

## **Alert** | State & Local Tax (SALT)



May 2024

### **Florida State Sales Tax Rate on Most Commercial Leases Reduced to 2% Beginning June 1**

Effective June 1, Florida will reduce the state's portion of sales tax on commercial property leases from 4.5% to 2%. The local county option tax rate, which typically varies by county between 0.5% and 1.5%, will not change, so the combined state and county rate will total between 2.5% and 3.5%.

This mid-year adjustment flows from 2021 legislation mandating the reduction once the Florida reemployment tax trust fund replenished to pre-pandemic levels. That milestone was reached in April 2024, after which the Florida Department of Revenue announced the June 1 effective date for the state-level tax reduction.

The 2% state-level tax rate only applies to leases of commercial property, such as retail, office, warehouse, and industrial properties. The tax rate on many short-term and other residential rentals (such as hotel or home rental stays) remains at 6% (plus the local sales tax and local tourist development tax). A written lease for residential property for a term of more than six months that cannot unilaterally be terminated by either party without a penalty, however, is exempt from both the state and local tax. In addition, the reduced tax rate does not apply to motor vehicle parking or storage charges, boat dock rentals or storage, or aircraft tie-down or storage fees.

The reduced rate is only applicable to rental periods commencing June 1, 2024. Accordingly, if a rent payment for May 2024 is received in June, the prior 4.5% state-level rate (plus local option county tax) would apply to the portion of the rent applicable to periods prior to June 1, 2024. On the other hand, lease

payments for occupancy periods on or after June 1, 2024, would be subject to the new reduced rate even if the rent was paid prior to June 1.

Florida sales tax is due on all payments required to be made under the lease, including common area maintenance charges and real property taxes (even if the tenant pays the tax directly to the county tax collector). Furthermore, the local county option tax is also due on the entire rental charges. When making purchases of tangible personal property, the local county option tax is only due on the first \$5,000 of the purchase price, but this cap does not apply to a lease or license to use real property.

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