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INTANGIBLE TAX MO MORE

After years of reducing the Florida Intangible Tax, it appears that the tax will be no more. As I am writing this article on April 28, I have a posting on a professional listerserv that I belong to indicating that the Florida Senate has passed a bill to eliminate the Florida Intangible Tax, now requiring only Governor Bush's signature to make it the law of the land.

The Florida Intangible Tax is (was?) a tax on the value of intangible personal property. Intangible personal property is taxed at the rate of 50 cents per thousand dollars of assets subject to the tax, with a married couple receiving \$500,000 of exemption and a single person receiving \$250,000 of exemption. Certain types of assets, such as cash in banks and qualified retirement plans, are exempt from intangible taxation.

So if a married couple has \$1 million in market funds, stocks, bonds and mutual funds, then the tax in 2006 after the exemption would have been \$250. Therefore, you can surmise why most professionals called it a "nuisance tax". A single person with the theoretical \$1 million of assets pays only \$375 of intangible tax.

When Florida rids itself of the intangible personal property tax it reminds us again what a

benefit it is to be a Florida resident. We have no state income tax, no state death or inheritance taxes, and our sales tax rate is low compared to other states. While some lament our increasing property taxes, becoming a Florida resident allows one to avail oneself of the "Save Our Homes" property tax assessment cap.

Eliminating the intangible tax also provides a beneficial means to use LLCs for privacy and asset protection planning. Under the intangible tax, LLC or S Corporation interests were subject to the personal property tax, while for some unexplained reason, partnership interests were not. LLCs offer some advantages when engaging in privacy and asset protection (I'll save that topic for another article), but a traditional downside included the intangible taxation of those same LLC interests. With the repeal of the intangible personal property tax, those avenues look that much more attractive.

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