

# SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 318

SPONSOR: Fiscal Resource Committee

SUBJECT: Intangibles Tax

DATE: March 11, 1999

REVISED: \_\_\_\_\_

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Fournier</u>	<u>Wood</u>	<u>FR</u>	<u>Favorable/CS</u>
2.	_____	_____	_____	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

## I. Summary:

This committee substitute provides that, effective January 1, 2000, the annual tax rate for intangible personal property is reduced from 2 mills to 1.5 mills. It also provides that two-thirds of accounts receivable shall be exempt from intangibles tax, and it expresses the intention to make accounts receivable entirely exempt from intangibles tax as of January 1, 2001, pursuant to future legislative action.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: s. 199.032, and s. 199.185, 1998 Supplement.

## II. Present Situation:

Section 199.032, F.S., provides that intangible personal property with a taxable situs in this state is taxed at 2 mills.

Chapter 98-132, Laws of Florida, amended s. 199.185(1)(l), F.S., to exempt one-third of accounts receivable from intangibles tax and expressed the intention to phase out the tax on accounts receivable, increasing the exemption to two-thirds in 2000 and providing a total exemption in 2001, pursuant to future legislative action.

Paragraph (b) of subsection (2) of Section 199.185, F.S. 1998 Supplement, provides an exemption of \$100,000 per person or \$200,000 per married couple against the second mill of the intangibles tax.

## III. Effect of Proposed Changes:

This proposed committee substitute reduces the tax rate for the annual tax on intangible personal property from 2 mills to 1.5 mills. It provides that the current exemption of \$100,000 per person or \$200,000 per married couple is against the second 0.5 mill of the tax. It also provides for the

next step in the phase-out of intangibles tax on accounts receivable, exempting two-thirds of such assets, effective January 1, 2000, and expresses the intention to make accounts receivable entirely exempt from intangibles tax as of January 1, 2001, pursuant to future legislative action.

**IV. Constitutional Issues:**

**A. Municipality/County Mandates Restrictions:**

This bill is exempt from the provisions under subsection (b) of section 18 of Article VII, Florida Constitution, which require a two-thirds vote of the membership of each house in order to enact a general law if the anticipated effect of doing so would be to reduce the percentage of a state tax shared with counties and municipalities as an aggregate on February 1, 1989. Although the expanded exemption from the state intangibles taxes provided by this bill reduces the base of state revenues shared with local government, the bill does not reduce the percentage of the revenues shared with counties and municipalities as an aggregate on February 1, 1989.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**V. Economic Impact and Fiscal Note:**

**A. Tax/Fee Issues:**

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
Reduce Millage for Annual Tax	(\$134.6)	(\$134.6)	\$0	\$0	(\$81.4)	(\$81.4)	(\$216.0)	(\$216.0)
Acc'ts Rec. Exempt.	(\$25.9)	(\$25.9)	\$0	\$0	(\$15.6)	(\$15.6)	(\$41.5)	(\$41.5)
<b>Total Impact</b>	<b>(\$160.5)</b>	<b>(\$160.5)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$97.0)</b>	<b>(\$97.0)</b>	<b>(\$257.5)</b>	<b>(\$257.5)</b>

\* Insignificant  
 \*\* Indeterminate

**B. Private Sector Impact:**

Both businesses and individuals will have lower taxes due to the reduction in tax rate and exemption of accounts receivable from intangible tax.

**C. Government Sector Impact:**

Even though this bill does not qualify as a mandate under subsection (b) of section 18 of Article VII, Florida Constitution, it has a significant negative impact on county revenue. The Revenue Sharing Trust Fund for Counties will receive roughly \$97.0 million less each year on a recurring basis as a result of this bill.

The recurring loss to General Revenue is estimated to be \$160.5 million.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

None.

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This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.

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