

FLORIDA HOUSE OF REPRESENTATIVES BILL ANALYSIS

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BILL #: [PCB WMC 25-01](#)

TITLE: Sales Tax Rate Reductions

SPONSOR(S): Ways & Means Committee

COMPANION BILL: None

LINKED BILLS: None

RELATED BILLS: None

Committee References

[Orig. Comm.: Ways & Means](#)

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SUMMARY

Effect of the Bill:

The bill reduces the general rate of Florida's sales tax, which has been 6% since 1988, by 0.75%. In addition, the bill reduces all other sales tax rates by the same 0.75%. This includes reducing the rate on commercial rent from 2.0% to 1.25%, the rate on electricity from 4.35% to 3.6%, the rate on sales of new mobile homes from 3.0% to 2.25%, and the rate on coin-operated amusement machines from 4.0% to 3.25%; as well as making conforming changes to implement the reductions.

The bill grants the Department of Revenue emergency rulemaking authority and is effective July 1, 2025; except for the emergency rulemaking provision, which is effective upon becoming a law.

Fiscal or Economic Impact:

Staff estimates the bill will have a negative recurring impact \$4,886.7 million on General Revenue and a negative recurring impact of \$539.7 million on local government revenues in FY 2025-26.

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ANALYSIS

EFFECT OF THE BILL:

The bill reduces the general rate of Florida's [sales tax](#), which has been 6% [since 1988](#), by 0.75%. (Sections 2, 4, 5, 6, 9, 10, and 11)

In addition, the bill reduces all other sales tax rates by the same 0.75%:

- The rate on [commercial rent](#) from 2.0% to 1.25% (Section 3),
- The rate on [electricity](#) from 4.35% to 3.6% (Sections 1, 5, and 7)
- The rate on sales of new [mobile homes](#) from 3.0% to 2.25% (Section 5), and
- The rate on [coin-operated amusement machines](#) from 4.0% to 3.25% (Section 5).

The bill also provides 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 emergency rulemaking authority to the Department of Revenue (Section 12) and is effective July 1, 2025 (Section 13); except for the emergency rulemaking provision, which is effective upon becoming a law.

RULEMAKING:

The Department of Revenue is granted emergency rulemaking authority to implement the changes to sales tax rates made by the bill.

STORAGE NAME: PCB01a.WMC

DATE: 4/2/2025

Lawmaking is a legislative power; however, the Legislature may delegate a portion of such power to executive branch agencies to create rules that have the force of law. To exercise this delegated power, an agency must have a grant of rulemaking authority and a law to implement.

FISCAL OR ECONOMIC IMPACT:

STATE GOVERNMENT:

Staff estimates the bill will have a negative recurring impact of \$4,886.7 million on General Revenue in FY 2025-26.

LOCAL GOVERNMENT:

Staff estimates the bill will have a negative recurring impact of \$539.7 million on local government revenues in FY 2025-26.

RELEVANT INFORMATION

SUBJECT OVERVIEW:

[Sales Tax](#)

Florida's sales and use tax is a six percent levy on retail sales of a wide array of tangible personal property, admissions, transient lodgings, and commercial real estate rentals,¹ unless expressly exempted. Generally, the sales tax is added to the price of a taxable good and collected by the dealer from the purchaser at the time of sale.

Sales tax represents the majority of Florida's General Revenue (projected 73.9 percent for FY 2024-25)² and is administered by the Department of Revenue (DOR) under ch. 212, F.S. Sales tax revenue is distributed via a formula found in [s. 212.20, F.S.](#), with roughly 89.6% going to the General Revenue Fund, 10.3% going to local governments,³ and the remainder being distributed to specified trust funds or sports facilities. For FY 2025-26, the Revenue Estimating Conference estimates that the sales tax collections under chapter 212, F.S., will result in more than \$41 billion of total revenue, with distributions to the General Revenue Fund of roughly \$37.7 billion.⁴

[History of Florida's Sales Tax](#)

Until 1949, Florida had no sales tax, and instead relied on a combination of motor fuel taxes, alcoholic beverage taxes, cigarette taxes, insurance premium taxes, gross receipts taxes, documentary stamp taxes, pari-mutuel taxes, and license fees to fund necessary state operations and services.⁵

In a special (then called "extraordinary") session from September 7-24, 1949, the Florida Legislature adopted 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, in the "Florida Revenue Act of 1949."⁶ The initial tax was effective November 1, 1949,⁷ and the adopting act exempted certain necessities like groceries;⁸ soap, soap powder, and detergents;⁹ inexpensive clothing;¹⁰ prescription medications and common household remedies;

¹ Commercial real estate rentals are subject to a 2.0% sales tax pursuant to [s. 212.031\(1\)\(c\), F.S.](#)

² The Office of Economic and Demographic Research, *2024 Florida Tax Handbook*, p. 16 (last visited March 29, 2025).

³ The local government distributions include the Local Government Half-Cent Sales Tax Clearing Trust Fund under [s. 218.61, F.S.](#), county and municipal revenue sharing trust funds under [s. 218.215, F.S.](#), emergency distributions under [s. 218.65, F.S.](#), and a shift of a specified amount to counties that used to be funded from pari-mutuel revenues pursuant to [s. 212.20\(6\)\(d\)6.a., F.S.](#)

⁴ Revenue Estimating Conference on [General Revenue](#), held March 14, 2025 (last visited March 30, 2025).

⁵ C. H. Donovan, Florida's State and Local Tax Structure, [13 Fla. L. Rev. 518](#) (1960) (last visited March 29, 2025).

⁶ [Chapter 26319, L.O.F.](#) (1949)

⁷ [Section 212.23, F.S. \(1949\)](#)

⁸ [Section 212.08\(1\), F.S. \(1949\)](#)

⁹ [Section 212.08\(11\), F.S. \(1949\)](#)

¹⁰ [Section 212.08\(4\), F.S. \(1949\)](#); exempted articles of clothing selling for \$10 or less

as well as items like school books and lunches; newspapers; electricity; motor vehicles; and sales to or by the government.¹¹

In 1957, the exemption for inexpensive clothing and several other exemptions were removed, and a 1% sales tax on motor vehicles was adopted.¹²

In 1968, the Legislature increased the sales tax rate from 3% to 4% on most goods, increased the rate on motor vehicles from 1% to 3%, and imposed a 4% tax on the sale of electricity and the rental of commercial offices and buildings, parking and docks, and certain other items.¹³ These changes were effective April 1, 1968. In 1971, the Legislature began taxing motor vehicles at the statewide 4% rate.¹⁴

In 1982, the Legislature increased the general sales tax rate from 4% to 5%, with half of the increase (the “local government half-cent sales tax”) pledged to cities and counties to help with property tax relief.¹⁵

In 1986, to increase revenue available for the state budget,¹⁶ the Legislature broadened the sales and use tax to include the sale of services.¹⁷ The taxing of services, beginning July 1, 1987, was a substantial and immediately unpopular change.¹⁸ 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% to 6%, effective January 1, 1988.¹⁹

In addition to these major rate changes, some items were subject to tax at different rates over the years. For example, the purchase of farm equipment used for plowing, planting, cultivating or harvesting crops, adopted at 2% in 1963,²⁰ and increased to 3% in 1969,²¹ continued at 3% until it was decreased to 2.5% in 2000,²² and made fully exempt in 2005.²³

[Commercial \(Business\) Rent](#)

Tax is due on the rental of all real property pursuant to [s. 212.031, F.S.](#), other than agricultural, residential, or certain other property specified in [s. 212.031\(1\)\(a\), F.S.](#) 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.²⁴ The 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.²⁵

Charges for the rental of real property by businesses were first made subject to the sales tax in 1968, at the rate of 4%.²⁶ When the general sales tax rate increased to 5%²⁷ and then 6%,²⁸ charges for commercial rent increased to those same rates.

¹¹ [Section 212.08\(3\), F.S. \(1949\)](#)

¹² [Chapter 57-398, L.O.F.](#)

¹³ [Chapter 68-27, L.O.F.](#)

¹⁴ [Chapter 71-360, L.O.F.](#)

¹⁵ [Chapter 82-154, L.O.F.](#)

¹⁶ Florida Department of Revenue, "[The Impact of Ch. 86-166, Laws of Florida, 1986](#)" (1986). Walter Hellerstein Papers. 4., p. 2 (last visited March 29, 2025).

¹⁷ [Chapter 86-166, L.O.F.](#)

¹⁸ See, e.g., Vicki L. Weber, Florida's Fleeting Sales Tax on Services, [15 Fla. St. U. L. Rev. 613](#) (1987) (last visited March 29, 2025), and "[Tax Repeal on Services In Florida Widely Felt](#)," New York Times, Dec. 25, 1987, (last visited March 29, 2025).

¹⁹ [Chapter 87-548, L.O.F.](#)

²⁰ [Chapter 63-526, L.O.F.](#)

²¹ [Chapter 69-222, L.O.F.](#)

²² [Chapter 2000-276, L.O.F.](#)

²³ [Chapter 2005-197, L.O.F.](#)

²⁴ Section [212.031\(1\)\(c\), F.S.](#)

²⁵ Section [212.031\(1\)\(e\), F.S.](#)

²⁶ [Chapter 68-27, L.O.F.](#)

²⁷ [Chapter 82-154, L.O.F.](#)

²⁸ [Chapter 87-548, L.O.F.](#)

In 2017, the Legislature reduced the tax on charges for commercial rent from 6% to 5.8%, effective January 1, 2018.²⁹ The following year, the rate was again reduced, from 5.8% to 5.7%, effective January 1, 2019.³⁰ In 2019, the rate was reduced to 5.5%, effective January 1, 2020.³¹ In 2023, the Legislature further reduced the rate from 5.5% to 4.5%, effective December 1, 2023.³²

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 2.0%. The trust fund reached the specified balance in spring 2024, and the rate reduction to the current 2.0% rate was effective June 1, 2024.³³

[Electricity](#)

Charges for electricity were first made subject to the sales tax in 1968, at the rate of 4%.³⁴ When the general sales tax rate increased to 5%³⁵ and then 6%,³⁶ the rates for the sale of electrical power increased to those same rates. In 1992, the rate was further increased to 7% on electrical power.³⁷

In 2014, the sales tax rate was reduced to 4.35% on electrical energy.³⁸

Since March 1, 1972,³⁹ only non-residential accounts have been subject to sales tax on electrical energy.⁴⁰

[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.”⁴¹ They imposed a tax on such machines at the rate of 6%.⁴² The tax was lowered to 4% effective January 1, 1995.⁴³

[Mobile Homes](#)

Mobile Homes have been subject to sales tax since 1985.⁴⁴ In 2022, the legislature reduced the tax on the sale of a new mobile home; defined 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;” from 6% to 3%.⁴⁵

²⁹ Section 21, [Chapter 2017-36, L.O.F.](#)

³⁰ Section 33, [Chapter 2018-118, L.O.F.](#)

³¹ Section 5, [Chapter 2019-42, L.O.F.](#)

³² Section 22, [Chapter 2023-157, L.O.F.](#)

³³ Florida Department of Revenue, [Taxpayer Information Publication No. 24A01-02](#), Issued April 8, 2024. (last visited March 30, 2025).

³⁴ [Chapter 68-27, L.O.F.](#)

³⁵ [Chapter 82-154, L.O.F.](#)

³⁶ [Chapter 87-548, L.O.F.](#)

³⁷ [Chapter 92-319, L.O.F.](#)

³⁸ Section 2, [Chapter 2014-38, L.O.F.](#) In the same bill, a gross receipts tax of 2.6% on the same sales was levied, in essence shifting this share of the proceeds of this tax to the Public Education Capital Outlay Fund.

³⁹ [Chapter 71-985, L.O.F.](#)

⁴⁰ Section [212.08\(7\)\(j\), F.S.](#)

⁴¹ [Section 170, Chapter 91-112, L.O.F.](#)

⁴² *Id.*

⁴³ [Chapter 96-397, L.O.F.](#)

⁴⁴ [Chapter 85-348, L.O.F.](#)

⁴⁵ [Chapter 2022-97, L.O.F.](#)

BILL HISTORY

COMMITTEE REFERENCE	ACTION	DATE	STAFF DIRECTOR/ POLICY CHIEF	ANALYSIS PREPARED BY
Orig. Comm.: Ways & Means Committee	19 Y, 0 N	4/2/2025	Aldridge	Berg