

Florida's Intangibles Tax Repealed "Mission Accomplished," Governor Tells Florida TaxWatch

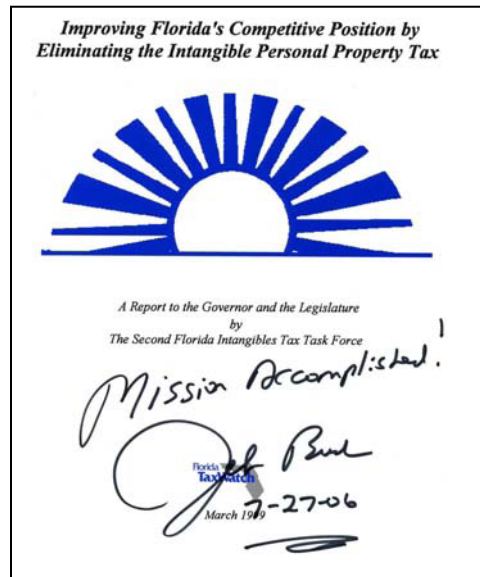
With a sweep of his pen and a grin, Governor Bush signed House Bill 209 on July 27, 2006, repealing the final phase of the state's intangibles tax during a ceremony attended by Florida TaxWatch and key legislators. The tax, whose repeal has been a long-standing recommendation of Florida TaxWatch, and its highest tax priority, is an annual personal property tax on assets such as stocks and bonds and the intangible assets of businesses.

The Governor acknowledged the contribution that Florida TaxWatch, its two task forces, and its members have played in providing sound research and recommendations in eliminating the tax. "Thank you for your leadership and support," he told Dominic M. Calabro, its President & CEO. He autographed a copy of the second Intangibles Tax Task Force report, with the notation "Mission Accomplished".

"The repeal of this tax eliminates the penalty on Floridians who take responsibility for their own retirement by saving and investing over a lifetime," the Governor said. "It will save 300,000 taxpayers more than \$131 million next year. It is a bad tax. Florida will no longer discourage its citizens from

preparing for the future."

"We commend the Governor and the Legislature for ridding the taxpayers of Florida once and for all of this antiquated, insidious tax," said Calabro.



Enacted in 1931, the tax eventually brought in almost \$1 billion annually to state and local governments, before a phased-in repeal began in 2000. The state is expected to take in \$189 million from the tax this year, the last year it will be collected.

"On behalf of the Florida TaxWatch

Center for a Competitive Florida, I applaud the Legislature and the Governor for accepting our recommendation of eight years ago and finally eliminating the archaic and anti-competitive annual Intangible Personal Property Tax assessments on business and individuals," said David McIntosh, Chairman of the Florida TaxWatch Center for a Competitive Florida who chaired both Intangibles Tax Task Forces in 1998 and 1999.

Research that Gets Results

The first Florida Intangibles Tax Task Force was created by Florida TaxWatch in 1998, at the request of the legislative leadership, to examine the impact the tax had on the economic development and competitive position of this state. The Task Force, which included Florida TaxWatch members, examined how the tax affects capital formation and job growth and suggested changes to help remove any impediment to economic development the tax created.

While a few states tax intangible assets to some degree, no state has a tax similar to Florida's. The Task Force found certain aspects of the intangibles tax
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deterred the economic development which Florida seeks. Testimony before the Task Force indicated that businesses have turned away from Florida as a result of certain features of this tax.

Florida TaxWatch research found that in the national marketplace, the intangibles tax puts Florida companies at a distinct disadvantage to their out-of-state competitors. The most anti-competitive features of the tax are the taxation of assets generated through a business's normal course of operations. This is primarily accounts receivable and, in the case of the financial services industry, their inventory of securities and loans. The Task Force also found there was still a significant compliance problem with the intangibles tax.

The Task Force made a number of recommendations, most of which were enacted into law by the 1998 Florida Legislature. These included phasing in an exemption for accounts receivable, exempting banks and insurance companies, and increasing the minimum amount due which required a taxpayer to pay.



Florida TaxWatch President Dominic M. Calabro receives a congratulatory handshake from Governor Jeb Bush, following the Governor's signing of the Intangibles Tax repeal.

The first Task Force was led by former Florida TaxWatch Chairman **David McIntosh** and its members included former Senator **Bill Bankhead**, former Representative **Bob Starks**, **Alan Johansen**, Florida TaxWatch Immediate Past Chairman **Barney Barnett**, **Jim McDowell**, **Bob Beall**, **Dominic M. Calabro**, **Marsha Cantrell**, **Rick Carroll**, **Mike Fields**, **Jim Higgins**, **Thomas James**, **Jeff Julien**, **Ramona MacKinnon**, **Randy Miller**, **Karen Phillips**, **Bill Rustin**, **John Smith**, **Bill Townsend**, and **Vicki Weber**.

Their success prompted the Legislature to request that Florida TaxWatch reconvene the Task Force to develop another set of recommendations for consideration during the 1999 General Session. The 1999 Task

Force's focus was more comprehensive, examining the impact the tax as a whole has on Florida.

The overriding conclusion reached by the Task Force was that the tax's drawbacks far outweigh its benefits and the state should take steps to eliminate the tax. The Task Force recommended and the legislature approved the beginning of the four-step phase-out of the tax, through the reduction in the millage and an increase in the exemption levels. The phase-out started in 2000, was interrupted due to the economic downturns of 9-11, but was completed successfully this month with the stroke of the Governor's pen.

The second Task Force was also chaired by **David McIntosh** and included **Barney Barnett**, **Steve Knopik**, **Barbara Burner**, **William Marks**, **Dominic M. Calabro**, **Randy Miller**, **Lee Evans**, **Bill O'Toole**, **Jim Higgins**, **Senator Ken Pruitt**, former Senator **Jim Horne**, **James Robinson**, **Jeff Julien**, and **Stephen Vogelsang**.

"I have great respect and appreciation for those members of each Task Force who worked so professionally, diligently and creatively in crafting the recommendations that were finally adopted," said McIntosh. "These individuals have made Florida better for all of us because of their foresight and efforts."

"Florida TaxWatch offers a wonderful example, through its Davis Productivity Awards program, of what can be done through effective government to make impacts that are second to none."

—Liza McFadden, President, Volunteer Florida Foundation