The tentative allowable amount of credit is equal to ten percent (10%) of the amount of qualified research expenses incurred in Florida and allowed under section 41, IRC, that exceeds the base amount, defined as the average of the qualified research expenses incurred in Florida for the four tax years preceding the tax year for which the credit is determined.

Example: A calendar year taxpayer applies for the Florida research and development credit for its tax year beginning January 1, 2012. Its Florida qualified research expenses for calendar year 2012 equal \$275,000. The taxpayer's Florida qualified research expenses for its base amount are as follows:

Tax year 2008: \$100,000

Tax year 2009: \$150,000

Tax year 2010: \$200,000

Tax year 2011: \$250,000

The base amount average equals \$175,000 ($[\$100,000 + \$150,000 + \$200,000 + \$250,000] \div 4$). The excess Florida qualified research expenses over the base amount equal \$100,000 ($\$275,000 - \$175,000$). The tentative allowable amount of credit is \$10,000 ($\$100,000 \times .10$).

For more information, see Emergency Rule 12CER13-02, available in the Revenue Law Library at https://revenue.law.state.fl.us/LawLibraryDocuments/2013/03/TM-116824_TM13-09%20CIT%20ER.pdf.

References: Section 17, Chapter 2011-76, Laws of Florida; Section 220.196, Florida Statutes (2012); Rule 12CER13-02, 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 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.

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

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