



FLORIDA'S COMMERCIAL REAL ESTATE SECTOR CALLS FOR PHASE-OUT OF COMMERCIAL RENT TAX

Florida is the only state in the country that imposes sales tax on commercial real estate leases.

This unusual and unjust situation is:

- Hampering job creation, especially for small businesses;
- Slowing economic development;
- Subjecting businesses to disproportionate regulatory burdens;
- Producing instances of double taxation; and
- Creating a competitive disadvantage for Florida compared to other states.

Background

- The commercial real estate industry in Florida accounts for 627 million square feet of property, contributing \$9.3 billion to the state economy, and directly supporting 86,000 jobs – conservative estimates from BOMA International’s economic impact study, “Where America Goes to Work.” When the impact on all industries that rent or own buildings is considered, particularly including the retail sector, these numbers can be multiplied many times over. A vibrant commercial real estate industry is a key contributor to our communities and to the quality of life that has become synonymous with the State of Florida.
- The commercial rent tax is estimated to extract more than \$700 million annually. A phase out of this excessive sales tax will allow employers and small businesses to expedite economic development; reduce regulatory burdens; remove instances of double taxation (related to paying sales taxes on property taxes); and restore our competitive positioning when attracting employers to Florida. On top of these direct benefits, the resulting economic expansion will benefit all citizens of Florida and generate increased tax revenue for the state.
- We stand ready to assist the state in remedying this unfair tax and identifying sensible options that will result in a more equitable solution. Historically, the tax has been imposed at a rate of 6 percent, but in the last two years the legislature has twice chipped away at the rate, which now stands at 5.7%. These actions are appreciated, and they represent positive momentum on this critical issue.

Action Requested

Now is the time to establish a planned phase-out of the sales tax on commercial real estate leases. There are three pieces of legislation this session that would further this goal. The commercial real estate industry encourages support of the language related to the commercial rent tax in the following bills:

SB 618 (Sen. Keith Perry) - SB 1112 (Sen. Joe Gruters) - SB 1642 (Sen. George Gainer)

The commercial real estate industry trade organizations supporting this position statement, listed below, represent the largest tax-paying base in the state of Florida.

- The Building Owners and Managers Association (BOMA) International is a federation that advances a vibrant commercial real estate industry through advocacy, influence and knowledge. BOMA Florida represents over 1,000 members throughout the State of Florida. The organization includes owners and third-party managers, as well as associate members servicing the commercial industry. www.bomafloida.org
- The mission of Florida Realtors is to advance Florida's real estate industry by shaping public policy on real property issues; encouraging, promoting and teaching consistent standards for ethical practice and professionalism; and building on the efforts of local Boards/Associations to provide the information and tools members need to succeed." Florida Realtors is the largest trade association in the state with more than 130,000 members. <http://www.floridarealtors.org>
- The Florida Restaurant & Lodging Association was established in 1946 to represent the restaurant industry. Since that time, the scope of FRLA's representation has expanded to include the entire hospitality industry including lodging establishments, restaurants and thousands of suppliers to the industry. The association counts among its members some of the largest businesses in each of these categories. <http://www.frla.org>
- The Florida Retail Federation (FRF) is the statewide trade association that represents retailers in Florida's legislative and regulatory processes and provides cost-saving services. FRF is the advocate of the state's second largest industry – retailing. Florida retailers provide more than \$25 billion in wages annually, provide one out of every five jobs, and collect and remit over \$19 billion in sales and retail-related taxes for Florida's government. <http://www.frf.org>
- The Florida Self Storage Association represents the owners, operators, and staff of more than 3,000 storage facilities in the state. More than 80% of storage owners and operators in Florida are small businesses based in the state.
- International Council of Shopping Centers (ICSC) serves the global retail real estate industry. We provide our 70,000-plus member network in over 100 countries with invaluable resources, connections and industry insights, and we actively work together to shape public policy. For more about ICSC, visit icsc.org.
- NAIOP, the Commercial Real Estate Development Association, is the leading organization for developers, owners, and related professionals in office, industrial, retail, and mixed-use real estate. NAIOP comprises 15,000 members in North America and advances responsible commercial real estate development, ownership, and investment while advocating for effective public policy. NAIOP of Florida is the state legislative organization representing five regional chapters and 1,000 members in Florida. www.naiopfl.org