



OTHER TAXES IMPOSED ON THE RENTAL OF FLORIDA REAL ESTATE



By:

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About the Author:

Ms. Glendinning joined the firm in 1987 and has headed the International Tax Department since 1996. She has authored articles regarding various international tax issues and frequently gives presentations on U.S. income and estate taxation of foreign nationals doing business in the U.S.

In addition to U.S. income taxes, there are local and state taxes which may also require action on the part of the owner. These taxes apply equally to all owners of rental real estate in Florida, whether resident or nonresident. Below is a listing of other taxes which may apply to rental property:

Florida Sales Tax: If your residential property is leased out for periods of 6 months or less, you are required to collect and remit Florida sales tax on the amount of rental income collected. Although the sales tax is imposed on the tenant, the property owner is ultimately responsible for the collection and remittance of the tax to the Florida Department of Revenue. If you use a management company for your property, please confirm that they are collecting and remitting the sales tax on your behalf. The current sales tax rate in Sarasota County is 7% and the current rate in Manatee County is 6.5%.

County Tourist Development Tax: Revenue from residential rentals of 6 months or less is subject to the Tourist Development Tax. This tax is also imposed on the tenant, but the property owner is ultimately responsible for the collection and remittance the tax. Unlike the sales tax, which is paid to the Florida Department of Revenue, this tax is paid to the county in which your property is physically located. If you use a management company for your property, they should be collecting and remitting the tourist development tax on your behalf. The current rate in Sarasota County is 4.5% (5% effective May 1, 2011) and the current rate in Manatee County is 5% of the amount of rental income collected.

County Tangible Tax: The county in which the property is located also imposes a tangible tax. This is a tax on the value of the furnishings in the rental property. You must report to the applicable county, no later than April 1 of each year, the cost and date placed in service of the furnishings in the property as of January 1 of each year. The county then sends a tax bill for these furnishings. This tax bill is sent out around the first week of November each year, at the same time as the bill for the real estate taxes.

On January 29, 2008, the voters of Florida passed Amendment 1, which grants an exemption of \$25,000 in value of furnishings subject to the tangible tax. The property owner must timely file the initial return giving detail of the furnishings included in the rental property and their respective costs. If the county places a value of \$25,000 or less on the furnishings, an exemption is granted and no further filings are needed, unless the value of the furnishings subsequently exceeds \$25,000.

The focus of this article has been on residential rental real estate. The Florida sales tax is payable on income from commercial rental real estate regardless of the term of the lease period. It is also subject to the county tangible tax, but the county tourist development tax does not apply to commercial rental real estate.

Even though the tenant is the party who should be bearing the cost, the owner is responsible for paying the tax out of their own pocket if they neglect to collect from the tenant. Failure to timely file and remit these taxes can result in substantial penalties and interest being assessed upon the owner of the property. It is imperative that the owner of the property register with the applicable agency as soon as they become subject to these taxes so they can properly remit them on a timely basis.

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