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Real Estate Alert

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Florida eliminates sales tax on commercial real estate leases

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Florida will eliminate sales tax on commercial real estate leases starting October 1, 2025, reducing costs for businesses, landlords, and tenants across the state.



What's the impact?

- The repeal eliminates the commercial lease 3%–3.5% tax burden (both the State Business Rent Tax and County Surtax); sales tax on other rental income remains in effect.
- Lease payments for occupancy before October 1, 2025, are still taxable, even if paid after that date, and audit liabilities may persist for up to three years.

A recently approved bill by the Florida Legislature and Governor, House Bill 7031 (HB 7031), repeals the state sales tax on commercial property leases starting October 1, 2025. This change entirely eliminates both the state-level tax (currently at 2%) and local option surtaxes (typically 1% to 1.5%), removing a combined tax burden of 3% to 3.5% on commercial lease payments.

How does Florida define “commercial property?”

Under Florida law, “[commercial property](#)” means real property other than residential property, which includes (but is not limited to) properties zoned multifamily residential that are composed of five or more dwelling units, and real property used for commercial, industrial, or agricultural purposes.

When does the change take effect?

The repeal becomes effective on October 1, 2025. It’s important to note that the sales tax applies based on the occupancy period, not the date the payment is made. For instance, if rent covering October or a subsequent month is paid in advance, and that period falls after the repeal date, then no sales tax would apply to those payments.

What will still be taxable?

Despite the repeal, not all rental transactions will be tax-free. HB 7031 targets only Section 212.031 of the Florida Statutes, which governs commercial real estate leases. It does not repeal Section 212.03, which means certain other property-related rentals remain taxable, such as:

- / Short-term residential rentals (unless under a lease longer than six months)
- / Parking space rentals
- / Boat slips and docking facilities
- / Aircraft hangar leases

These uses continue to fall under separate tax rules and remain subject to sales tax.

Tax still applies to pre-October 2025 periods

Businesses should be aware that lease payments related to occupancy prior to October 1, 2025, are still taxable, even if paid after that date. For example, if a tenant catches up on August or September rent in mid-October, those amounts will remain subject to the existing sales tax.

The same holds true for retroactive rent adjustments. If a landlord later charges tenants additional amounts (e.g., due to increased property taxes stemming from a dispute resolution), and the extra charges relate to the period before the effective repeal date, sales tax must still be assessed on those charges.

Successor liability considerations

Even after the tax is repealed, parties involved in the sale of commercial real estate must remain cautious. The Florida Department of Revenue (DOR) retains the authority to audit previously filed tax returns and assess any outstanding tax liabilities for up to three years. Buyers should require the seller to provide a certificate of compliance from the DOR, verifying that all taxes have been properly reported and paid.

For more information on how the tax change may affect your lease or rent collection, please contact your Nixon Peabody attorney or:

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