

Insights

New Law Reduces Florida's Sales Tax Rate on Commercial Rent

Lowndes Leasing Lawyers Blog
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Effective December 1, 2023, the State of Florida's sales tax rate on commercial real property lease payments (including base rent and additional rent) will be reduced from 5.5% to 4.5% for payments received for occupancy periods beginning on or after December 1, 2023. Examples of taxable commercial real property rentals include commercial office, retail space, warehouses, and self-storage units.

The new sales tax rate will be applicable to all payments of rent attributable to the period beginning on or after December 1, 2023, even if such amounts are prepaid prior to that time. For example, a Florida commercial tenant prepaying January 2024 rent in October 2023 will pay tax on such rent at the new reduced sales tax rate of 4.5%. Conversely, rent due in November 2023 will be subject to the 5.5% rate even if paid in December 2023.

Commercial landlords and management companies sending invoices for occupancy periods beginning on or after December 1, 2023, should update their records to account for the sales tax rate reduction.

Note that the sales tax reduction does not affect the local discretionary sales surtax imposed by many Florida counties. The new combined sales tax and discretionary sales surtax rate for certain Florida counties for 2023 are listed below:

County

Brevard County

5.5%

Hillsborough County

6.0%

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5.5%

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6.0%

Pinellas County

5.5%

Polk County

5.5%

Seminole County

5.5%

Volusia County

5.0%

As a reminder, Florida sales tax on commercial rent only applies to amounts paid as rent by commercial tenants. Sales of tangible personal property and certain services provided by commercial landlords to their tenants are subject to Florida's 6.0% sale tax, which is not impacted by this rate reduction.