



INCENTIVE INFORMATION SHEET

QUALIFIED DEFENSE CONTRACTOR TAX REFUND

*The Qualified Defense Contractor Tax Refund is a tool to preserve and grow Florida's high technology employment base – giving Florida a competitive edge as defense **or homeland security** contractors acquire new contracts or subcontracts, consolidate contracts or subcontracts or convert contracts to commercial production.*

*Pre-approved projects receive tax refunds of up to \$5,000 per job created or saved in Florida. **Conversion** of defense jobs to civilian production, the acquisition of a **new** defense contract, or the **consolidation** of a defense contract are eligible projects.*

If approved, an applicant may receive refunds on taxes it pays related to the project. This includes corporate income, sales, ad valorem, intangible personal property, and certain other taxes. Up to 25 percent of the total refund may be taken per year as long as the business is maintaining employment and wage levels at the agreed upon level or higher.

There is a cap of \$7.5 million per single qualified applicant in all years and no more than \$2.5 million in tax refunds may be received in any fiscal year.

ELIGIBILITY

In order to participate, a company must apply to Enterprise Florida prior to making a decision to locate or expand in Florida.¹ In order to qualify for consideration under the program, an applicant must:

- Derive not less than 60 percent of its Florida gross receipts from United States Department of Defense **or the United States Department of Homeland Security** contracts or subcontracts in the applicant's last fiscal year and not less than an average of 60 percent over the five years preceding the date an application is submitted;
- Demonstrate that the jobs created or retained make a significant economic contribution to the area economy;
- For contract or subcontract **consolidation** projects an increase in employment of at least 25 percent or create at least 80 new Florida jobs; for defense production **conversion** projects a net increase in nondefense production jobs; for reuse projects a creation of at least 100 jobs;
- Pay an average wage of at least 115 percent of the state, metropolitan statistical area (MSA), or the local average wages. For a project located in a rural city, rural county or in an enterprise zone, the wage requirement may be waived in special circumstances. A rural city means a city with population of 10,000 or less (or less than 20,000 with prior approval). A rural county means a county with population of 75,000 or less;
- Demonstrate that the tax refund is necessary to allow the business to compete for the new contract or subcontract or make the **consolidation**; and

¹ All final decisions on applications are based on all available information at that time. Any business decisions, such as announcements, leasing of space or hiring of employees, made prior to final QDC approval (and not made contingent upon QDC approval) will likely be grounds for disapproval. Projects that clearly do not require inducement will not be approved.

- Provide a resolution from the county commission indicating the 20 percent required for local financial support will be available each year as refunds are due. (Projects located in designated Rural Economic Development Initiative counties may exercise an exemption to the local financial support requirement and accept a 20 percent reduction in refunds.)

APPLICATION PROCESS

- EFI staff will shepherd businesses and communities through the entire application process, ensuring that the company and community understand what is required for a complete, effective application.

The application is a critical part of this program. EFI and OTTED use it in evaluating the project. This information is the basis for the decision to approve or disapprove the application for QDC, as well as for determining the level of refund. Therefore, well thought-out, thorough responses are of utmost importance. The community can be of great assistance to the company in helping to complete certain portions of the application; in particular, the section entitled "Project Impact Information."

- The application must be complete before Enterprise Florida can consider it; this includes providing the resolution from the county commission.
- EFI reports its evaluation of the application and recommendation to the Director of OTTED who makes the final decision on the project. While the law allows a total of 60 days to evaluate the completed application, this process will normally be accomplished in as little as two (2) weeks.

APPROVAL PROCESS

- OTTED's approval or disapproval of the application is in the form of a Letter of Certification.
- If the application is approved, the Letter of Certification will indicate the amount and schedule of tax refunds approved, as well as the number of jobs and average wage rate for the project jobs. These must be the same as stated in the application.
- While the law grants OTTED 30 days to approve or disapprove an application, a final decision will typically be rendered within two (2) weeks.
- Once the QDC application is approved, the business will begin working directly with OTTED To finalize the tax refund agreement.

REFUND PROCESS

- The business submits a claim each year for the scheduled tax refund and the community must pay its local match into the Economic Development Trust Fund.
- If all the terms of the tax refund agreement are met, then OTTED pays the refund.
- **The Economic-Stimulus Exemption (Chapter 2003-392, F.S.) can be requested for claims scheduled to be submitted after January 1, 2001 but before June 30, 2004. A qualified applicant that has received an economic-stimulus exemption may not apply for an additional exemption.**

Statutory Reference: [Section 288.1045, Florida Statute](#)