



December 2023

Florida Reduces Sales Tax Rate on Commercial Rent, Sec. 212.031(1)(d)

Effective December 1, 2023, the State of Florida's sale tax rate on commercial real property lease payments (base rent and additional rent) has been reduced to 4.5% (from the previous 5.5% rate). *The new tax rate impacts rent for occupancy periods beginning on or after December 1, 2023. Further, the new rate, coupled with county surtax rates, will be applied to rent prepayments for December 1, 2023, and thereafter.* The tax is effective for commercial real estate property rentals of office, retail, warehouse, and self-storage unit property types (the new rate does not apply to apartments and residential properties).

COUNTY DISCRETIONARY TAX

Each county imposes an additional County Discretionary Surtax. For example, Orange County imposes a .5% surtax and Miami-Dade County imposes a 1% surtax while Hillsborough County requires a 1.5% surtax. Accordingly, the combined sales tax and surtax would add 6% costs on a property leased in Tampa. To illustrate, if Client A enters into an office lease contract on a property in Tampa which stipulates a monthly rent of \$100,000, accordingly a 1.5% surtax in addition to the new 4.5% sales tax will be imposed, see chart below:

Example: Tampa, FL Hillsborough County			
	<u>Rate</u>	<u>Monthly</u>	<u>10 Years</u>
Full Service Rent ¹		\$100,000	\$12,000,000
Add: Sales Tax	4.5%	\$4,500	\$540,000
Add: County Surtax	<u>1.5%</u>	<u>\$1,500</u>	<u>\$180,000</u>
Total Rent + Tax	6.0%	\$106,000	\$12,720,000

¹Assumes no annual escalations

WHY DOES THIS MATTER?

A complete lease analysis should include Sales Tax and County Discretionary Surtax; We recommend including these taxes when you evaluate the cost of a lease.

FINANCIAL ADVISORY

Tampa Bay Industrial Advisors (TBIA) provides comprehensive financial analytic support and advisory services on a broad and technical basis for all our clients and transactions.

QUESTIONS? CONTACT THE TEAM FOR MORE INFO:



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