



## RESEARCH AND DEVELOPMENT TAX CREDIT LEGISLATIVE TALKING POINTS

**Space Florida Requests the Florida Legislature Pass HB671 and SB942**

*This bill will create a research and development tax credit similar to the federal version*

### BACKGROUND

- Sponsored by Senator Bogdanoff and Representative Workman
- 32 states and the federal government offer a R&D tax credit, Florida does not which puts the state at a competitive disadvantage
- In 2005 Florida's per capita R&D was 31% of the national average
  - \$0.23 per capita in Florida is lower than many of its competitor states; NY (\$0.49), Virginia (\$0.58), NC (\$0.59), California (\$1.40), Massachusetts (\$2.07)
- Bill creates a R&D tax credit that may be used against FL corporate income tax liabilities
- FL version is modeled after the federal R&D tax credit

### HOW IT WORKS

- Credit is 10% of the difference between a company's qualified R&D expenditures in the current taxable year and its average research and development expenditures over the previous 4 tax years
- "Base Amount" is the 4 year average of qualified R&D undertaken by that company
- "Base Period" is the preceding 4 taxable years
  - If your previous 4 year average is \$1 million in R&D expenditures annually and this year you have \$2 million in R&D expenditures, the credit would equal 10% of \$1 million.....or \$100k
  - Amount is reduced by 25% for every year less than four years a business has been engaging in qualified R&D
- Businesses must be a targeted industry on EFI's targeted industry list as defined in 288.106(1)(o), F.S.
- "Qualified Research Expenses" are those that are defined as such under section 41 of the Internal Revenue Code
- Credit cannot exceed 50% of a business' corporate income tax liability
- Credit can carry forward for up to 5 years
- Unused credits may be transferred or sold at no less than 75% of face value and purchaser must use credit in the taxable year in which it is sold
- Fiscal impact-recurring negative \$15 million

### RECOMMENDATION

- Space Florida asks that the Florida Legislature pass HB671 & SB942 creating a research and development tax credit in the State of Florida

**Space Florida**