

**JANUARY 2004****Volume XIV, No. 1****ATTENTION CONSTRUCTION  
INDUSTRY: ALL CONSTRUCTION  
EXEMPTIONS HAVE EXPIRED**

All exemptions from workers' compensation for those working in the construction industry have expired, effective December 31, 2003. If you are engaged in the construction industry in Florida and have not either (1) filed for a re-issuance of your exemption or (2) become covered by workers' compensation insurance, you are breaking the law by continuing to work. Starting January 1, 2004, if you are in the construction industry, you must apply to have your exemption re-issued as the owner of a corporation or a limited liability company if you wish to be exempt from having to buy workers' compensation insurance.

If you have not already re-applied for your exemption OR become covered by workers' compensation insurance, you must act now or you should not continue to work. Most contractors will not allow you to come on their job site until you have either a workers' comp policy or a new exemption.

If you are in the construction industry and want to be eligible to have your exemption re-issued, you must own at least 10% of either a corporation or a limited liability company ("LLC"). FUBA can form either a corporation or an LLC for you. We charge \$200 (\$150 for FUBA members) to form a corporation and \$300 (\$250 for FUBA members) to form a LLC. While we cannot advise you on the tax or legal implications of forming either a corporation or limited liability company, we provide you with everything you need to get your new exemption. If you are interested in changing your business to a corporation or limited liability company, please call us at 800-262-4483.

**UNEMPLOYMENT COMPENSATION  
TAX RATES GOING UP**

Unemployment compensation taxes are going up for most Florida employers in 2004, as required by laws put in place to ensure that the state's unemployment compensation trust fund maintains a sufficient balance to protect workers.

Employers who pay the minimum rate will now have to pay \$24.50 per employee per year, which breaks down to \$3.50 for every \$1,000 in wages, up to a maximum of \$7,000 in wages. Previously, employers paying the minimum rate paid only \$9.10 per employee per year, or \$1.30 per \$1,000 in wages, up to a maximum of \$7,000 in wages. In Florida, wages above \$7,000 are not subject to the unemployment compensation tax.

For a small business with 10 employees, this increase will cost them an additional \$154 per year for all 10 employees.

The maximum tax rate, which is paid by about 18,000 Florida businesses that have had the most layoffs, will not change. The maximum rate is \$54 per \$1,000 per employee per year, up to a maximum of \$378.

The rate for new employers is also not going up. New businesses will pay \$189 per employee per year until they have accumulated enough time in the state unemployment compensation insurance program, with no benefit charges, to qualify for the minimum rate.

You should have already received a notice from the Florida Department of Revenue about your new unemployment comp tax rate, which is effective for the 2004 calendar year. The first payment under the new rates will be due April 1, 2004, with your first regular quarterly unemployment tax report.

## **MANY BUSINESSES TO BE EXEMPTED FROM STATE INTANGIBLE TAX**

Thanks to a 2002 law that dramatically increased exemptions from the state intangible tax, an estimated 600,000 Florida taxpayers and businesses will no longer be required to pay the intangible tax, starting in 2004.

The state intangible tax is an annual tax based on the current market value of “intangible” personal property owned, managed or controlled by Florida residents or persons doing business in Florida. Assets subject to intangible tax are taxed at a rate of \$1.00 per thousand dollars of value, according to their value on January 1 of each year. The most common types of taxable assets are:

- Stocks
- Shares of a mutual fund, including money market funds
- Ownership in a limited liability company
- Bonds
- Loans
- Notes
- Accounts receivable not arising from your normal course of trade or business

**Please note: Cash, IRA's, and other retirement plans are not subject to the intangible tax.**

Previously, individuals paid no tax on the first \$20,000 in assets subject to the tax, and couples filing jointly were not taxed on the first \$40,000 of taxable assets. Businesses received no exemption.

Starting in 2004, however, individuals will pay no tax on the first \$250,000 of assets subject to intangible tax. Couples filing jointly will pay no tax on the first \$500,000 of taxable assets.

And, for the first time ever, businesses will pay no tax on the first \$250,000 of assets. Any taxable intangible assets a business has over \$250,000 will be taxed at \$1 per thousand dollars of value.

In addition, taxpayers (including individuals and businesses) are not required to pay any tax if the amount they owe is less than \$60. For example, a couple owning less than \$560,000 in stocks, bonds and mutual funds would pay no tax.

These new exemptions will take effective for intangible tax returns due between January 1, 2004 and June 30, 2004. The first returns were mailed to taxpayers December 19, 2003. If you file between January 1 and May 31, you will qualify for a discount on the amount of tax you owe. The earlier you file, the greater the discount. [Please note: the return cannot be filed before January 1 because intangible property is taxed at its just value as of January 1 of each year.]

Thanks to this major increase in exemptions, the Florida Department of Revenue estimates that 186,000 couples filing jointly (representing 372,000 people), 142,000 individual filers, and 92,000 businesses will owe no tax in 2004 and will not be required to file an intangible tax return. This totals 606,000 taxpayers and business entities that will be totally exempt from the state intangible tax.

If you have questions about paying the state intangible tax, please contact your local accountant or tax professional. To receive information and the forms to file the intangible tax, visit the Department of Revenue's website at [www.myflorida.com/dor/forms](http://www.myflorida.com/dor/forms) or call the DOR Distribution Center at 850-488-8422.