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LEGISLATIVE ACTION

Senate	.	House
Comm: RCS	.	
04/02/2014	.	
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Appropriations Subcommittee on Finance and Tax (Evers)  
recommended the following:

**Senate Amendment (with title amendment)**

Delete everything after the enacting clause  
and insert:

Section 1. Section 288.1046, Florida Statutes, is created  
to read:

288.1046 Defense Works in Florida Incentive.-

(1) As used in this section, the term:

(a) "Florida prime contractor" means a business entity  
operating in this state that is awarded a prime contract.



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11 (b) "Florida small business subcontractor" means a business  
12 entity that:

13 1. Maintains its primary place of business in the state;

14 2. Has 250 or fewer employees at the time a qualified  
15 subcontract award is made;

16 3. Is awarded a subcontract from a Florida prime  
17 contractor; and

18 4. Has no subsidiary or affiliate business relationship to  
19 the prime contractor making the award.

20 (c) "Prime contract" means a contract that is awarded  
21 directly from the Federal Government.

22 (d) "Qualified defense work" means a prime contract awarded  
23 for manufacturing, engineering, construction, distribution,  
24 research, development, or other activities related to equipment,  
25 supplies, technology, or other goods or services that directly  
26 or indirectly support the United States Armed Forces or that can  
27 be reasonably determined to support national security, including  
28 space related activities.

29 (e) "Qualified subcontract award" means qualified defense  
30 work, in part or in whole, subcontracted from a Florida prime  
31 contractor to a Florida small business subcontractor, which is  
32 executed in the state and valued at more than \$250,000. The term  
33 does not include subcontracts executed before July 1, 2014.

34 (2) A Florida prime contractor may apply to the department  
35 to certify that it may reduce its computation of adjusted  
36 federal income under s. 220.13 by an amount equal to 4 percent  
37 of the subcontract award if such prime contractor:

38 (a) Is subject to chapter 220;

39 (b) Is awarded qualified defense work; and



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40           (c) Awards a qualified subcontract award.  
41           (3) A Florida prime contractor may reduce its adjusted  
42 federal income under subsection (2) only for taxable years  
43 beginning on or after January 1, 2014, and must apply separately  
44 to the department for each qualified subcontract award and  
45 provide the department required documentation, including, but  
46 not limited to, the application for the award and copies of  
47 contracts, tax records, or employment records.  
48           (4) The department may establish application, approval,  
49 appeal, and accountability processes as necessary. The  
50 department may consult with Enterprise Florida, Inc., and the  
51 Florida Defense Support Task Force as necessary to administer  
52 this section.  
53           (a) Within 10 days after certifying a qualified subcontract  
54 award, the department shall provide:  
55           1. A letter certifying the award to the applicant; and  
56           2. A copy of the letter certifying the award to the  
57 Department of Revenue.  
58           (b) The department may certify, for each Florida prime  
59 contractor applicant per calendar year, up to \$250 million in  
60 aggregate qualified subcontract awards.  
61           (c) The department may certify in total, per calendar year,  
62 up to \$2.5 billion in aggregate qualified subcontract awards.  
63           (d) For a multiyear qualified subcontract award, the  
64 department shall certify the full amount of the award under  
65 paragraphs (b) and (c) in the calendar year it was awarded.  
66           (e) The Florida prime contractor may reduce its adjusted  
67 federal income under subsection (2) in the taxable years in  
68 which payments are made to the Florida small business



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69 subcontractor.

70 (5) The department and the Department of Revenue may adopt  
71 rules to administer this section.

72 Section 2. Paragraph (b) of subsection (1) of 220.13,  
73 Florida Statutes, is amended to read:

74 220.13 "Adjusted federal income" defined.—

75 (1) The term "adjusted federal income" means an amount  
76 equal to the taxpayer's taxable income as defined in subsection  
77 (2), or such taxable income of more than one taxpayer as  
78 provided in s. 220.131, for the taxable year, adjusted as  
79 follows:

80 (b) *Subtractions.*—

81 1. There shall be subtracted from such taxable income:

82 a. The net operating loss deduction allowable for federal  
83 income tax purposes under s. 172 of the Internal Revenue Code  
84 for the taxable year, except that any net operating loss that is  
85 transferred pursuant to s. 220.194(6) may not be deducted by the  
86 seller;τ

87 b. The net capital loss allowable for federal income tax  
88 purposes under s. 1212 of the Internal Revenue Code for the  
89 taxable year;τ

90 c. The excess charitable contribution deduction allowable  
91 for federal income tax purposes under s. 170(d)(2) of the  
92 Internal Revenue Code for the taxable year;τ and

93 d. The excess contributions deductions allowable for  
94 federal income tax purposes under s. 404 of the Internal Revenue  
95 Code for the taxable year.

96

97 However, a net operating loss and a capital loss shall never be



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98 carried back as a deduction to a prior taxable year, but all  
99 deductions attributable to such losses shall be deemed net  
100 operating loss carryovers and capital loss carryovers,  
101 respectively, and treated in the same manner, to the same  
102 extent, and for the same time periods as are prescribed for such  
103 carryovers in ss. 172 and 1212, respectively, of the Internal  
104 Revenue Code.

105 2. There shall be subtracted from such taxable income any  
106 amount to the extent included therein the following:

107 a. Dividends treated as received from sources without the  
108 United States, as determined under s. 862 of the Internal  
109 Revenue Code.

110 b. All amounts included in taxable income under s. 78 or s.  
111 951 of the Internal Revenue Code.

112

113 However, as to any amount subtracted under this subparagraph,  
114 there shall be added to such taxable income all expenses  
115 deducted on the taxpayer's return for the taxable year which are  
116 attributable, directly or indirectly, to such subtracted amount.  
117 Further, no amount shall be subtracted with respect to dividends  
118 paid or deemed paid by a Domestic International Sales  
119 Corporation.

120 3. In computing "adjusted federal income" for taxable years  
121 beginning after December 31, 1976, there shall be allowed as a  
122 deduction the amount of wages and salaries paid or incurred  
123 within this state for the taxable year for which no deduction is  
124 allowed pursuant to s. 280C(a) of the Internal Revenue Code  
125 (relating to credit for employment of certain new employees).

126 4. There shall be subtracted from such taxable income any



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127 amount of nonbusiness income included therein.

128 5. There shall be subtracted any amount of taxes of foreign  
129 countries allowable as credits for taxable years beginning on or  
130 after September 1, 1985, under s. 901 of the Internal Revenue  
131 Code to any corporation which derived less than 20 percent of  
132 its gross income or loss for its taxable year ended in 1984 from  
133 sources within the United States, as described in s.

134 861(a)(2)(A) of the Internal Revenue Code, not including credits  
135 allowed under ss. 902 and 960 of the Internal Revenue Code,  
136 withholding taxes on dividends within the meaning of sub-  
137 subparagraph 2.a., and withholding taxes on royalties, interest,  
138 technical service fees, and capital gains.

139 6. There shall be subtracted from such taxable income 4  
140 percent of the amount of the subcontract award certified by the  
141 Department of Economic Opportunity and paid to the subcontractor  
142 pursuant to s. 288.1046.

143 7. Notwithstanding any other provision of this code, except  
144 with respect to amounts subtracted pursuant to subparagraphs 1.  
145 and 3., any increment of any apportionment factor which is  
146 directly related to an increment of gross receipts or income  
147 which is deducted, subtracted, or otherwise excluded in  
148 determining adjusted federal income shall be excluded from both  
149 the numerator and denominator of such apportionment factor.  
150 Further, all valuations made for apportionment factor purposes  
151 shall be made on a basis consistent with the taxpayer's method  
152 of accounting for federal income tax purposes.

153 Section 3. This act shall take effect July 1, 2014.

154  
155 ===== T I T L E A M E N D M E N T =====



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156 And the title is amended as follows:

157 Delete everything before the enacting clause  
158 and insert:

159 A bill to be entitled

160 An act relating to defense contracting; creating s.  
161 288.1046, F.S.; defining terms; authorizing certain  
162 prime contractors to apply to the Department of  
163 Economic Opportunity to certify that such contractors  
164 may reduce their computation of adjusted federal  
165 income by a certain amount when awarded a prime  
166 contract; providing requirements to apply for a  
167 reduction in computation of income; requiring a prime  
168 contractor to apply separately for each qualified  
169 subcontract award and to provide documentation;  
170 providing guidelines for the department to certify an  
171 award; authorizing the department and the Department  
172 of Revenue to adopt rules; amending s. 220.13, F.S.;  
173 revising the definition of the term "adjusted federal  
174 income" for corporate income tax purposes; providing  
175 for certain reduction in computation of income, to  
176 conform; providing an effective date.