



COMMERCIAL REAL ESTATE CALLS FOR THE PHASE OUT OF SALES TAXES ON COMMERCIAL REAL ESTATE LEASES

Florida is the only state that imposes sales tax on commercial real estate leases.ⁱ This excessive tax is:

- Hampering **job creation**, for especially small businesses;
- Slowing **economic development**;
- Sacrificing Florida's **competitiveness** in securing corporate headquarters/more employers;
- Subjecting Florida businesses to disproportionate regulatory **burdens**; and
- Creating instances of **double taxation**.

The commercial real estate industry organizations represented in this paper account for over 150,000 jobs in Florida, and our industry outputs over \$9.2 Billion in the state.ⁱⁱ Further, when you consider that all industries rent or own buildings classified as commercial, the jobs figure is enormous. The retail sector alone employs 800,000 people in Florida.

A vibrant commercial real estate industry is a key contributor to economic and employment opportunities for individuals, families, communities, businesses and institutions. Our members recognize the prominent role their industry plays in the economic well-being of our communities and the quality of life that has become synonymous with the State of Florida.

In the 2014-2015 Fiscal Year, the sales tax on commercial real estate leases was estimated to remit \$733.7 Millionⁱⁱⁱ to the state. A phase out of this sales tax will allow employers and small businesses to expedite economic development; will reduce regulatory burdens to a proportionate level; will remove unconscionable instances of double taxation relating to paying sales taxes on property taxes due as part of a lease; and will secure competitive positioning when attracting employers into Florida—all resulting in boosted job creation. This economic expansion benefits businesses and citizens of Florida, causing increased tax revenues from expansion.

The Commercial Real Estate Industry supports SB 140 by Sen. Dorothy Hukill; HB 101 by Rep. Greg Steube; HB 245 by Rep. Larry Ahern; and HB 317, by Rep. Fred Costello. These pieces of legislation would begin to phase out or completely phase out the current sales tax on commercial real estate leases using differing methods, all of which this coalition supports. In 2014, Governor Scott proposed a reduction in the applicable tax in his budget, and we are hopeful for his renewed commitment to phasing out this excessive tax this session.



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STATEMENT OF INTEREST

The commercial real estate industry trade organizations contributing to this position statement, listed below, represent the largest tax-paying base in the state of Florida, and nearly 150,000 members.

- The Building Owners and Managers Association of 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.bomaflorida.org
- The Florida CCIM (Certified Commercial Investment Member) Chapter is the one of the largestⁱⁱ Chapters of The CCIM Institute. The CCIM Institute is comprised of over 16,000 members globally and is headquartered in Chicago, IL. The CCIM Florida Chapter represents over 580 members across the State. CCIM real estate professionals are recognized experts in the commercial and investment real estate industry. This elite corps of CCIMs includes real estate brokers, leasing professionals, investment counselors, asset managers, appraisers, corporate real estate executives, property managers, developers, institutional investors, commercial lenders, attorneys, bankers, and other allied professionals. www.flccim.com
- The membership of the Florida Gulfcoast Commercial Association of Realtors represent commercial real estate professionals in the Hillsborough, Pinellas, Polk, Pasco, Manatee, and Sarasota county areas in all commercial product types. The organization includes 500 members. www.fgcar.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.ⁱⁱⁱ Florida Realtors is the largest trade association in the state with more than 130,000 members. <http://www.floridarealtors.org>
- ICSC (International Council of Shopping Centers) is the premier global trade association of the shopping center industry. Florida membership represents over 7% (3,850 members) of the entire 55,000 members in over 90 countries include shopping center owners, developers, managers, marketing specialists, investors, retailers and brokers, as well as academics and public officials. www.icsc.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>
- 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
- The National Federation of Independent Business is the leading small business association representing small and independent businesses. A nonprofit, nonpartisan organization founded in 1943, NFIB represents the consensus views of its members in Washington and all 50 state capitals. www.nfib.com

ⁱHawai'i imposes a 4% general excise tax on income, including income from rentals, and local entities in Arizona and New York City impose a tax on commercial rent; however, Florida is the only state with a statewide sales tax imposed on commercial leases. In particular, Florida Statutes §212.031.1(c) imposes sales tax "for granting of a privilege to use or occupy real property."

ⁱⁱ Source: "Where America Goes to Work." BOMA International (2014).

ⁱⁱⁱ Source: "Economic Impact: Sales Tax on the Rental of Real Property." The Florida Legislature Office of Economic and Demographic Research (November 15, 2014).