

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

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Prepared By: The Professional Staff of the Committee on Appropriations

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BILL: HB 7031

INTRODUCER: Ways & Means Committee and Representatives Duggan and Black

SUBJECT: Sales Tax Rate Reductions

DATE: June 5, 2025

REVISED: \_\_\_\_\_

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ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1. <u>Khan</u>	<u>Sadberry</u>	<u>AP</u>	<u>Pre-meeting</u>

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## I. Summary:

HB 7031 reduces the general rate of Florida’s sales tax by 0.75 percent. Additionally, the bill reduces also all other sales tax rates by 0.75 percent. The rate on commercial rent is reduced from two to 1.25 percent, the rate on electricity is reduced from 4.35 to 3.6 percent, the rate on sales of new mobile homes is reduced from three to 2.25 percent, and the rate on coin-operated amusement machines is reduced from four to 3.25 percent; as well as making conforming changes to implement the rate reductions.

To implement the rate change provisions, the bill makes technical changes, including updates to divisors used for sales from amusement machines and vending machines (Section 5 and 8).

The Revenue Estimating Conference determined that the bill will reduce revenues by \$4,978.3 million in Fiscal Year 2025-2026, \$5,591.7 million in Fiscal Year 2026-2027, and \$5,755.9 million each year thereafter. See Section V. Fiscal Impact Statement for more detail on the fiscal impact.

## II. Present Situation:

### Overview of Florida Sales and Use Tax

Florida levies a six percent tax on the sale or rental of most items of tangible personal property,<sup>1</sup> admissions,<sup>2</sup> transient rentals,<sup>3</sup> and a limited number of services. Sales tax is added to the price of the taxable good or service and collected from the purchaser at the time of sale.<sup>4</sup>

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<sup>1</sup> Section 212.05(1)(a)1.a., F.S.

<sup>2</sup> Section 212.04(1)(b), F.S.

<sup>3</sup> Section 212.03(1)(a), F.S.

<sup>4</sup> Section 212.07(2), F.S.

The governing body of a county and school boards are authorized to levy local discretionary sales surtaxes in addition to the state sales tax.<sup>5</sup> A surtax applies to “all transactions ... subject to the state tax ... on sales, use, services, rentals, admissions, and other transactions ....”<sup>6</sup> In counties with discretionary sales surtaxes, the combined county and school board rates vary from 0.5 to two percent.<sup>7</sup> Two counties, Citrus and Collier, have no discretionary sales surtax levies.

The Florida Legislature passed the “Florida Revenue Act of 1949”<sup>8</sup> which imposed a three percent tax on the privilege of engaging in the business of renting certain real property, selling admissions to certain places of amusement, and selling tangible personal property. The sales tax rate has been adjusted several times since:

- In 1957, the exemption for inexpensive clothing and several other exemptions were removed, and a one percent sales tax on motor vehicles was adopted.<sup>9</sup>
- In 1968, the Legislature increased the sales tax rate from three percent to 4 percent on most goods, increased the rate on motor vehicles from one percent to three percent, and imposed a 4 percent tax on the sale of electricity and the rental of commercial offices and buildings, parking and docks, and certain other items.<sup>10</sup>
- In 1971, the Legislature began taxing motor vehicles at the statewide 4 percent rate.<sup>11</sup>
- In 1982, the Legislature increased the general sales tax rate from 4 percent to 5 percent, with half of the increase (the “local government half-cent sales tax”) pledged to cities and counties to help with property tax relief.<sup>12</sup>
- In 1986, to increase revenue available for the state budget,<sup>13</sup> the Legislature broadened the sales and use tax to include the sale of services.<sup>14</sup>
- After a series of special sessions on the issue, the Legislature repealed the services tax and instead increased the general sales tax rate from 5 percent to six percent, effective January 1, 1988.<sup>15</sup>

### **Commercial (Business) Rent**

Tax is due on the rental of all real property other than agricultural, residential, or certain other property.<sup>16</sup> This tax is commonly referred to as the Business Rent Tax, and applies to all consideration due and payable by the tenant for the right to use or occupy real property.<sup>17</sup> The

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<sup>5</sup> Section 212.055, F.S.

<sup>6</sup> Section 212.054(2)(a), F.S.

<sup>7</sup> FLA. DEP’T OF REVENUE, *Discretionary Sales Surtax Information for Calendar Year 2025*, available at [https://floridarevenue.com/Forms\\_library/current/dr15dss.pdf](https://floridarevenue.com/Forms_library/current/dr15dss.pdf) (last visited June 3, 2025).

<sup>8</sup> Chapter 26319, L.O.F. (1949)

<sup>9</sup> Chapter 57-398, L.O.F.

<sup>10</sup> Chapter 68-27, L.O.F.

<sup>11</sup> Chapter 71-360, L.O.F.

<sup>12</sup> Chapter 82-154, L.O.F.

<sup>13</sup> Florida Department of Revenue, *The Impact of Ch. 86-166, Laws of Florida, 1986* (1986). Walter Hellerstein Papers. 4., p. 2, available at: <https://digitalcommons.law.uga.edu/hellerstein/4/>, (last visited June 2, 2025).

<sup>14</sup> Chapter 86-166, L.O.F.

<sup>15</sup> Chapter 87-548, L.O.F.

<sup>16</sup> Section 212.031, F.S.

<sup>17</sup> Section 212.031(1)(c), F.S.

rate applicable to these charges is based on the time that the tenant uses, occupies, or is entitled to use or occupy the real property, regardless of when the rental payments are made.<sup>18</sup>

Charges for the rental of real property by businesses were first made subject to the sales tax in 1968, at the rate of 4 percent.<sup>19</sup> When the general sales tax rate increased to 5 percent<sup>20</sup> and then six percent,<sup>21</sup> charges for commercial rent increased to those same rates.

Since 2017, the Legislature has reduced the tax on charges for commercial rent. The rate was reduced from six percent to 5.8 percent, effective January 1, 2018.<sup>22</sup> The following year, the rate was reduced from 5.8 percent to 5.7 percent, effective January 1, 2019.<sup>23</sup> In 2019, the rate was reduced to 5.5 percent, effective January 1, 2020.<sup>24</sup> In 2023, the Legislature further reduced the rate from 5.5 percent to 4.5 percent, effective December 1, 2023.<sup>25</sup>

Pursuant to section 14 of Chapter 2021-2, L.O.F., on the first day of the second month following the notification that a specified trust fund had reached a specific balance, the rate was scheduled to be further reduced to two percent. The trust fund reached the specified balance in spring 2024, and the rate reduction to the current two percent rate was effective June 1, 2024.<sup>26</sup>

### **Electricity**

Charges for electricity were first made subject to the sales tax in 1968, at the rate of 4 percent.<sup>27</sup> When the general sales tax rate increased to 5 percent<sup>28</sup> and then six percent,<sup>29</sup> the rates for the sale of electrical power increased to those same rates. In 1992, the rate was further increased to seven percent on electrical power.<sup>30</sup>

In 2014, the sales tax rate was reduced to 4.35 percent on electrical energy.<sup>31</sup>

Since March 1, 1972,<sup>32</sup> only non-residential accounts have been subject to sales tax on electrical energy.<sup>33</sup>

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<sup>18</sup> Section 212.031(1)(e), F.S.

<sup>19</sup> Chapter 68-27, L.O.F.

<sup>20</sup> Chapter 82-154, L.O.F.

<sup>21</sup> Chapter 87-548, L.O.F.

<sup>22</sup> Section 21, Chapter 2017-36, L.O.F.

<sup>23</sup> Section 33, Chapter 2018-118, L.O.F.

<sup>24</sup> Section 5, Chapter 2019-42, L.O.F.

<sup>25</sup> Section 22, Chapter 2023-157, L.O.F.

<sup>26</sup> Florida Department of Revenue, *Taxpayer Information Publication No. 24A01-02*, Issued April 8, 2024, available at: [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://floridarevenue.com/taxes/tips/Documents/TIP\\_24A01-02.pdf](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://floridarevenue.com/taxes/tips/Documents/TIP_24A01-02.pdf) (last visited June 2, 2025).

<sup>27</sup> Chapter 68-27, L.O.F.

<sup>28</sup> Chapter 82-154, L.O.F.

<sup>29</sup> Chapter 87-548, L.O.F.

<sup>30</sup> Chapter 92-319, L.O.F.

<sup>31</sup> Section 2, Chapter 2014-38, L.O.F. In the same bill, a gross receipts tax of 2.6 percent on the same sales was levied, in essence shifting this share of the proceeds of this tax to the Public Education Capital Outlay Fund.

<sup>32</sup> Chapter 71-985, L.O.F.

<sup>33</sup> Section 212.08(7)(j), F.S.

## Coin-Operated Amusement Machines

In 1991, the Legislature defined “coin-operated amusement machine” as “any machine operated by coin, slug, token, coupon, or similar device for the purposes of entertainment or amusement. The term includes, but is not limited to, coin-operated pinball machines, music machines, juke boxes, mechanical games, video games, arcade games, billiard tables, moving picture viewers, shooting galleries, and all other similar amusement devices.”<sup>34</sup> The Legislature imposed a six percent tax rate on such machines.<sup>35</sup> The tax was lowered to 4 percent effective January 1, 1995.<sup>36</sup>

## Mobile Homes

Mobile Homes have been subject to sales tax since 1985.<sup>37</sup> In 2022, the legislature reduced the tax rate on the sale of a new mobile home from six percent to three percent.<sup>38</sup> Mobile home has the same definition as s. 319.001, Florida Statutes, as “a mobile home the equitable or legal title to which has never been transferred by a manufacturer, distributor, importer, or dealer to an ultimate purchaser;”

### III. Effect of Proposed Changes:

The bill reduces the general rate of Florida’s sales tax, by 0.75 percent. (Sections 2, 4, 5, 6, 9, 10, and 11)

In addition, the bill also reduces all other sales tax rates by 0.75 percent:

- The rate on commercial rent is decreased from two to 1.25 percent (Section 3), The rate on electricity is decreased from 4.35 to 3.6 percent (Sections 1, 5, and 7)
- The rate on sales of new mobile homes is decreased from three to 2.25 percent (Section 5), and
- The rate on coin-operated amusement machines is decreased from 4 to 3.25 percent (Section 5).

To implement the rate change provisions, the bill makes technical changes to implement these rate changes, including updates to divisors used for sales from amusement machines and vending machines (Section 5 and 8).

The bill provides Department of Revenue with emergency rulemaking authority (Section 12). The bill becomes effective July 1, 2025 (Section 13). The emergency rulemaking provision become effective upon becoming a law.

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<sup>34</sup> Section 170, Chapter 91-112, L.O.F.

<sup>35</sup> Id.

<sup>36</sup> Chapter 96-397, L.O.F.

<sup>37</sup> Chapter 85-348, L.O.F.

<sup>38</sup> Chapter 2022-97, L.O.F.

**IV. Constitutional Issues:****A. Municipality/County Mandates Restrictions:**

Article VII, s. 18(b) of the Florida Constitution provides that, except upon the approval of each house of the Legislature by a two-thirds vote of the membership, the Legislature may not enact, amend, or repeal any general law if the anticipated effect of doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. However, the mandates requirements do not apply to laws having an insignificant impact,<sup>39</sup> which is \$2.4 million or less for Fiscal Year 2025-2026.<sup>40</sup>

The bill does not reduce the authority local governments have to raise revenue because the rate reduction does not affect the local option sales tax; therefore, this bill may not be a mandate subject to the requirements of Art. VII, s. 18(b) of the Florida Constitution.

**B. Public Records/Open Meetings Issues:**

None.

**C. Trust Funds Restrictions:**

None.

**D. State Tax or Fee Increases:**

This bill does not create or raise a state tax or fee. Therefore, the requirements of Art. VII, s. 19 of the Florida Constitution do not apply.

**E. Other Constitutional Issues:**

None identified.

**V. Fiscal Impact Statement:****A. Tax/Fee Issues:**

The Revenue Estimating Conference determined that the bill will reduce revenues by \$4,978.3 million in Fiscal Year 2025-2026, \$5,591.7 million in Fiscal Year 2026-2027, and \$5,755.9 million each year thereafter.

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<sup>39</sup> FLA. CONST. art. VII, s. 18(d). An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year multiplied by \$0.10. See FLA. SENATE COMM. ON CMY. AFFAIRS, Interim Report 2012-115: Insignificant Impact, (September 2011), available at <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited April 13, 2025).

<sup>40</sup> Based on the Demographic Estimating Conference's estimated population adopted on February 4, 2025. The conference packet is available at [https://edr.state.fl.us/Content/conferences/population/ConferenceResults\\_Tables.pdf](https://edr.state.fl.us/Content/conferences/population/ConferenceResults_Tables.pdf) (last visited April 13, 2025).

General revenue will decrease by \$4,483.2 million in Fiscal Year 2025-2026, \$5,035.5 million in Fiscal Year 2026-2027, and \$5,183.3 million each year thereafter.

Local revenues will decrease by \$494.8 million in Fiscal Year 2025-2026, \$555.8 million in Fiscal Year 2026-2027, and \$572.2 million each year thereafter. The bill does not affect local option sales tax revenues.

Trust fund revenues will decrease by \$0.3 million in Fiscal Year 2025-2026, \$0.4 million in Fiscal Year 2026-2027, and \$0.4 million each year thereafter.

**B. Private Sector Impact:**

None.

**C. Government Sector Impact:**

None.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Statutes Affected:**

This bill substantially amends the following sections of the Florida Statutes: 203.0011, 212.03, 212.031, 212.04, 212.05, 212.0501, 212.05011, 212.0515, 212.0506, 212.06, and 212.08

**IX. Additional Information:**

**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

**B. Amendments:**

None.