

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 963 Annual Intangible Personal Property Tax
SPONSOR(S): Brummer
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Finance & Tax Committee		Levin	Diez-Arguelles
2) Fiscal Council			
3)			
4)			
5)			

SUMMARY ANALYSIS

Chapter 199, F.S., imposes two different intangible personal property taxes: an annual (or recurring) tax is imposed at the rate of 1 mill on the value of stocks, bonds, notes, and other intangible personal property; as well as a non-recurring tax on obligations secured by liens on Florida realty at the rate of 2 mills. Individuals and businesses are currently obligated to pay an annual (recurring) tax on stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission (SEC). Current law exempts from the annual (recurring) tax \$250,000 for each natural person and \$500,000 for each natural person and spouse filing a joint return. The law also provides a \$250,000 exemption for corporations and other legal entities.

This bill repeals the 1 mill annual (recurring) tax imposed on stocks, bonds, notes, and other intangible property. No change is made to the 2 mills non-recurring tax imposed upon obligations secured by liens on Florida property.

The fiscal impact of the bill is a negative \$235 million in state revenues and a negative \$1.2 million in local revenues in FY 2005-2006, and a negative \$299.5 million in state revenues and a negative \$1.2 million in local revenues in FY 2006 – 2007.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Ensure lower taxes: After December 31, 2005, Florida taxpayers will no longer be required to pay the annual portion of the intangibles tax.

B. EFFECT OF PROPOSED CHANGES:

Current taxes:

Chapter 199, F.S., currently imposes two different intangible personal property taxes: an annual (or recurring) tax is imposed at the rate of 1 mill on the value of stocks, bonds, notes, and other intangible personal property; as well as a non-recurring tax on obligations secured by liens on Florida realty at the rate of 2 mills. Individuals and businesses are currently obligated to pay an annual (recurring) tax on stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission (SEC). Current law exempts from the annual (recurring) tax \$250,000 for each natural person and \$500,000 for each natural person and spouse filing a joint return. The law also provides a \$250,000 exemption for all other taxpayers, including businesses.

History of the Intangible Taxes:

The Florida Constitution caps the rate of the intangibles tax at 2 mills. In 1992, the rate was raised from 1.5 to 2 mills. In 1998 several significant changes were made to the intangibles tax. The minimum amount of the annual tax due was raised from \$5 to \$60. One-third of accounts receivable were exempted from the tax and the Legislature expressed the intent to completely exempt accounts receivable from the tax. In 1999, the Legislature reduced the rate to 1.5 mills and increased the exemption for accounts receivable to two-thirds. In 2000, the Legislature further reduced the rate to 1 mill and completely exempted accounts receivable from this tax. Effective January 2004, the personal exemption were increased from \$20,000 to \$250,000 for individuals and from \$40,000 to \$500,000 for married couples filing a joint return.

Tax changes made by the bill:

This bill repeals the 1 mill annual (recurring) intangible personal property tax imposed pursuant to Chapter 199, F.S. No changes are made to the non-recurring 2 mills tax on notes and obligations secured by liens on Florida realty.

C. SECTION DIRECTORY:

Section 1. Repeals all of Part I of Chapter 199, Intangible Personal Property Taxes, F.S. Also repeals s.199.175, F.S., concerning the taxable situs of property formerly subject to the tax.

Section 2. Amends s. 192.032, F.S., to eliminate a reference to Intangible personal property.

Section 3. Amends s. 192.042, F.S., to eliminate a reference to Intangible personal property.

Section 4. Amends s. 192.091, F.S. to eliminate intangible tax references in a section concerning property appraisers and tax collectors.

Section 5. Amends s. 193.114, F.S. to eliminate the DOR's duty to promulgate regulations and forms for developing intangible property tax rolls.

- Section 6. Amends s. 196.015, F.S., to eliminate the filing of an intangible tax return as evidence of permanent residency.
- Section 7. Amends s.196.199, F.S., to replace a definition previously contained in s. 199.023(1)(d), F.S., concerning rental payments and leaseholds on real property.
- Sections 8. Eliminates a reference to the ad valorem intangible tax in s. 196.1993, F.S.
- Section 9. Amends s. 199.133, F.S., to eliminate a reference to the annual intangible tax.
- Sections 10 and 11. Eliminate references to the annual tax in s. 199.183, F.S., and the current exemptions in the law at s.199.185, F.S.
- Section 12. Eliminates references to the annual intangible tax in s. 199.232, F.S.
- Section 13. Eliminates references to the annual tax and its penalties from s.199.282, F.S.
- Section 14. Eliminates references to the annual tax in s. 199.292, F.S.
- Section 15. States Legislative intent that all intangible taxes due and owing for calendar year 2005 and prior years be paid, assessed and audited.
- Sections 16 and 31. Eliminate references to the intangible tax and provide a new definition of “banking organization,” for purposes of an exemption from documentary stamp taxes for notes issued in international banking transactions. The definition of international banking facility is moved to Chapter 201, F.S.
- Sections 17, 18 and 19. Eliminate references to the intangible tax in ss. 212.02, 213.053, and 213.054, F.S.
- Section 20. Eliminates language permitting the DOR to contract with businesses to identify sources of intangible tax liability.
- Section 21. Deletes tax credits for annual intangible tax paid and strikes references to Chapter 199,F.S.
- Section 22, 23, 24 and 25. Eliminate references to intangible taxes in ss. 288.039, 288.1045, 288.106, and 288.1067, F.S.
- Section 26. Eliminates the intangible tax on nongovernmental leaseholds.
- Section 27. Eliminates intangible tax references in s.376.30781, F.S..
- Section 28. Amends a reference to a religious organization as defined in s. 199.183.,F.S.
- Section 29. Eliminates a finance charge for intangible personal property tax on a loan note.
- Section 30. Eliminates a reference to intangibles tax in s. 650.05, F.S.
- Section 32. Eliminates language which allowed the DOR to file claims against an estate for intangibles tax.
- Section 33. Permits the DOR to enact emergency rules and rules to implement the changes made by the bill.

Section 34. Provides an effective date of January 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference determined that the repeal of the recurring intangibles tax would result in a loss of \$235 million in state revenues and a negative \$1.2 million in local revenues during FY 2005-2006, and a negative \$299.5 million in state revenues and a negative \$1.2 million in local revenues for FY 2006 – 2007.

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
General Revenue	(\$235 m)	(\$299.5 m)

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

	<u>FY 2005-2006</u>	<u>FY 2006-2007</u>
Local Revenue	(\$1.2 m)	(\$1.2 m)

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Individuals and businesses will no longer pay annual intangibles tax.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The mandates provision is not applicable as the bill does not affect municipal or county government. Section 199.292, F.S., provides that the revenues derived from the annual tax on certain governmental leaseholds are to be returned to the local school board for the county in which the property subject to the leasehold is situated.

2. Other:

B. RULE-MAKING AUTHORITY:

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES