

MARCH 2002

Volume XII, No. 3

TAX INCREASE UPDATE

As you may know, the Florida Senate has approved an historic tax increase on Florida's small businesses. Thankfully, the Florida House of Representatives has rejected the Senate's proposal to eliminate sales tax exemptions and extend the sales tax to most services provided by small businesses.

Because their proposal was voted down by the House, the Senate Appropriations Committee has approved a package of tax exemption eliminations, totaling about \$1 billion dollars. The money raised from eliminating these exemptions would be funneled into education. The exemptions eliminated include:

- Rental or lease of skyboxes or other box seats.
- Management services, management consulting services (including lobbyists and political consultant services)
- Public relations services
- Computer programming services, system design services, data processing services, and other computer-related services
- Radio and television broadcasting rights
- Music licensing fees
- Promotion-based advertising
- Tickets to the theater, opera and ballet performances
- Tanning salon services

This tax proposal is currently in the Senate budget and will be voted on by the full Senate very soon. FUBA still opposes this tax increase on businesses, especially in light of this economic climate. If you would like to voice your opposition to this tax increase, please call your Senator today.

PROPOSED LEGISLATION IMPORTANT TO SMALL BUSINESSES

This continues the discussion of business-related bills that are currently moving through the Florida Legislature. If you have any questions about them, please call the FUBA offices. We will continue to track these and other important bills as they move through the legislative process.

- **House Bill 913 (by Representative Frank Farkas, R-St. Petersburg) and Senate Bill 1134 (by Senator Jim King, R-Jacksonville)** try to address the skyrocketing costs of health insurance. These 2 bills would give small employers who have been unable to afford health insurance coverage for their employees the option of purchasing lower-cost flexible policies by allowing the sale of "flexible benefit policies." These policies would be allowed to have higher co-pays or deductibles and would allow policies that do not cover all of the 48 currently mandated benefits (like diabetes, cleft lip/cleft palate, etc.).
- **Senate Bill 2302 (by Senator Ken Pruitt, R-Port St. Lucie)** would require businesses with 10 or more employees to file their unemployment compensation quarterly report (UCT-6) electronically. These businesses would also be required to remit their unemployment taxes electronically, through electronic funds transfer. The bill also requires businesses that collect \$30,000 in sales tax annually to file their tax returns and remit the sales tax electronically. As a concession to small businesses, the bill sets up a waiver system so that businesses lacking the proper computer systems could opt out of the electronic filing mandate.
- **House Bill 651 (by Representative Holly Benson, R-Pensacola) and Senate Bill 264 (by Senator**

Jim King, R-Jacksonville) would require all construction companies doing business with the state to become drug-free workplaces.

INCREASED INTANGIBLE TAX EXEMPTIONS HAVE BEEN DELAYED

The Florida Legislature has delayed the increase of the exemptions for the state intangible personal property tax. This delay is due to current budgetary constraints.

- **When does this new law take effect?** The delay of the increased exemptions will apply to intangible personal property assessed for taxation on January 1, 2002. The final date to submit your intangible tax to the Department of Revenue is June 30, 2002. The increase in exemptions, as approved by the 2001 Legislature, is scheduled to be reinstated effective July 1, 2003 and will apply for the 2004 tax filing season.
- **What are the exemption levels for 2002?** Effective January 1, 2002, every individual filing an intangible tax return is entitled to an exemption of the first \$20,000 of the value of property subject to the annual tax. A husband and wife filing jointly are entitled to an exemption of \$40,000.
- **What will the exemptions be for 2004?** Scheduled to be effective on July 1, 2003, application to the 2004 filing season, every individual filing an intangible tax return will be entitled to an exemption of the first \$250,000 of the value of the property subject to the annual tax. A husband and wife filing jointly will be entitled to an exemption of \$500,000. Also, every taxpayer that is not a natural person (i.e., corporations, partnerships, etc.) will be entitled to an exemption of the first \$250,000 of the value of the property otherwise subject to the tax.
- **Will the exemption apply to everyone?** No. A person filing on behalf of another person, other than guardians and custodians, cannot

If you have any questions about the state intangible tax law or how the exemptions apply to your situation, please contact your local accountant

or tax preparer.

FILE AND PAY YOUR INTANGIBLE TAX ONLINE

The Florida Department of Revenue is now accepting intangible personal property tax returns and payments online, through their Internet site at www.myflorida.com/dor. The state intangible tax is paid annually on the value of stocks, bonds, and other investments.

The online application also contains a feature that will calculate the tax for you, which is especially helpful for taxpayers with a large number of stock holdings. You enter the name, class, number of shares, and value per share, and the total value of each stock will be calculated automatically.

Filing your return and payment electronically has several benefits:

- It eliminates math errors in calculating the tax owed.
- It eliminates paperwork. You no longer have to complete and submit a paper return. (Although you can still print a version of your completed return when you file online.)
- It eliminates the need to write a check.
- It ensures timely and proper credit to your tax account.
- It provides you with a confirmation (electronic receipt) that the tax return and payment were accepted.
- It eliminates errors in processing your return.

The Department of Revenue has taken steps to ensure that the data you transmit electronically is just as secure as the data you report on paper. The Internet site is protected by a secure socket layer (SSL), as well as encryption.

Individuals and corporations can use the online filing feature and transmit payment electronically. Tax preparers may file on behalf of their clients, as long as they have authorization from the client and the client's bank account/routing numbers.