

FLORIDA HOUSE OF REPRESENTATIVES

BILL ANALYSIS

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BILL #: [HB 503](#)

TITLE: Local Business Taxes

SPONSOR(S): Botana

COMPANION BILL: [SB 1196](#) (Truenow)

LINKED BILLS: None

RELATED BILLS: None

Committee References

[Ways & Means](#)

14 Y, 5 N



[Intergovernmental Affairs](#)

12 Y, 4 N



[State Affairs](#)

SUMMARY

Effect of the Bill:

The bill creates a limitation on the amount of revenue a local government may receive from local business taxes based on the revenue the local government received in local Fiscal Year (FY) ending September 30, 2024, or September 30, 2025, whichever is greater. The bill provides for rate reductions, refunds, and reporting requirements to implement the revenue limitation.

Fiscal or Economic Impact:

The Revenue Estimating Conference estimates the bill would have no impact on state government revenues and would have a recurring impact on local government revenues of -\$4.1 million dollars beginning in FY 2025-26.

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ANALYSIS

EFFECT OF THE BILL:

The bill creates a limitation on the amount of [revenue](#) a local government may receive from [local business taxes](#) under Chapter 205, F.S., based on the revenue from those taxes that the local government received in the local Fiscal Year (FY) ending September 30, 2024, or ending September 30, 2025, whichever is greater (the “revenue base”) (Section [6](#)). If a local government receives more local business tax revenue than the revenue base allows, the local government must proportionally reduce its tax rates and must issue refunds or credits to taxpayers. The bill provides guidance on how those refunds and credits must be calculated and when they must occur (Sections [4-7](#)). The bill provides that local business tax rate structures, classifications, and rates may not be increased or modified, other than to repeal them, after October 1, 2025 (Section [3](#)), and makes conforming changes to other sections of Chapter 205, F.S., as needed.

The limitations created by the bill do not apply to local governments that impose a business tax measured by gross receipts from the sale of merchandise or services, or both, and do not apply to fiscally constrained counties, as defined in [s. 218.67, F.S.](#), or to any municipality within a fiscally constrained county, for any year in which the county meets that definition (Section [6](#)).

The bill creates a new [s. 205.046, F.S.](#), which requires the local government’s [annual financial audit report](#) to include an affidavit signed by the chair of the governing board of the local government stating the local government has complied with the requirements of [s. 205.0535, F.S.](#), as revised by the bill (Section [8](#)). If the local government has not complied, the affidavit must include a description of the noncompliance and the corrective action taken by the local government to correct the noncompliance and prevent such noncompliance in the future. The bill requires the Auditor General to request evidence of corrective action from each local government not in compliance with [s. 205.0535, F.S.](#), and requires such local government to provide evidence of the initiation of corrective action within 45 days and evidence of completion of corrective action within 180 days after the date it is requested by the Auditor General (Section [2](#)). The Auditor General must notify the [Joint Legislative Auditing Committee](#) if the local

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DATE: 3/19/2025

government does not take corrective action within the specified timeframe or fails to comply with the Auditor General's request. (Section 1)

The bill is effective July 1, 2025.

FISCAL OR ECONOMIC IMPACT:

STATE GOVERNMENT:

The Revenue Estimating Conference estimates the bill would have no impact on state government revenues.

LOCAL GOVERNMENT:

The Revenue Estimating Conference estimates the bill would have a recurring impact on local government revenues of -\$4.1 million dollars beginning in FY 2025-26.

PRIVATE SECTOR:

The bill will limit the total local business taxes paid by businesses, which in some jurisdictions may lead to lower taxes paid by each business.

RELEVANT INFORMATION

SUBJECT OVERVIEW:

Local Business Taxes

The local business tax, authorized in Chapter 205, F.S., represents the fees charged and the method by which a local government authority grants the privilege of engaging in or managing any business, profession, or occupation within its jurisdiction. Counties and municipalities may levy a business tax, and the tax proceeds are considered general revenue for the local government.¹ This tax does not refer to any regulatory fees or licenses paid to any board, commission, or officer for permits, registration, examination, or inspection.²

Local business taxes are sometimes colloquially referred to as "business tax receipts." The term "receipt" in this case means the document issued by the local governing authority, which bears the words "Local Business Tax Receipt" and evidences that the person in whose name the document is issued has complied with the provisions of Chapter 205, F.S., relating to the business tax.³

History of Local Business Taxes

Prior to 1972, the state imposed an occupational license tax and shared the revenues with the counties. Municipalities levied their own occupational license taxes pursuant to local ordinances or resolutions. Counties had no authority to levy an occupational license tax until October 1, 1972, when Chapter 72-306, Laws of Florida, repealed the state tax and authorized both counties and cities to impose an occupational tax at the state or city rate then in effect. In 1980, the legislature authorized counties and municipalities to increase rates by a specified percentage based on the rates then in effect.⁴ In 1986, the legislature authorized Miami-Dade, Broward, Monroe, and Collier counties to increase their rates by an additional 50 percent, with the proceeds being dedicated to specified economic development activities.⁵

Effective January 1, 2007, the legislature changed the name of the Local Occupational License Tax to the Local Business Tax.⁶ This was done in response to some individuals representing that the fact they had obtained an

¹ Sections [205.033, F.S.](#), and [205.042, F.S.](#)

² Section [205.022\(5\), F.S.](#)

³ Section [205.022\(2\), F.S.](#)

⁴ Chapter 80-274, L.O.F.

⁵ Chapter 86-298, L.O.F.

⁶ Chapter 2006-152, L.O.F.

“occupational license” under Chapter 205, F.S., conferred upon them some type of official proof of their competency to perform various repairs and services. The name change was intended to clarify that the payments made under Chapter 205, F.S., were taxes and not some type of regulatory fee.

New Tax Levies

A county or municipality that has not yet adopted a business tax ordinance or resolution may adopt a business tax ordinance pursuant to [s. 205.0315, F.S.](#) The tax rate structure and classifications in the adopted ordinance must be reasonable and based upon the rate structure and classifications prescribed in ordinances adopted by adjacent local governments that have implemented a local business tax.⁷ If no adjacent local government has implemented a local business tax, or if the governing body of the county or municipality finds that the rate structures or classifications of adjacent local governments are unreasonable, then an alternative method is authorized. In such a case, the rate structure or classifications prescribed in the ordinance of the local government seeking to impose the tax may be based upon those prescribed in ordinances adopted by local governments that have implemented a local business tax in counties or municipalities that have a comparable population.⁸

Tax Base/Rate Restructuring

Currently, counties and municipalities with an existing local business tax may not reclassify businesses, professions, and occupations.⁹ However, those counties and municipalities that underwent a reclassification and rate structure revision pursuant to [s. 205.0535, F.S.](#), prior to October 1, 1995, or during a window of time available from July 1, 2007, through October 1, 2008, for certain municipalities, may, every other year, increase or decrease by ordinance the rates of business taxes by up to 5 percent.¹⁰ However, an increase may not be enacted by less than a majority plus one vote of the governing body.¹¹ A county or municipality is not prohibited from decreasing or repealing any authorized local business tax.¹²

Local Business Tax Revenues

The revenues derived from the business tax imposed by county governments, exclusive of the costs of collection and any credit given for municipal business taxes, are apportioned between the county’s unincorporated area and the incorporated municipalities located within the county by a ratio derived by dividing their respective populations by the county’s total population.¹³ Within 15 days following the month of receipt, the apportioned revenues are sent to each governing authority; however, this provision does not apply to counties that have established a new rate structure pursuant to [s. 205.0535, F.S.](#)¹⁴

The tax proceeds are considered general revenue for the county or municipality. Additionally, county business tax proceeds may be used to oversee and implement a comprehensive economic development strategy through advertising, promotional activities, and other sales and marketing techniques.¹⁵ The proceeds of the additional county business tax imposed pursuant to [s. 205.033\(6\), F.S.](#), must be distributed by the county’s governing body to a designated organization or agency for the purpose of implementing a comprehensive economic development strategy through advertising, promotional activities, and other sales and marketing techniques.¹⁶

In Local Fiscal Year (LFY) 2022-23, the most recent year for which preliminary data is available, counties collected a total of \$51.5 million of local business tax revenue.¹⁷ In that same LFY, municipalities collected a total of \$167.2 million of local business tax revenue.¹⁸

⁷ Section [205.0315, F.S.](#)

⁸ *Id.*

⁹ Section [205.0535, F.S.](#)

¹⁰ Section [205.0535\(4\), F.S.](#)

¹¹ *Id.*

¹² *Id.*

¹³ Section [205.033\(4\), F.S.](#)

¹⁴ Section [205.033\(5\), F.S.](#)

¹⁵ Section [205.033\(7\), F.S.](#)

¹⁶ Section [205.033\(6\)\(b\), F.S.](#)

¹⁷ Revenue Estimating Conference Workpapers for HB 503, Impact Conference dated February 28, 2025, available at https://edr.state.fl.us/Content/conferences/revenueimpact/archives/2025/_pdf/page67-78.pdf (last visited March 8, 2025).

¹⁸ *Id.*

Administrative Procedures

In order to levy a business tax, the governing body must first give at least 14 days of public notice between the first and last reading of the resolution or ordinance by publishing a notice in a newspaper of general circulation within its jurisdiction as defined by law.¹⁹ The public notice must contain the proposed classifications and rates applicable to the business tax.²⁰ A number of other conditions for levy are imposed on counties and municipalities.²¹

The governing body of a municipality that levies the tax may request that the county in which the municipality is located issue the municipal receipt and collect the tax.²² The governing body of a county that levies the tax may make the same request of a municipality.²³ However, before any local government issues any business receipts on behalf of another local government, those governments must adopt an interlocal agreement.²⁴ All business tax receipts are sold by the appropriate tax collector beginning July 1 of each year.²⁵ The taxes are due and payable on or before September 30 of each year, and the receipts expire on September 30 of the succeeding year.²⁶ In several situations, administrative penalties are also imposed.²⁷

Local Government Financial Reports and Audits

Annual Financial Reports

Florida law requires all units of local government to complete annual financial reports and annual financial audit reports. Each unit of local government must submit its annual financial report to the Department of Financial Services (DFS) within nine months of the completion of its FY.²⁸ A unit of local government required to have a financial audit conducted must also file a copy of the audit report along with its annual financial report within the same time period.²⁹ If a local government fails to file a completed annual financial report within the required period, DFS must notify the Joint Legislative Auditing Committee.³⁰

Annual Financial Audits

Each county and each municipality with revenues or total expenditures and expenses exceeding \$250,000 must have an annual financial audit prepared by an independent certified public accountant, unless the local government has been notified before the start of the FY that the Auditor General will conduct a financial audit for that year.³¹ Municipalities with revenues (or a total of expenditures and expenses) between \$100,000 and \$250,000 are required to conduct a financial audit every three years.³² The financial audit must be performed according to specific statutory criteria and the rules of the Auditor General.³³

The auditor is required to prepare an audit report in accordance with the rules of the Auditor General.³⁴ The audit report must be filed with the Auditor General within 45 days after delivery of the audit report to the governing body of the audited entity, but no later than nine months after the end of the audited entity's FY.³⁵ The audit report must include a written statement describing corrective actions to be taken in response to each of the auditor's recommendations included in the audit report.

¹⁹ Sections [205.033, F.S.](#) and [205.042, F.S.](#)

²⁰ *Id.*

²¹ Sections [205.033, F.S.](#) and [205.043, F.S.](#)

²² Section [205.045, F.S.](#)

²³ *Id.*

²⁴ *Id.*

²⁵ Section [205.053, F.S.](#)

²⁶ *Id.*

²⁷ *Id.*

²⁸ Section [218.32\(1\)\(d\), F.S.](#)

²⁹ Section [218.32\(1\)\(f\), F.S.](#)

³⁰ Section [218.32\(1\)\(d\), F.S.](#)

³¹ Section [218.39\(1\)\(a\) and \(b\), F.S.](#)

³² Section [218.39\(1\)\(g\), F.S.](#)

³³ Section [218.39\(2\)-\(7\), F.S.](#) See Report No. 2025-051, Review of Local Governmental Entity 2022-23 Fiscal Year Audit Reports (November 2024), at https://flauditor.gov/pages/pdf_files/2025-051.pdf (last visited March 8, 2025), for information regarding audits of local governments.

³⁴ Section [218.39\(7\), F.S.](#)

³⁵ Section [218.39\(7\), F.S.](#)

The Auditor General must notify the Joint Legislative Auditing Committee of any audit report prepared pursuant to [s. 218.39, F.S.](#), which indicates that an audited entity has failed to take full corrective action in response to a recommendation that was included in the two preceding financial audit reports.³⁶

[Joint Legislative Auditing Committee](#)

The Joint Legislative Auditing Committee is a joint committee of the Florida Legislature, established by the Joint Rules of the Florida Legislature and [s. 11.40, F.S.](#), that is tasked with continuous oversight of government operations through the auditing and review activities of the Auditor General and the Office of Program Policy Analysis and Government Accountability (OPPAGA).³⁷ After receiving a notification from the Auditor General, the Joint Legislative Auditing Committee may direct the governing body of the audited entity to provide a written statement to the committee explaining why full corrective action has not been taken or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.³⁸ If the Joint Legislative Auditing Committee determines that the written statement is not sufficient, it may require the chair of an audited entity or the chair's designee to appear before the committee.³⁹ If the Joint Legislative Auditing Committee determines that an audited entity has failed to take full corrective action for which there is no justifiable reason for not taking such action or has failed to comply with committee requests made pursuant to this section, the committee may proceed in accordance with [s. 11.40\(2\), F.S.](#)⁴⁰

Section [11.40, F.S.](#), governs the Joint Legislative Auditing Committee, including the scope of its authority and actions it may take in specified circumstances. In the case of a local governmental entity or district school board, these actions include, but are not limited to, directing the Department of Revenue (DOR) and DFS to withhold any funds not pledged for bond debt service satisfaction that are payable to such entity until the entity complies with the law.⁴¹

BILL HISTORY

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
Ways & Means Committee	14 Y, 5 N	3/13/2025	Aldridge	Berg
Intergovernmental Affairs Subcommittee	12 Y, 4 N	3/19/2025	Darden	Darden
State Affairs Committee				

³⁶ Section [218.39\(8\), F.S.](#)

³⁷ Section [11.40, F.S.](#), See also, Joint Legislative Auditing Committee, http://www.leg.state.fl.us/cgi-bin/View_Page.pl?File=about.cfm&Directory=committees/joint/Icla/&Tab=committees (last visited March 8, 2025).

³⁸ Section [218.39\(8\)\(a\), F.S.](#)

³⁹ Section [218.39\(8\)\(b\), F.S.](#)

⁴⁰ Section [218.39\(8\)\(c\), F.S.](#)

⁴¹ Section [11.40\(2\)\(a\), F.S.](#)