HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 337 Sales Tax on Motor Vehicle Leases and Rentals
SPONSOR(S): Roth
TIED BILLS: **IDEN./SIM. BILLS:**

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Ways & Means Committee	20 Y, 0 N	Berg	Aldridge
2) Commerce Committee			

SUMMARY ANALYSIS

The bill allows motor vehicle leasing companies to pay sales tax on the original purchase of vehicles, in lieu of collecting sales tax on rental or lease payments when the vehicle is later subject to a lease for a period of not less than 12 months and the renter or lessee will use the motor vehicle in their trade or business.

The Revenue Estimating Conference estimated the impact of the bill on General Revenue in FY 2024-25 to be +$9.1 million cash; -$1.1 million recurring, with an insignificant revenue impact to state trust funds and an impact on local government revenue in FY 2024-25 of +$2.4 million cash; -$0.2 million recurring.

The bill has an effective date of July 1, 2024.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Sales and Use Tax on Motor Vehicle Leases

The lease or rental of tangible personal property, including vehicles, is subject to state and local sales and use tax.[1] When a motor vehicle is leased or rented in Florida, the entire amount of such rental is taxable at the rate of 6 percent[2] of the gross proceeds derived from the lease or rental.[3] A "lease or rental" is defined as the leasing or renting of tangible personal property and the possession or use of property by the lessee or renter for a consideration, without transfer of title.[4] The lessor is required to be registered as a dealer and to collect tax on the total amount of the lease or rental charges from the lessee.[5] The lessor normally does not pay tax on the purchase of the vehicle, as that purchase is considered a sale for resale, and instead tax is normally collected and remitted on each lease payment.[6]

Long Term Leases of Commercial Motor Vehicles

There is an exception to the general rule that sales tax is not paid on the purchase of the car and is instead due and collected on lease or rental payments. The exception is for commercial motor vehicles in certain long-term leases. For the exemption to apply, the lease or rental must be for a period of at least 12 months, and the lessor must have paid sales tax on the vehicle when it was purchased.[7] In addition, the lessor must be an established business, or part of or related to an established business, that leases or rents commercial motor vehicles. Commercial motor vehicles are defined as any self-propelled or towed vehicle used on the public highways in commerce to transport passengers or cargo, if the vehicle has a gross vehicle weight rating of 10,000 pounds or more.[8]

Effect of the Bill

The bill expands the existing ability for a leasing company to pay tax up front on the purchase of a motor vehicle, instead of collecting and remitting tax on the subsequent long-term lease or rental of the vehicle, to apply to any motor vehicle as long as it is leased for use in the lessee's trade or business. "Motor vehicle" is defined as a self-propelled vehicle not operated upon rails or guideway, but not including any bicycle, electric bicycle, motorized scooter, electric personal assistive mobility device, mobile carrier, personal delivery device swamp buggy, or moped.[9]

B. SECTION DIRECTORY:

Section 1: Amends s. 212.05(1)(c)3., F.S., to allow for alternative taxation of motor vehicles when such vehicles will be used under certain long-term leases.

Section 2: Provides an effective date of July 1, 2024.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

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[1] S. 212.05(1), F.S.
[2] Discretionary county sales surtax, if any, is also owed if the 6 percent Florida state sales tax applies. *See* s. 212.054, F.S.
[3] S. 212.05(1)(c), F.S.
[4] S. 212.02(10)(g), F.S.
[5] Rule 12A-1.007(13)(a)1, F.A.C.
[6] Rule 12A-1.007(13)(a)2., F.A.C
[7] S. 212.05(1)(c)3., F.S.
[8] S. 316.003(14)(a), F.S.
[9] S. 316.003(46), F.S.

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

   The Revenue Estimating Conference estimated the impact of the bill on General Revenue in FY 2023-24 to be +$9.1 million cash; -$1.1 million recurring, as well as an insignificant revenue impact to state trust funds.

2. Expenditures:

   None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

   The Revenue Estimating Conference estimated the impact of the bill on local government revenue in FY 2023-24 to be +$2.4 million cash; -$0.2 million recurring.

2. Expenditures:

   None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Unknown.

D. FISCAL COMMENTS:

The revenue impact of this bill adopted by the Revenue Estimating Conference reflects a shift in the timing of sales tax collections under the methodology allowed by the bill. Instead of an exempt original sale, and ongoing sales tax collections on the lease or rental payments, instead it is a taxable sale in the first year, and then exempt lease or rental payments. This results in positive revenue impacts for the first five years the provision would be in place, turning negative thereafter. Thus, the negative recurring impacts on General Revenue and local government revenues noted above.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

   Not applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

   None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES