

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

BILL: HB 21

SPONSOR: Representative Fasano & Others

SUBJECT: Intangible Personal Property Tax

DATE: April 30, 2001

REVISED: 05/01/01 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	_____	Maclure	CM	Withdrawn
2.	Fournier	Johansen	FT	Fav/1 Amendment
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____
6.	_____	_____	_____	_____

I. Summary:

The bill makes the following changes to current law regarding the intangible personal property tax:

The annual intangible tax rate is lowered from one mill to 0.75 mills on each dollar of just valuation.

To retain the inducement for investing in the Florida's Future Investment funds, the annual intangible tax rate for investment in the funds is lowered from 0.85 mills to 0.64 mills when the average daily balance in the funds exceeds \$2 billion and from 0.70 mills to 0.53 mills when the average daily balance exceeds \$5 billion.

The bill increases the intangibles tax exemption for natural persons and married couples filing jointly. The exemption for a natural person is increased from \$20,000 to \$250,000 and the married couple exemption is increased from \$40,000 to \$500,000. An exemption of \$250,000 is provided for every taxpayer that is not a natural person.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 199.032, 199.033, and 199.185

II. Present Situation:

Tax on Intangible Personal Property

Florida's tax on intangible personal property was enacted in 1931, and it is a tax on "all personal property which is not in itself intrinsically valuable, but which derives its chief value from that

which it represents.” (s. 199.023(1), F.S.) Taxable intangible personal property includes, among other things, stocks, bonds, notes, other obligations to pay money, and accounts receivable. (s. 199.023, F.S.)

The intangible tax is paid annually and is based on the value of assets as of January 1. (s. 199.103, F.S.) The return is due by June 30, with discounts for early payment. (s. 199.042, F.S.) The tax is paid by all “persons” (natural and non-natural), which term includes any individual, firm, partnership, joint adventure, syndicate, or other group or combination acting as a unit, association, corporation, estate, trust, business trust, trustee, personal representative, receiver, or other fiduciary, unless such persons are exempted from the tax. (s. 199.023(3), F.S.) The tax must be paid by all corporations that own, control, or manage intangible personal property that has a taxable situs within the state. (s. 199.052(1), F.S.)

The tax is capped at 2 mills by Article VII, Section 2, of the Florida Constitution. Section 199.032, F.S., provides that intangible personal property with a taxable situs in this state is taxed at 1 mill on each dollar of just valuation. Section 199.033, F.S., provides that securities in a Florida’s Future Investment Fund are taxed at a rate of .85 mill when the average daily balance in such funds exceeds \$2 million and at the rate of .70 mill when the average daily balance in such funds exceeds \$5 billion.

The intangible tax rate was increased from 1 mill to 1.5 mills in 1990, and it was increased to 2 mills in 1992. In more recent years, the Legislature has enacted a number of revisions to the tax on intangible personal property:

- The intangible tax rate was lowered from 2 mills to 1.5 mills in 1999. (ch. 99-242, L.O.F.)
- During the 2000 legislative session, the tax rate was lowered to 1 mill. (ch. 2000-173, L.O.F.)
- To retain the inducement for investing in a Florida’s Future Investment Fund, in 2000 the intangible tax rate on securities in such a fund was lowered to .85 mill from 1.35 mills when the average daily balance in the funds exceeds \$2 billion and to .70 mill from 1.2 mills when the average daily balance exceeds \$5 billion. (ch. 2000-173, L.O.F.)
- In 1998, the Legislature exempted from intangible tax one-third of the value of accounts receivable. (ch. 98-132, L.O.F.)
- The exemption for accounts receivable was increased to two-thirds in 1999. (ch. 99-242, L.O.F.)
- The value of accounts receivable was exempted from the tax altogether in 2000. (ch. 2000-173, L.O.F.)
- The sharing of intangible tax revenues with the counties was repealed in 2000. (ch. 2000-173, L.O.F.)

The term “accounts receivable” is defined as “a business debt that is owed by another to the taxpayer or the taxpayer’s assignee in the ordinary course of trade or business and is not supported by negotiable instruments.” (s. 199.185(1)(1), F.S.) The statute provides that accounts receivable “include, but are not limited to, credit card receivables, charge card receivables, credit receivables, margin receivables, inventory or other floor plan financing, lease payments past due, conditional sales contracts, retail installment sales agreements, financing lease contracts, and a

claim against a debtor usually arising from sales or services rendered and which is not necessarily due or past due.” (s. 199.185(1)(l), F.S.)

Florida’s Future Investment Funds

In 1997, the Legislature created a program designed to encourage the business community to contribute to special state-sponsored investment funds, which, in turn, would provide financial support for computers, computer technology, training in computer education, and scholarships for business-related careers for the education system. The investment funds were to be known as “Florida’s Future Investment Funds.” (See s. 1, ch. 97-188, L.O.F.) The law specified that the intangibles tax rate on securities in a Florida’s Future Investment Fund would be 1.85 mills when the average daily balance in such funds exceeds \$2 billion and 1.70 mills when the average daily balance exceeds \$5 billion. The tax rate was lowered in 1999 (s. 2, ch. 99-242, L.O.F.) and in 2000 (s. 3, ch. 2000-173, L.O.F.) to the current level of .85 mill and .70 mill, respectively. (s. 199.033, F.S.)

III. Effect of Proposed Changes:

This bill lowers the tax rate to .75 mill – from the current rate of 1 mill – on each dollar of the just valuation of intangible personal property that has a taxable situs in this state. (s. 199.032, F.S.)

This bill also lowers the intangible tax rate on securities in a Florida’s Future Investment Fund to .64 mill (from .85 mill) when the average daily balance in such funds is greater than \$2 billion and to .53 mill (from .70 mill) when the average daily balance is greater than \$5 billion.

This bill increases the intangibles tax exemption for natural persons and married couples filing jointly. The exemption for a natural person is increased from \$20,000 to \$250,000 and the married couple exemption is increased from \$40,000 to \$500,000. An exemption of \$250,000 is provided for every taxpayer that is not a natural person.

The changes made by this bill to the intangible tax rate take effect January 1, 2002.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:**A. Tax/Fee Issues:**

This legislation is expected to reduce revenues deposited in the General Revenue Fund by \$229.2 million in FY 2001-02 and \$272.4 million annually thereafter.

B. Private Sector Impact:

Businesses and individuals will see a reduction in their intangibles tax liabilities, and many will be removed from the tax roll altogether.

C. Government Sector Impact:**VI. Technical Deficiencies:**

None.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Finance and Taxation:

This amendment deletes the tax rate reduction in the bill. The fiscal impact of the bill as amended is (\$149.5 million) General Revenue in 2001-02, and (\$171.8 million) recurring General Revenue. (WITH TITLE AMENDMENT)