

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

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|--------------------------------------|-----------------------------------------|-----------------------------|-----------------------------------------|
| 1. Reduce government? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. EFFECT OF PROPOSED CHANGES:

This bill repeals all intangible personal property taxes under Chapter 199, Florida Statutes, effective July 1, 2003. The bill also revises references to sections of ch. 199, F.S., in other parts of the statutes. Individuals and businesses currently paying these intangible taxes would be relieved of this assessment from that date forward. The state would realize an administrative savings from the repeal of this tax, but would also realize a reduction in recurring and non-recurring revenues.

In general, the intangible personal property tax is the only property tax that the state may collect under the Florida Constitution, and the maximum rate allowed is 2 mills. (All other taxes based on property value are reserved for local governments). Specifically, the annual (recurring) intangibles tax repeal will affect persons receiving revenues from stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the SEC. This tax is imposed at a rate of 1 mill annually. The non-recurring intangibles tax is levied at the rate of 2 mills on obligations secured by liens on Florida realty at the time they are recorded. These transactions are exempt from the annual tax. The rate of the non-recurring intangibles tax has not be raised or lowered since 1951.

Currently, there are a number of exemptions to the intangibles taxes:

- Chapter Law 2001-371, passed during Special Session C of 2001, provides that effective January 1, 2002, every natural taxpayer and in the case of married couples, each spouse, will receive an exemption against the annual tax of \$20,000. That same chapter law provides that effective, July 1, 2003, the exemption against the annual tax increases to \$250,000 for each natural taxpayer and spouse, and an exemption of \$250,000 is created for businesses. The minimum amount of tax due before a return and payment are required is \$60;
- Intangibles of corporations or limited liability companies on a consolidated return which otherwise do not have taxable situs (s. 199.052(10), F.S.);
- Charitable Trusts - exempt if 95% of income goes to s. 501(c)3. organizations (s. 199.185(4), F.S.);
- Stocks or shares of a savings association held by a parent mutual holding company (s. 199.103(8), F.S.);
- Exemption for banks (s. 199.185(5), F.S.);
- Exemption for insurance companies (s. 199.185(8), F.S.);
- Exemption for property owned, managed, or controlled by a trustee of a trust (s. 199.184(4), F.S.);
- Credit for taxes imposed by other states (s. 199.106, F.S.);
- Exemption for credit unions from state and local taxes (s. 213.12 (2), F.S.);
- Exemption for state, county and municipal bonds (s. 199.185(1)(d), F.S.);

- Exemption for partnership interest other than interest as a limited partner in a registered limited partnership (s. 199.185(1)(c), F.S.);
- Exemption for franchises, patents, trademarks, service marks, and copyrights (s. 199.185(1)(b), F.S.);
- Exemption for accounts receivable of certain liquor distributors (s. 199.185(6), F.S.);
- Exemption for professional sports retirement plans (s. 199.185(1)(f), F.S.);
- Exemption for real estate mortgage investment conduits and financial asset securitization trusts (s. 199.185(1)(k), F.S.);
- Exemption for non-transferable stock options (s. 199.185(1)(m), F.S.); and
- Exemption for renewals of lines of credits (s. 199.143(3), F.S.).

All intangibles tax revenue is deposited into the Intangibles Tax Trust Fund. From that fund, revenue collected pursuant to the tax on governmental leaseholds is returned to the local school boards in the counties where the leasehold property is located. Money is appropriated from the fund to pay for the activities of the Division of Property Tax Administration of the Department of Revenue. The balance is distributed to the General Revenue Fund.

The cross references to ch. 199, F.S., and to various sections of that chapter appear for the purpose of: 1) including the intangible taxes in other sections of the Florida Statutes that provide for the general administration of taxes; 2) exempting taxpayers from certain tax obligations based on their payment of intangible taxes; and 3) providing a definition by reference to definitions found in sections of ch. 199, F.S.

C. SECTION DIRECTORY:

Sections 1, 2, 4, 6 – 11, 13 – 19, and 21 – 27 remove references to the repealed chapter on intangible personal property taxes from other Florida Statutes.

Sections 3, 5, and 20 restate in other Florida Statutes the definitions provided in ch. 199, F.S. for governmental leaseholds, banking organizations, and religious institutions.

Section 12 removes subsection (2) of s. 213.27, F.S., which authorizes The Department of Revenue to contract with collection agencies to assist the department in identifying and collecting intangible property tax liabilities.

Section 28 repeals all of the sections of ch. 199, F.S., except s. 199.1851, F.S., which provides rulemaking authority for the Department of Revenue to administer the time sensitive recurring tax exemptions that do not become effective until July 1, 2003.

Section 29 provides an effective date of July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

Revenue estimates from the November 2002 Revenue Estimating Conference and Department of Revenue:

<u>General Revenue Fund</u>	
Recurring tax revenues for 03/04*	(\$308.3M)

Non-recurring tax revenues annually	(\$297.7 M)
Total	(\$606 M)

2. Expenditures:

The Department of Revenue estimates an eventual annual savings of \$ 7 M in administrative costs once all delinquent accounts are settled.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Individuals and businesses would no longer be required to pay recurring and non-recurring intangible personal property taxes.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds, does not reduce a county's authority to raise revenue and does not reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

B. RULE-MAKING AUTHORITY:

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES