

Proposal – Eliminating the Business Rent Tax

SB 50 (passed in 2021):

March 1, 2022

- **Sales and Use Tax** - Requires out-of-state retailers and marketplace providers with no physical presence in Florida to collect and remit sales tax on sales delivered to purchasers in Florida.
- **Reemployment Tax** - Transfers most of the added sales tax revenue from general revenue (GR) into the Unemployment Compensation Trust Fund (UCTF) until the trust balance exceeds \$4.0715 billion (the pre-pandemic level). Reemployment Assistance Tax rates – COVID-19 related benefit charges will not be considered in calculating tax rates.
- **Business Rent Tax** - The law reduces the tax rate on commercial rents from 5.5 percent to 2 percent beginning in the second month after the UCTF exceeds \$4.0715 billion. The added revenue from remote sales will offset the cost of lowering the BRT rate.

Proposal

- Transfer \$2.077 billion from GR to the UCTF in October 2022. This money can come from unallocated reserves or the \$3.5 billion in unappropriated federal fiscal recovery funds that the state should receive soon. This will bring the UCTF balance to \$4.0715 billion.
- Stop the monthly transfers from GR to the UCTF in October 2022.
- Repeal the entire Business Rent Tax on October 1, 2022.

It was originally estimated that the UCTF would reach \$4.07 billion in October 2024. The current estimate (January 2022) predicts May 2024. To date, \$973.6 million (less UC refunds) has been transferred from GR to the UCTF. No more transfers will be made until monthly transfers of \$90.0 million begin in July 2022. It was originally estimated that a total of \$3.027 billion would be transferred before the transfers end.

The reduction in the BRT to 2 percent is estimated to cost just over \$1 billion annually in GR. Repealing the whole tax would cost approximately an additional \$600 million annually. No longer having to transfer GR to the UCTF would save \$810.0 million in FY 22-23, \$1.08 billion in FY 23-24, and \$360 million in FY 24-25, a total of \$2.250 billion, more than the \$2.077 billion transferred to the UCTF under this proposal.

In addition to the \$2.077 billion transfer, there would be an additional negative impact of speeding up the reduction and repeal of the BRT. Due to the elimination of transfers to UCTF, there would be a negative GR impact of only \$401.7 million in FY 22-23, \$587.3 million in FY 23-24, and \$741.4 million in FY 24-25. Since current estimates include a full year of the reduced BRT tax rate beginning in FY 25-26, the recurring impact of this proposal is only \$637.5 million beginning in FY 25-26 (due to the repeal of the final 2 percent on the BRT).

There would also be a total local impact of \$567.6 million over the first three years and a recurring \$82.6 million after that. These estimates are extrapolated from the Revenue Estimating Conference's adopted fiscal impact for SB 50 and represent estimated additional impacts of this proposal. Changing factors will likely result in changing estimates when scored by the REC.

Impact to General Revenue - Difference from Original Estimate for SB 50

	FY 22-23	FY 23-24	FY 24-25	FY 25-26
GR Transfer to UCTF	\$(2,076.9)			
Repeal BRT	\$(1,211.7)	\$(1,667.3)	\$(1,101.4)	\$(637.5)
Stop Transfer to UCTF	\$810.0	\$1,080.0	\$360.0	0.0
Total Impact	\$(2,478.6)	\$(587.3)	\$(741.4)	\$(637.5)

- There would also be a total local impact from repealing the BRT of \$567.6 million over the first three years and a recurring \$82.6 million after that.
- The impact of repealing the BRT in October of FY 22-23 is based on nine months.
- The impact of repealing the BRT in FY 23-24 is the first full year estimate.
- The reduction of the BRT was originally expected to start in FY 24-25. The impact in the above table for FY 24-25 is the full year impact minus the current anticipated partial year impact.
- FY 25-26 is currently the expected first full year of the BRT rate reduction. That impact is already in the current revenue estimates so there is no additional impact, except for the repeal of the last 2.0%.