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FLORIDA STATE SALES TAX RATE ON COMMERCIAL REAL ESTATE PROPERTY LEASES REDUCED FURTHER BEGINNING JANUARY, 2019

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As a follow up to my November 2017 post, the Florida Legislature passed a tax bill (HB 7087) which includes a further reduction in the sales tax rate on commercial leases.

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. 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.

Beginning on January 1, 2019, the state-level tax will be reduced from 5.8% to 5.7% for rental payments received for occupancy periods beginning on or after January 1, 2019. Rental charges paid on or after January 1, 2019 for rental periods prior to January 1, 2019 are subject to 5.8% state sales tax. But rental payments made on or before January 1, 2019 that entitle the tenant to occupy the leased premises on or after January 1, 2019 are subject to 5.7% 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, beginning January 1, 2019, lease payments in Miami-Dade County will be taxed at a rate of 6.7% as Miami-Dade County imposes 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 next year and adjust their accounting software accordingly.

For more information on this topic, please contact Barry Lapides on the firm's Business, Finance and Tax Team.

Related Team Member(s)

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