

## Manufacturing and Spaceport Investment Incentive Program

The purpose of the **Manufacturing and Spaceport Investment Incentive Program** is to encourage capital investment and job creation in manufacturing and spaceport activities in Florida.

To accomplish this, the Florida Legislature has authorized the provision of a sales tax refund to an eligible entity on its purchases of eligible equipment placed into service in Florida **in excess of the entity's base year purchases**. The program will be available from July 1, 2010 and end on June 30, 2012.

In order to apply for this tax refund, an applicant must meet the eligibility for **BOTH** the business requirement **AND** the equipment purchased requirement.

### Eligibility

#### Business Requirements:

- Manufacture, process, compound, or produce items for sale that are of tangible personal property; OR
- Engage in spaceport activity; OR
- Engage in phosphate or other solid minerals severance, mining, or processing operations.

#### Equipment Purchased Requirements:

- Tangible personal property or other property with a depreciable life of 3 years or more that is used in manufacturing, processing, compounding or production of property that is sold exclusively for spaceport activities
- Located and placed into service in the State of Florida
- Purchase must be made during the State Fiscal Year 2010-11 or 2011-12

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The following business entities and equipment are **ineligible** for this tax credit:

- Electric utility companies
- Communication companies
- Oil or gas exploration or production operations
- Publishing firms that do not export at least 50% of their finished product out of the state
- Firms subject to regulation by the Department of Business and Professional Regulation, Division of Hotels and Restaurants

- Firms that do not manufacture, process, compound, or produce items for sale of tangible personal property or firms that do not use machinery and equipment in spaceport activities
- A building and its structural components (unless it houses machinery and equipment that are unable to function without structure)
- Heating and air-conditioning systems (unless its primary purpose is to assist in the production process)

### Calculation of Base Year Purchases

Only the State sales and use taxes paid on equipment purchases which are in excess of a company's Base Year Purchases are eligible for the tax refund. Section 288.1083(2)(a), Florida Statutes, defines "Base Year Purchases" as the total cost of eligible equipment purchased and placed into service in Florida by an eligible entity in its tax year that began in 2008. An applicant will be required to submit this information as part of its initial application.

### Application and Approval Process

The Manufacturing and Spaceport Investment Incentive Program is a three phase process.

- Phase 1, a business applies to OTTED for an **allocation** of the available tax refunds. Each applicant may be granted an allocation of up to \$50,000 in a single State Fiscal Year.
- Phase 2, after purchasing eligible equipment and paying the applicable sales and use taxes, the business applies to OTTED for **certification** to Florida Department of Revenue (FDOR) of these expenditures, the amount of sales and use taxes paid, and the amount of its tax refund allocation it has used.
- Phase 3, the business submits a tax refund claim to FDOR using Form DR-26S for **payment** of the amount of the tax refund certified by OTTED.

The Florida Legislature has created this program for two years — Fiscal Year (FY) 2010-11 with an allocation of \$19 million and FY 2011-12 with an allocation of \$24 million. (The State's FY begins July 1 and ends June 30 of the following calendar year.) An entity may receive refunds in each of the program's two FY, but only to the extent that the entity has eligible equipment purchases in each FY, no more than \$50,000 in refunds in a single FY. Although funding has not been provided for a third FY, the Legislature has authorized OTTED to accept applications for FY 2012-13.

For each FY of the program, if the total amount certified is less than the total amount allocated, any unused refund allocation will be reallocated to other applicants in the order that applications are received for that FY.

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### **Phase 1: Allocation of Available Tax Refunds**

- Applications for allocation will be accepted starting July 1, 2010 for FY 2010-11, January 1, 2012 for FY 2011-12, and January 1, 2013 for FY 2012-13. All applications will be processed in the order they are received on a "first come, first served" basis.
- OTTED has up to 30 days to approve or deny the application after it has been considered complete by OTTED.
- If the total amount available for allocation during FY2010-11 is completely allocated, OTTED will continue to accept applications and inform each applicant of its place in the queue and whether it has received an allocation.
- For FY2011-12, OTTED will make allocations first to those applicants that remain in the queue from FY 2010-11 and then to applicants for FY2011-12, in the order received.

### **Phase 2: Certification of the Tax Refund**

- Upon completion of eligible equipment purchases, a business entity which has been awarded an allocation must then apply to OTTED for certification of its tax refund.
- The deadline for this certification application is September 1st of the fiscal year following the allocation. For example, eligible equipment purchases made during FY 2010-11, for which the applicant had an approved allocation, would require an application for certification to be made no later than September 1, 2011.
- Failure to meet the deadline for submittal of the certification application will result in the revocation of the approved allocation.
- The applicant must provide documentation indicating their total cost of eligible equipment purchased and placed into service in Florida during the State Fiscal Year of the awarded allocation, exceeds the total cost of eligible equipment purchased and placed into service in Florida during its tax year that began in 2008.
- The applicant must document the type and amount of equipment purchases and the amount of sales taxes paid on these purchases, and is responsible for providing this information to OTTED.
- OTTED has up to 30 days to approve or deny the application after it has been considered complete by OTTED, and to certify the amount of the refund to FDOR.

### **Phase 3: Submission of Payment Claim**

- Within 30 days after receiving its certification, the applicant must apply to FDOR for payment of the certified amount on Form DR-26S. Florida statutes authorize FDOR to request documentation in support of the application.
- The applicant is responsible for providing all necessary information and documentation to determine the actual State sales and use taxes paid to purchase the eligible equipment.

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## Amount of Credit

An applicant may receive refunds in each of the two years, but only if an eligible equipment purchase has been made. An applicant may only be allocated \$50,000 in tax refunds in a single FY under this program.

*Statutory reference: Section 288.1083, Florida Statutes*

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