

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|-----------------------------|---|
| 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 reduces and then repeals the recurring intangible personal property tax imposed pursuant to Chapter 199, F.S. It amends sections of statute to conform provisions to the repeal of the annual intangible property tax, and it amends other sections of statutes which relate to property taxes.

Individuals and businesses are currently obligated to pay an annual (recurring) tax on the value of stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission (SEC). Current law exempts from the annual tax \$250,000 for each natural person or business and \$500,000 for each natural person and spouse.

All individuals and businesses are currently required to pay a one time (non-recurring) tax on notes and obligations secured by liens on Florida realty at the time they are recorded. This portion of the law is not affected by this bill.

The bill reduces the annual intangible personal property tax to 0.66 mills on January 1, 2005. On January 1, 2006, the annual tax will be reduced to 0.33 mills. Effective January 1, 2007 the annual intangible tax will be eliminated.

C. SECTION DIRECTORY:

Section 1. Amends section 199.032, F.S., and reduces the annual tax to 0.66 mill beginning January 1, 2005; it is further reduced to 0.33 beginning January 1, 2006.

Section 2. Repeals on January 1, 2007 the sections of Chapter 199, F.S., concerning the annual intangibles tax.

Section 3. Adds subsection (3) to section 199.303, F.S. Provides legislative intent that all annual intangible taxes due and owing for calendar years 2006 and prior remain in full force and effect. The Department of Revenue is directed to assess and collect these taxes.

Sections 4–8, 10–11, 13-23, 25–31. Eliminate references to the annual intangible tax in current law.

Section 9. Repeals current language in section 196.199, F.S., which provides that a leasehold or other interest in real property which is owned by governmental units but used by nongovernmental lessees is taxed as intangible property if rental payments are due in consideration of the leasehold.

Section 12. Repeals the definition of banking organizations and international banking transactions found in section 199.023 (9) and (11), F.S. and moves the definitions to newly created section 201.23 (4) (b), F.S.

Section 24. Repeals a reference to section 199.183(2) (a), F.S. in section 493.6102, F.S., and inserts a definition of religious institutions in that section.

Section 32. Authorizes the Department of Revenue to adopt emergency rules to effectuate the provisions of this bill.

Section 33. Provides that the provisions regarding the tax rate reduction to .66 mills is effective July 1, 2005 and that the provisions regarding the tax rate reduction to .33 mills is effective July 1, 2006. Under the bill, the remainder of the tax expires July 1, 2007

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The preliminary estimate of the bill's fiscal impact of state revenues is (\$87.9M) in FY 2004 – 05, (188.8) in FY 2005 – 06, and (\$360.1M) in FY 06-07 .

2. Expenditures:

The Department of Revenue estimates eventual annual savings of \$4.2 million per year in administrative costs once the complete repeal of the tax is effective and 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 will no longer be required to pay recurring intangible property taxes.

D. FISCAL COMMENTS:

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The 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 revenues and does not reduce the percentage of a state tax shared with counties or municipalities.

2. Other:

B. RULE-MAKING AUTHORITY:

The bill provides emergency rulemaking authority to the Department of Revenue.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES