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576-03653-14

Proposed Committee Substitute by the Committee on Appropriations  
(Appropriations Subcommittee on Finance and Tax)

A bill to be entitled

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

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

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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28           (b) "Florida small business subcontractor" means a business  
29 entity that:

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

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

33           3. Is awarded a subcontract from a Florida prime  
34 contractor; and

35           4. Has no subsidiary or affiliate business relationship to  
36 the prime contractor making the award.

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

39           (d) "Qualified defense work" means a prime contract awarded  
40 for manufacturing, engineering, construction, distribution,  
41 research, development, or other activities related to equipment,  
42 supplies, technology, or other goods or services that directly  
43 or indirectly support the United States Armed Forces or that can  
44 be reasonably determined to support national security, including  
45 space related activities.

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

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

55           (a) Is subject to chapter 220;

56           (b) Is awarded qualified defense work; and



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- 57       (c) Awards a qualified subcontract award.
- 58       (3) A Florida prime contractor may reduce its adjusted  
59 federal income under subsection (2) only for taxable years  
60 beginning on or after January 1, 2014, and must apply separately  
61 to the department for each qualified subcontract award and  
62 provide the department required documentation, including, but  
63 not limited to, the application for the award and copies of  
64 contracts, tax records, or employment records.
- 65       (4) The department may establish application, approval,  
66 appeal, and accountability processes as necessary. The  
67 department may consult with Enterprise Florida, Inc., and the  
68 Florida Defense Support Task Force as necessary to administer  
69 this section.
- 70       (a) Within 10 days after certifying a qualified subcontract  
71 award, the department shall provide:
- 72           1. A letter certifying the award to the applicant; and  
73           2. A copy of the letter certifying the award to the  
74 Department of Revenue.
- 75       (b) The department may certify, for each Florida prime  
76 contractor applicant per calendar year, up to \$250 million in  
77 aggregate qualified subcontract awards.
- 78       (c) The department may certify in total, per calendar year,  
79 up to \$2.5 billion in aggregate qualified subcontract awards.
- 80       (d) For a multiyear qualified subcontract award, the  
81 department shall certify the full amount of the award under  
82 paragraphs (b) and (c) in the calendar year it was awarded.
- 83       (e) The Florida prime contractor may reduce its adjusted  
84 federal income under subsection (2) in the taxable years in  
85 which payments are made to the Florida small business



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86 subcontractor.

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

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

91 220.13 "Adjusted federal income" defined.—

92 (1) The term "adjusted federal income" means an amount  
93 equal to the taxpayer's taxable income as defined in subsection  
94 (2), or such taxable income of more than one taxpayer as  
95 provided in s. 220.131, for the taxable year, adjusted as  
96 follows:

97 (b) *Subtractions.*—

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

99 a. The net operating loss deduction allowable for federal  
100 income tax purposes under s. 172 of the Internal Revenue Code  
101 for the taxable year, except that any net operating loss that is  
102 transferred pursuant to s. 220.194(6) may not be deducted by the  
103 seller;~~i~~~~r~~

104 b. The net capital loss allowable for federal income tax  
105 purposes under s. 1212 of the Internal Revenue Code for the  
106 taxable year;~~i~~~~r~~

107 c. The excess charitable contribution deduction allowable  
108 for federal income tax purposes under s. 170(d)(2) of the  
109 Internal Revenue Code for the taxable year;~~i~~~~r~~ and

110 d. The excess contributions deductions allowable for  
111 federal income tax purposes under s. 404 of the Internal Revenue  
112 Code for the taxable year.

113

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



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115 carried back as a deduction to a prior taxable year, but all  
116 deductions attributable to such losses shall be deemed net  
117 operating loss carryovers and capital loss carryovers,  
118 respectively, and treated in the same manner, to the same  
119 extent, and for the same time periods as are prescribed for such  
120 carryovers in ss. 172 and 1212, respectively, of the Internal  
121 Revenue Code.

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

124 a. Dividends treated as received from sources without the  
125 United States, as determined under s. 862 of the Internal  
126 Revenue Code.

127 b. All amounts included in taxable income under s. 78 or s.  
128 951 of the Internal Revenue Code.

129

130 However, as to any amount subtracted under this subparagraph,  
131 there shall be added to such taxable income all expenses  
132 deducted on the taxpayer's return for the taxable year which are  
133 attributable, directly or indirectly, to such subtracted amount.  
134 Further, no amount shall be subtracted with respect to dividends  
135 paid or deemed paid by a Domestic International Sales  
136 Corporation.

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

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



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144 amount of nonbusiness income included therein.

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

151 861(a)(2)(A) of the Internal Revenue Code, not including credits  
152 allowed under ss. 902 and 960 of the Internal Revenue Code,  
153 withholding taxes on dividends within the meaning of sub-  
154 subparagraph 2.a., and withholding taxes on royalties, interest,  
155 technical service fees, and capital gains.

156 6. There shall be subtracted from such taxable income 4  
157 percent of the amount of the qualified subcontract award  
158 certified by the Department of Economic Opportunity and paid to  
159 the subcontractor pursuant to s. 288.1046.

160 7. Notwithstanding any other provision of this code, except  
161 with respect to amounts subtracted pursuant to subparagraphs 1.  
162 and 3., any increment of any apportionment factor which is  
163 directly related to an increment of gross receipts or income  
164 which is deducted, subtracted, or otherwise excluded in  
165 determining adjusted federal income shall be excluded from both  
166 the numerator and denominator of such apportionment factor.  
167 Further, all valuations made for apportionment factor purposes  
168 shall be made on a basis consistent with the taxpayer's method  
169 of accounting for federal income tax purposes.

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