

Florida's first-come, first-served R&D credit applications accepted starting March 20, 2014

March 14, 2014

In brief

The Florida research credit was first introduced last year, and the second year of reporting is due March 20, 2014. Florida taxpayers engaged in target industry businesses may qualify for a research and development expense credit measured by qualified research expenses incurred in 2013. These credits are awarded on a first-come, first-served basis. Note that last year the available funds were gone for applicants on March 21, 2013.

In detail

Applications accepted starting March 20

Florida created a research and development credit for taxable years beginning on or after January 1, 2012. The credit requires approval by the Florida Department of Revenue, which will only approve a combined total of \$9 million of credits for each calendar year. The applications are approved in the order of receipt. Applications for expenses incurred in the 2013 calendar year can be filed beginning on March 20, 2014.

Background on the credit

The R&D credit is equal to 10 percent of a taxpayer's calendar year 2013 qualified R&D expenses after subtracting the base amount. For Florida purposes, qualified research

expenses are expenses derived in Florida that are qualified under IRC § 41(b). The base amount is calculated as the average of the previous four tax years' qualified R&D expenses. Fiscal year taxpayer calculations may be more complex since the credit amount is measured by calendar year 2013 expenses, but the base period is calculated on a fiscal year basis. The four taxable years used to compute the base amount must end before calendar year 2013.

Example: A taxpayer with a fiscal year end of June 30, 2014, that applies for the Florida research and development credit based upon the qualified research expenses incurred during calendar year 2013 will use the following taxable years for its base amount: taxable years ended June 30, 2012;

June 30, 2011; June 30, 2010; and June 30, 2009.

The credit generally cannot exceed 50 percent of a taxpayer's corporate tax liability for the taxable year. Excess credits can be carried forward for up to 5 years.

In order to qualify for the credit, a taxpayer must be a corporation and be a 'target industry business.' Florida has a specific provision on what does and does not qualify as a 'target industry business,' but the following are specifically excluded: businesses engaged in retail industry activities, electrical utility, hospitality, and oil/gas exploration. Taxpayers classified as business support services or office administrative services may qualify if the local governing body and Enterprise

Florida, Inc. make a determination that the community where the taxpayer may locate is in an economic development area.

The takeaway

Florida's R&D credit provides a significant opportunity for taxpayers, but only those that are diligent in the application process and request such credits on or soon after the March 20, 2014 date.

Let's talk

If you have any questions regarding the Florida credit deadline, please contact:

State and Local Tax Services

Michael Harris
National Leader of Credits & Incentives
Partner, *Kansas City*
+1 (816) 218-1667
michael.a.harris@us.pwc.com

Lorie McDonald
Partner, *Miami*
+1 (305) 375-7382
lorie.mcdonald@us.pwc.com

David Buschko
Director, *Miami*
+1 (305) 375-6227
david.t.buschko@us.pwc.com

John Flock
Director, *Chicago*
+1 (312) 298-2309
john.h.flock@us.pwc.com