

AN ALERT FROM THE BDO R&D TAX PRACTICE

BDO KNOWS:

R&D TAX CREDITS



SUBJECT

FLORIDA R&D CREDIT CHANGES - ACTION NOW REQUIRED BY MARCH 1, 2016

On February 5, 2016, the Florida Department of Revenue issued a tax information publication¹ (TIP) outlining changes to the Florida Corporate Income/Franchise Tax Research and Development Tax Credit.

SUMMARY

Taxpayers performing certain development activities in Florida have new reasons to apply for the credit in 2016.

Florida's R&D tax credit has been available since 2013, but it has discouraged taxpayers with its atypical application process and relatively low \$9 million cap. Beginning this year, however, Florida has increased the cap by more than 150% and made several improvements to both the application process and the allocation of credits. Taxpayers need to be aware of the new deadlines and requirements.

DETAILS

In the first three years of Florida's R&D credit program, taxpayers applied on a first-come, first-served basis beginning at 8:00 a.m. ET on March 20 of the applicable year. In the 2013 application year, all \$9 million in credits were allocated in just over six hours; and for the 2015 application year the credits were allocated within six minutes, with only 21 taxpayers, out of 80 eligible applications, receiving any credits. For 2014, 45 applications were denied, because they were received after the \$9 million cap was reached.

CONTACT:

CHRIS BARD
National Leader
(310) 557-7525 (LA)
(212) 515-5421 (NY)
cbard@bdo.com

JONATHAN FORMAN
Principal
(212) 515-5441
jforman@bdo.com

JIM FEESER
Senior Director
(732) 750-0900
jfeeser@bdo.com

HOON LEE
Partner
(415) 490-3247
hslee@bdo.com

CHAD PAUL
Senior Director
(414) 272-5906
cpaul@bdo.com

PATRICK WALLACE
Senior Director
(404) 979-7107
pwallace@bdo.com

DAVID WONG
Principal
(310) 557-8254
dwong@bdo.com

¹ <http://dor.myflorida.com/dor/tips/tip16c01-01.html>

Significant changes regarding the 2016 application year give taxpayers a new incentive to apply for the credit, but important considerations and deadlines must be met:

1. By **March 1, 2016**, taxpayers who intend to apply for the credit must request a certification letter from the Department of Economic Opportunity certifying that the taxpayer is an eligible target industry business. "Qualified target industry businesses" means businesses in the manufacturing, life sciences, information technology, aviation and aerospace, homeland security and defense, cloud information technology, marine sciences, and nanotechnology industries.
2. The application period has been changed from a first-come, first-served period, which for 2015 amounted to just over six hours—to a period of seven days, from **March 20 to March 26** of the application year (for qualified expenses incurred the previous calendar year).
3. The combined total credit cap has increased from **\$9 million to \$23 million**. However, the maximum amount of credits that may be granted to any one taxpayer is \$9 million.
4. If the total amount of credits for all applicants exceeds the \$23 million cap, the credits will then be allocated on a prorated basis.

Note that the availability of the credit is contingent on the Florida Legislature's adoption of the federal Internal Revenue Code (IRC) that includes the now permanent federal R&D credit. Legislation was last passed in May 2015 to retroactively conform to the IRC, and proposed legislation to further extend the period of IRC conformity is pending action by the Florida Senate Committee on Finance and Tax.

BDO INSIGHTS

With the credit's extended application period and significant increase in the overall cap, taxpayers performing development activities in qualified industries in Florida should consider their eligibility for the credit and make sure to meet the March deadlines noted above.

The Tax Practice at BDO is among the largest tax advisory practices in the United States. With 63 offices and more than 450 independent alliance firm locations in the United States, BDO has the bench strength and coverage to serve you.

BDO is the brand name for BDO USA, LLP, a U.S. professional services firm providing assurance, tax, advisory and consulting services to a wide range of publicly traded and privately held companies. For more than 100 years, BDO has provided quality service through the active involvement of experienced and committed professionals. The firm serves clients through 63 offices and over 450 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,408 offices in 154 countries.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For more information, please visit www.bdo.com.

Material discussed in this tax alert is meant to provide general information and should not be acted on without professional advice tailored to your firm's individual needs.