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Repeal of the Florida Intangible Property Tax

State Tax Alert

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On April 26, 2006, the Florida Senate approved legislation to repeal the annual Florida intangible personal property tax. Governor Jeb Bush has indicated that he supports the repeal and will sign the legislation, which was previously approved by the Florida House of Representatives, in the near future.

The intangible tax was an annual tax based on the current market value, as of January 1 of each year, of intangible personal property owned, managed or controlled by Florida residents or persons doing business in Florida. It was borne by individuals, business entities, estates, and certain trusts and taxed the ownership of stocks, bonds, notes, and similar types of intangible personal property. As a result of the current legislation, this annual tax will no longer apply. The legislation deletes in its entirety Part I of Florida Statutes Chapter 199 (Sections 199.012 through 199.106) and makes various other revisions. It does not, however, affect intangible tax liabilities imposed for calendar years 2006 and prior. The legislation also does not affect the nonrecurring tax imposed on obligations secured by mortgages or other liens on Florida real property.

From a planning perspective, the Florida Intangible Tax should hereinafter be a non-factor for investing decision making. Previously, taxpayers subject to the tax would structure their intangible holdings in investments that were exempt from taxation, such as bonds, notes, and other obligations issued by the State of Florida and certain other taxing districts, such as the Federal government and Puerto Rico. Also, some taxpayers placed their investments in trusts (i.e. Florida Intangible Trusts) to avoid the tax. This type of structuring will no longer be required.