

## 2023-24 Tax Relief Package (HB 7063)

This year's tax relief package totals \$1.269 billion and is focused on reducing taxes for families. Most of the tax cuts are nonrecurring, only \$300 million is recurring. Most of the tax package is comprised of sales tax exemptions, both temporary and permanent.

The package contains **two major FTW recommendations**:

- Reduction in the **Business Rent Tax** from 5.5% to 4.5%. (\$256.0 million), effective December 1, 2023. The tax rate is still scheduled to be reduced to 2.0% in August 2024.
- A 3-year freeze for **local CST taxes**.

### Permanent Sales Tax Exemptions

- **Baby and Toddler Products (\$158.7 million)**, including diapers, cribs, strollers.
- **Oral Hygiene Products (\$39.8 million)** - electric and manual toothbrushes, toothpaste, dental floss, dental picks, oral irrigators, and mouthwash.
- **Adult Incontinence Products (\$27.5 million)** - adult diapers and incontinence undergarments, pads, and liners.
- **Firearm Storage Devices (\$4.5 million)** - firearm safes, lockboxes, and cases, and trigger locks or cable locks.
- **Renewable Natural Gas Machinery and Equipment (\$1.9 million in 1<sup>st</sup> year, \$0.9 million recurring)** - machinery and equipment used in the production of renewable natural gas, such as biogas, landfill gas, or wastewater treatment gas.
- **Private Investigation Services (\$1.6 million)** – Private investigative services is one of the very few services subject to the sales tax in Florida. This creates an exemption for agencies with three or fewer full or part-time employees that had less than \$150,000 in sales of services in the previous year.
- **Agricultural Fencing (\$0.7 million)** – expands the current exemption to include materials used to construct or repair permanent or temporary fencing used to contain cattle and includes wooden fencing, electric fencing, and corral panels.

### Sales Tax Holidays

- **Back to School Holiday (\$160.6 million)** – This will be the 21<sup>st</sup> time in the last 25 years, including every year since 2010, that there will be a sales tax holiday for clothing, footwear, wallets, and bags, school supplies, learning aids and jigsaw puzzles, and personal computers and accessories purchased for non-commercial use. The longest holiday had been 14 days. This year the

Legislature doubled that, with two 14-day periods, from July 24 to August 5, 2023, and from January 1 to January 14, 2024.

- **Disaster Preparedness Holiday (\$143.8 million)** – This has also become an annual occurrence, with a holiday every year since 2014. This year, there will be two 14-day tax exempt periods. The array of exemption items is the widest ever by far, adding things like smoke and carbon monoxide detectors, fire extinguishers, pet food and supplies, and common household items like toilet paper, paper towels, detergents, and soaps.
- **Tool Time Holiday (\$15.4 million)** – The Legislature created the first tool holiday last year. This year, there will be a seven-day holiday for tools “commonly used by skilled workers,” but you don’t have to be a skilled worker to get the exemption.
- **Freedom Summer Holiday (\$229.9 million)** – A three-month holiday (May 29 to September 4, 2023) for recreational items and activities and entertainment tickets.

*The list of exempt items that will be exempt during the holidays is extensive. For a full listing and price limits for each holiday, [read this](#).*

## Temporary Sales Tax Exemptions

**Business Rent Tax (\$256.0 million)** – A reduction in the sales tax rate on commercial leases from 5.5% to 4.5%, effective December 1, 2023. The tax rate is still scheduled to be reduced to 2.0% in August 2024. Reducing, and eventually eliminating the BRT has been a top priority of Florida TaxWatch research. Florida is the only state in the nation that taxes business rents.

**Energy Star Appliances (\$79.0 million)** - A one-year sales tax exemption from July 1, 2023, through June 30, 2024, on the retail sale for noncommercial use of these ENERGY STAR or WaterSense appliances:

- Refrigerators or combined refrigerator/freezers selling for \$4,500 or less; and
- Water heaters, washing machines, and clothes dryers selling for \$1,500 or less

**Gas Ranges and Cook Tops (\$6.3 million)** - One-year exemption from July 1, 2023 to June 30, 2024. It does not include outdoor gas grills, camping stoves, or other portable stoves.

## Property Taxes

Several relatively minor expansions of existing exemptions for educational and religious property, disabled veterans and first responders.

**Totally and Permanently Disabled Veterans (\$0.2 million)** - removes the requirement that disabled veterans must have had the exemption on another property in the same year in order to qualify for the prorated refund of property taxes on newly acquired property. This allows them to not have to wait until the following January 1 to receive the exemption.

**Surviving Spouse of Veterans and First Responders killed in the line of duty (minimal)** - Removes the permanent residency requirement (ruled unconstitutional) for veterans and also for first responders. The

surviving spouses of both veterans and first responders will qualify for the exemption even if the deceased spouse was not a resident of Florida on January 1 of the year of his or her death.

The bill also adds federal law enforcement officer to the definition of “first responder,” expanding the ad valorem tax exemption for surviving spouses of first responders who died or were rendered totally and permanently disabled as the result from an injury or in the line of duty.

**Educational Property (\$4.5 million)** – Property used exclusively for educational purposes is exempt. Generally, the property must be owned and used by the educational institution. The Legislature has added some unique ownership situations to the exemption and this year added two more--property leased under a 98-year lease for a nominal amount and property that is leased, and the educational institution received the exemption for any 10 consecutive years, and is responsible for the taxes, ongoing maintenance, and expenses. Only three properties, at least initially, are expected to benefit from the two changes.

**Religious Property (minimal)** – An exemption was added for property that is used as a parsonage, burial grounds, or tomb and is owned by an exempt organization that owns a house of public worship that is used for a religious purpose.

**Special Assessments (\$24 million)** – Special assessments on agricultural lands are now prohibited. This does not apply to residential structures and the land immediately surrounding the dwelling (curtilage). This does not affect existing assessments necessary for debt service but cannot be used to secure bonds or certificates issued after July 1, 2023.

## Corporate Income Tax Credits

- **Voluntary Cleanup of Brownfields (\$25 million)** – Permanently increases the annual cap on credits from \$10 million to \$35 million.
- **Residential Graywater Systems (indeterminate)** – A new credit is created for developers and homebuilders that purchase a qualifying residential graywater system for use in Florida. The credit is 50 percent of the cost of each system, to exceed \$4,200 per system or \$2 million per year for one taxpayer.
- **Human Breast Milk Fortifiers (\$0.8 million)** – A new credit for machinery and equipment. Total credits of \$5 million are available in FY 2023-34 and FY2024-25 only. Unused credits may be carried forward five years.
- **Strong Family Tax Credit (\$10 million)** – An increase in the current annual cap from \$10 million to \$20 million. This credit is for businesses that make donations to qualified charitable organizations that provide child welfare services. It can be taken against several taxes, besides the CIT.

## Other Taxes

**Communication Services Tax (indeterminate)** – Reducing the CST—levied on cell phones, landlines, cable, and streaming services--is a long-time Florida TaxWatch recommendation. There is both a state and a discretionary local CST. The tax package places a freeze on local communication service taxes, meaning counties and cities may not increase CST rates until January 1, 2026.

**Fuel Tax (\$0.3 million)** – Delays the scheduled implementation of a Natural Gas Fuel Tax for two more years (January 2026).

**Parimutuel Tax - Thoroughbred Horse Breeding and Racing (\$5.3 million)** – A new parimutuel tax credit is created for permitholders that conduct thoroughbred racing. The credit is equal to the assessments paid by the permitholder to the Horseracing Integrity and Safety Authority, which was created to implement horseracing anti-doping, medication control, and racetrack safety programs.

The bill also requires a one-time total distribution of \$27.5 million in sales tax revenue to the Florida Thoroughbred Breeders' Association, Gulfstream Park, and Tampa Bay Downs for increased purses and other incentives for breeding and racing, and maintenance and operations of the tracks. The \$27.5 million is not a tax cut (although it is counted in the total) but rather, in effect, an appropriation of General Revenue.

## **Tax Administration**

**VAB Challenges** – The Legislature adjusted the size of the variance between a property's initial assessment and the Value Adjustment Board decision that is required to allow a property appraiser to appeal decisions of the VAB in circuit court. The variance requirement was generally increased, except for property appraised at more than \$2.5 million—which was decreased from 7.5 percent to 5.0 percent.

**Hurricane Refund Reimbursement** - The bill appropriated \$35 million and authorizes the Department of Revenue to issue reimbursements to counties that were required to refund property taxes to taxpayers whose residential property was rendered uninhabitable by Hurricanes Ian or Nicole.

**Corporate Income Tax Piggyback** – Florida annually adopts and changes to the federal Internal Revenue Code, but sometimes it chooses to not adopt, or “decouple” specific changes. This year, Florida is adopting the IRC as of January 1, 2023. The state's revenue estimators say these changes will not have any new state tax impact on Florida corporations.

**Small Business Administration 504 Loans** – The bill clarifies that an interim loan upon which taxes have already been paid is not subject to documentary stamp or intangible taxes on the same amount when the federal government takes over the loan.

**Local Option Tax Referenda** - The bill requires that the reenactment or increase of certain currently levied local option tax must appear on the ballot in a general election within the 48 months preceding the effective date of the reenacted or increased tax, and the question may only appear on the ballot once during that 48-month period. This applies to the Discretionary Sales Surtaxes, Ninth-cent Fuel Tax, Local Option Fuel Tax, Tourist Development Tax, Tourist Impact Tax, and Children's Services Tax.

**Tourist Development Taxes** - The bill requires that any ordinance enacted to levy any of the TDTs (not just the initial one or two percent) must be approved in a referendum held at a general election. The bill also increases the population threshold needed to use TDT funds for public safety from 225,000 to 275,000. This allows the continued use of funds for public safety purposes by Okaloosa, Bay, and Walton counties. The bill also allows this use of funds by fiscally constrained counties that border the Gulf of Mexico or Atlantic Ocean. This expands that authorization to Gulf, Franklin, Wakulla, Taylor, Dixie, and Levy counties.