

CHAPTER 98-325

Committee Substitute for Committee Substitute for House Bill No. 3351

An act relating to corporate income tax; amending s. 220.15, F.S., which provides for apportionment of adjusted federal income for corporate income tax purposes; providing that the property factor fraction shall not include property certified as dedicated to research and development pursuant to sponsored research conducted through certain universities; providing a definition; providing that the payroll factor shall not include compensation paid to employees certified as dedicated to such activities; providing that no such activities shall cause a corporation not otherwise subject to corporate income tax to be subject to said tax; providing limitations; providing for rules; requiring a report; providing an effective date.

Be It Enacted by the Legislature of the State of Florida:

Section 1. Paragraph (c) is added to subsection (2) and paragraph (c) is added to subsection (4) of section 220.15, Florida Statutes, and subsection (8) is added to said section, to read:

220.15 Apportionment of adjusted federal income.—

(2) The property factor is a fraction the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the taxable year or period and the denominator of which is the average value of such property owned or rented and used everywhere.

(c) The property factor fraction shall not include any real or tangible personal property located in this state with respect to which it is certified to the Department of Revenue that such property is dedicated exclusively to research and development activities performed pursuant to sponsored research contracts conducted in conjunction with and through a university that is a member of the State University System or a nonpublic university that is chartered in Florida and conducts graduate programs at the professional or doctoral level. The Board of Regents must certify the contracts for members of the State University System and the president of the university must certify the contracts for a nonpublic university. As used in this paragraph, "sponsored research contract" means an agreement executed by parties that include at least the university and the taxpayer. Funding for sponsored research contracts may be provided from public or private sources.

(4) The payroll factor is a fraction the numerator of which is the total amount paid in this state during the taxable year or period by the taxpayer for compensation and the denominator of which is the total compensation paid everywhere during the taxable year or period.

(c) The payroll factor fraction shall not include any compensation paid to any employee located in this state when it is certified to the Department of

Revenue that such compensation was paid to employees dedicated exclusively to research and development activities performed pursuant to sponsored research contracts conducted in conjunction with and through a university that is a member of the State University System or a nonpublic university that is chartered in Florida and conducts graduate programs at the professional or doctoral level. The Board of Regents must certify the contracts for members of the State University System and the president of the university must certify the contracts for a nonpublic university. As used in this paragraph, "sponsored research contract" means an agreement executed by parties that include at least the university and the taxpayer. Funding for sponsored research contracts may be provided from public or private sources.

(8) No research and development activities certified as being conducted within this state in conjunction with and through a university that is a member of the State University System or a nonpublic university that is chartered in Florida and conducts graduate programs at the professional or doctoral level shall cause any corporation to become subject to the taxes imposed by this chapter if the corporation would otherwise not be subject to the tax levied under this chapter. The property and payroll eliminated from the apportionment formula pursuant to the provisions of paragraphs (2)(c) and (4)(c) shall be eliminated only for the duration of the contractual period specified in the contracts for the conduct of the sponsored research. The reduction in tax due as a result of the property and payroll eliminated from the apportionment formula pursuant to the provisions of paragraphs (2)(c) and (4)(c) shall not exceed the amount paid to the university for the conduct of the sponsored research. No sponsored research contracts in existence prior to July 1, 1998, shall be eligible to participate in the provisions of paragraphs (2)(c) and (4)(c).

Section 2. The Department of Revenue has authority to adopt rules pursuant to the Administrative Procedure Act to implement s. 220.15(2)(c), (4)(c), and (8), Florida Statutes, as created by this act. The Board of Regents and the president of each participating nonpublic university shall monitor the various sponsored research contracts and make a report to the Speaker of the House of Representatives and to the President of the Senate by February 1, 2000, which shall provide any necessary information which indicates if the provisions of this act have been successful in attracting additional sponsored research contracts.

Section 3. This act shall take effect July 1 of the year in which enacted.

Became a law without the Governor's approval May 30, 1998.

Filed in Office Secretary of State May 29, 1998.