

**Florida Department of Revenue
Tax Information Publication**

TIP 03C01-03

Date Issued: July 10, 2003

NOTE: See subsequent TIPS for updated information:

TIP 03C01-05, Dated 12/08/03

TIP 04C01-02, Dated 06/11/04

TIP 06C01-02, Dated 06/30/06

TIP 03C01-03R, Dated 11/03/06

NOTE: The Annual amount for program has been reduced from \$88 million to \$50 million for 2003, see TIP 03C01-05, dated Dec. 8, 2003.

**Corporate Income Tax and Franchise Tax
Credit for Contributions to Nonprofit Scholarship
Funding Organizations**

Application Can Now be Made to Carry Forward Unused Credits

**Annual Amount Available for Program Increased from
\$50 million to \$88 million July 1, 2003**

A credit for contributions to nonprofit scholarship funding organizations is available against Florida corporate income tax. This credit was first effective on January 1, 2002. The available credit will be approved on a first-come, first-served basis.

Apply Online

To better serve Florida corporate income taxpayers, and reduce processing costs, applications for this credit must be made online at www.myflorida.com/dor. Click on the e-Services icon, then click on the appropriate Quick-link. You can access the online application from any of our service centers, if you do not have easier access to the Internet. You will need to provide information about your organization such as name, address, phone number, parent corporation (if filing consolidated), Federal Employer Identification Number (FEIN), the tax year, type of federal tax return filed, etc. The amount of planned contribution or the amount of previously approved credit to be carried forward to the current year will have to be provided. The carry forward credit must be applied for separately from any applications for a new contribution. You will also need to provide the name of the nonprofit scholarship funding organization. The Department has taken steps to ensure that the data you report electronically is just as secure as the data you report on paper.

Once this information is submitted, a confirmation screen will appear. Within ten working days, the Department of Revenue will send written correspondence regarding the amount of the approved tax credit or the reason the credit could not be approved.

Credit Requirements

The allowed credit is 100 percent of the eligible contributions made during the taxable year. The allowed credit and any approved credit carryover amount cannot exceed 75 percent of the tax due after the application of all other credits. The credit granted must be reduced by the resulting decrease in federal income tax when considering this credit and the overall impact it has on the federal income tax due. The amount of the credit taken is added back to federal taxable income in arriving at Florida taxable income. The total amount that may be granted for tax credits and carried forward credits each year is \$88 million. Of this amount, \$4.4 million is reserved for taxpayers that meet the definition of a small business under Section 288.703(1), Florida Statutes (F.S.), at the time of application. Each taxpayer, including a group filing a consolidated corporate income tax return, cannot contribute more than \$5 million to any single, eligible, nonprofit scholarship funding organization each year. If the credit granted is not fully used in any one year, application may be made to obtain approval to carry forward the credit in a subsequent year. An unused credit cannot be carried forward more than 3 years. The credit cannot be conveyed, assigned, or transferred to another entity unless all of the assets of the taxpayer are conveyed, assigned, or transferred in the same transaction.

A list of eligible nonprofit scholarship funding organizations is available from the Department of Education's Internet site at www.floridaschoolchoice.org. Their phone number is (850) 245-0502.

The taxpayer is required to make a separate application for each scholarship funding organization it intends to support, and a separate application for the total amount of any carry forward credit(s) it wishes to use. Once the applicant receives written confirmation and approval for the credit from the Department of Revenue, it is expected to make such contribution or donation. Any credit, including carryforward credits, allocated to a taxpayer cannot be rescinded by the taxpayer or returned to the Department for reallocation to another taxpayer.

Upon receiving a contribution, a scholarship funding organization will issue a certificate of contribution to the taxpayer, when requested. This certificate will contain the following information:

- * Contributor's name
- * Contributor's federal identification number
- * Amount of the contribution
- * Date of contribution
- * Name of the nonprofit scholarship funding organization

An officer of the nonprofit scholarship funding organization, or one duly authorized to do so, will sign the certificate. The taxpayer should keep the certificate(s) for its records to support the credit claimed.

All other requirements of Section 220.187, F.S., must be met to claim this credit.

Examples:

Taxpayer applied for a credit of \$10,000 on 01/02/2003, and received approval from the Department of Revenue on 01/09/2003. The taxpayer made the contribution on 01/16/2003 and received a certificate of contribution from the nonprofit scholarship funding organization.

Taxpayer's federal taxable income for tax year ending 12/31/2003 is \$300,000 taking into account a \$10,000 deduction for a donation to a nonprofit scholarship funding organization. Assuming the taxpayer is not apportioning its income, the available credit is computed as follows:

1. The limitation is determined first as 75 percent of the tax due prior to application of this credit. This means that the Florida tax would first be calculated without taking the credit [(((\$300,000 federal taxable income that takes into account the donation of \$10,000) x 1.000000] - \$5,000.00 exemption) x .055 tax rate = \$16,225 tax due before credit and corresponding credit addback]. The 75 percent limitation is then calculated on this amount (.75 x \$16,225= \$12,169). Since the donation is less than the 75 percent limitation, the taxpayer may receive a nonprofit scholarship funding organization credit up to \$10,000, the amount of the donation.

Since the taxpayer received a charitable deduction of \$10,000 and a reduction in taxes paid to Florida of \$10,000, the net effect to the federal income tax is zero. Thus no adjustment to the credit is required because there is no reduction in federal tax as a result of making the donation and receiving the credit.

2. If the taxpayer apportioned its income to Florida, and its apportionment factor was 90 percent, the computation would be different. Again, the limitation is determined first as 75 percent of the tax due prior to application of this credit. This means that the Florida tax would first be calculated without taking the credit. [(((\$300,000 federal taxable income taking into account the donation of \$10,000) x .900000] - \$5,000.00 exemption) x .055 tax rate = \$14,575 tax due before credit and corresponding credit addback]. The 75 percent limitation is then calculated on this amount (.75 x \$14,575= \$10,931). Since the donation is less than the 75 percent limitation, the taxpayer may receive a nonprofit scholarship funding organization credit up to \$10,000, the amount of the donation.

Since the taxpayer received a charitable deduction of \$10,000 and a reduction in taxes paid to Florida of \$10,000, the net effect to the federal income tax is zero. Thus no adjustment to the credit is required because there is no reduction in federal tax as a result of making the donation and receiving the credit.

<u>Example</u>	<u>1.</u>	<u>2.</u>
Eligible Contribution	\$10,000.00	\$10,000.00
Application Date	01/02/2003	01/02/2003
Approval Date	01/09/2003	01/09/2003
Contribution Date	01/16/2003	01/16/2003
Tax Year Beginning	01/01/2003	01/01/2003
Tax Year Ending	12/31/2003	12/31/2003
Federal Taxable Income	\$300,000	\$300,000

Addition for Credit	10,000	10,000
Adjusted Fed. Income	310,000	310,000
Apportionment Fraction	1.000000	.900000
Florida portion of AFI	\$310,000	\$279,000
Less: Fla. Exemption	(5,000)	(5,000)
Florida Net Income	305,000	274,000
Tax Due	\$16,775	\$15,070
Credit	10,000	10,000
Total Tax Due	\$6,775	\$5,070

Donation	\$10,000	\$10,000
Less: Federal Benefit	0	0
Less: Florida Benefit	\$10,000	\$10,000
Net Cost of Donation	0	0

Note: The outcome in these examples could be different as a result of other items that impact the calculation of a taxpayer's Florida or federal income tax liability.

References: Sections 220.187, 288.703(1), 220.02, 220.331, and 220.13(1)(a)11., Florida Statutes (2003); Senate Bill 30A, 2003 Special Session A.

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor. Or call Taxpayer Services, 8:00 a.m., to 7:00 p.m., ET, Monday through Friday, excluding holidays, at 800-352-3671 (Florida only), or 850-488-6800.

Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.