

Alert | State & Local Tax (SALT)



May 2023

Florida Legislature Reduces State-Level Sales Tax on Most Real Property Leases

Gov. DeSantis has signed House Bill 7063, which includes a reduction in the sales tax rate on leases of real property (other than short-term residential rentals).

Florida imposes its sales tax on the lease of or license to use real property. The general state-level sales tax rate on most taxable transactions is 6%. The tax rate on most real property leases or licenses had already been gradually reduced to 5.5% through prior legislation over the last six years. This new law will further reduce this tax rate to 4.5%, effective Dec. 1, 2023.

It is important to remember that this tax rate reduction does not apply to the local option tax imposed by most counties (between 0.5% and 1.5%, depending on the county). Consequently, the total real property lease tax rate will be imposed at a rate between 5% and 6%, depending on the location.

This favorable 4.5% state-level tax rate does not apply to all real property leases. It 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 leases 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 the 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 fees.

The reduced 4.5% tax rate is effective for periods of occupancy beginning on Dec. 1, 2023. Consequently, if a tenant paid their rent for November 2023 late – on or after Dec. 1 – the 5.5% state-level rate would be due (plus local option tax) because the rent would be attributable to a period prior to the effective date of the reduced rate. On the other hand, if a tenant paid their December 2023 rent early, prior to Dec. 1, 2023, the tax would be due at the new 4.5% rate.

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