



This Week in State Tax (TWIST)

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Florida: Tax Package Includes Sales Tax Holidays, IRC Conformity Update

A comprehensive tax relief package (House Bill 7063) initially proposed by Governor DeSantis has passed both chambers of the Florida legislature and is expected to be signed into law. This summary focuses on those provisions with the greatest impact on businesses. House Bill 7063 does not make any major changes to Florida's corporate income tax laws, but does update the state's conformity statute by adopting the Internal Revenue Code as in effect on January 1, 2023. This change applies retroactively to January 1, 2023. The most significant sales and use tax changes are the adoption of several new, permanent sales tax exemptions and numerous sales tax holidays. Under House Bill 7063, new sales tax exemptions apply to various categories of items: specified baby and toddler products and clothes, diapers and incontinence products, oral hygiene products, firearm safety devices, and small private investigative agency services. The bill also extends exemptions to certain items depending on the manner in which they are used. New exemptions apply to machinery and equipment used to produce renewable natural gas, and an agricultural exemption is expanded to include certain types of fencing. Much like legislation enacted last year, House Bill 7063 includes several new sales tax holidays, including two 14-day "back-to-school" tax holidays that will be held from July 24, 2023 through August 6, 2023, and January 1, 2024 through January 14, 2024. This holiday would apply to a variety of clothing items, school supplies, and personal computers. Two 14-day "disaster preparedness" tax holidays will be held from May 27, 2023 through June 9, 2023 and from August 6, 2023 through September 8, 2023. Fourteen different categories of items are exempt during this time, including a number of "common household consumable items" and various "supplies necessary for the evacuation of household pets," e.g., collapsible food bowls with a price of \$15 or less, or cat litter pan with a sales price of \$15 dollars or less. A three-month "Freedom Summer" tax holiday will be held from May 29, 2023 through September 4, 2023 for specified recreational items and activities, including but far from limited to, admissions to events, boating and water activity supplies and children's toys. From September 2, 2023 through September 8, 2023 the retail sales tax will not apply to tools and equipment commonly used in skilled trades with a purchase price of less than a specified amount. The "back-to-school" sales tax holiday applies at the option of the dealer if less than five percent of the dealer's gross sales of tangible personal property in the prior calendar year are comprised of items that are exempt under the holiday. If a qualifying dealer chooses not to participate in the tax holiday, by July 17, 2023, for the tax holiday beginning July 24, 2023, and by December 23, 2023, for the tax holiday beginning January 1, 2024, the dealer must notify Department of Revenue in writing of its election to collect sales tax during the holiday and must post a copy of that notice in a conspicuous location at its place of business. A longer sales tax holiday, from July 1, 2023 through June 30, 2024, applies to certain purchases of ENERGY STAR certified appliances as well as gas ranges and cooktops.

Finally, the bill reduces the business rent tax from 5.5 percent to 4.5 percent, effective December 1, 2023. Per the bill's fiscal note, the business rent tax is expected to drop to 2.0 percent beginning August 1, 2024 when the state's unemployment trust fund is expected to reach its pre-pandemic balance. Please stay tuned to TWIST for future Florida updates.



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