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FURTHER REDUCTION IN FLORIDA SALES TAX RATE ON COMMERCIAL LEASES: WHAT LANDLORDS AND TENANTS NEED TO KNOW

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The Florida Department of Revenue announced through its Tax Information Publication (TIP) No: 24A01-02 on April 8, 2024 a further reduction in the sales tax rate on commercial leases under section 212.031, Florida Statutes, effective June 1, 2024.

As anyone who is involved in leasing commercial real property in Florida is aware, the State of Florida imposes a sales tax on rental payments for the lease of real property, including rentals of commercial office or retail space, warehouses, and self-storage units or mini-warehouses. The tax is imposed not only on the base rent, but also on any additional rent, or any consideration required to be paid by the tenant as a condition of occupancy. As a result, the tax is also due on the tenant's share of common area maintenance charges, real property taxes, and most other charges required under the lease.

Effective June 1, 2024, the state-level sales tax will be further reduced from 4.5% to 2.0% for rental payments received for occupancy periods beginning on or after June 1, 2024, plus any applicable discretionary sales surtax. Rental charges paid on or after June 1, 2024, for rental periods of December 1, 2023 through May 31, 2024, are subject to 4.5% state sales tax. But rental payments made prior to June 1, 2024, that entitle the tenant to occupy the real property on or after June 1, 2024, are subject to 2.0% state sales tax, plus any applicable discretionary sales surtax.

This change in tax rate does not impact the local option surtax that many Florida counties impose. For example, as of June 1, 2024, lease payments in Miami-Dade County, Broward County, and Palm Beach County will be taxed at a rate of 3.0% as each of those counties impose a local surtax rate of 1%.

Landlords and property management companies should be aware of the reduced state-level sales tax amount for lease payments related to rental periods starting in June and adjust their accounting software accordingly.

The reduced state sales tax rate on commercial rental does not, however, apply to (i) "transient rents" – which are rentals or leases of living, sleeping or housekeeping accommodations for six months or less, (ii) parking or storage spaces for motor vehicles in parking lots or garages, (ii) docking or storage spaces for boats in boat docks or marinas, or (iv) tie-down or storage space for aircraft at airports.

Related Team Member(s)

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