



Tax Information Publication

TIP

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November 12, 2024

On October 25, 2024, the Department issued TIP 24A01-16. That TIP has been revised to provide consistent use of terms relating to real property rentals and licenses.

Rentals, Leases, and Licenses to Use Property: Sales Tax Implications for Barbershops, Beauty Salons, and Nail Salons

Some owners or operators of barber shops, beauty salons, and nail salons may not be aware that sales tax applies when they rent, lease, or license portions of their business location to independent barbers, cosmetologists, or nail specialists.

License to Use Real Property

A license to use real property occurs when an owner or lessee of real property permits another person to occupy the land or space for any purpose, as when owners and operators of barbershops, beauty salons, and nail salons permit independent barbers, cosmetologists, and nail specialists to use floor or booth space. In these situations, the total amount charged by the owner or operator is a license charge subject to tax.

These are licenses to use real property and are currently subject to a 2% state sales tax on the total amount charged for renting, leasing, letting, or granting a license to use real property (see section 212.031, Florida Statutes). The total license fee charged includes all consideration due and payable by the licensee for the privilege or right to use or occupy the real property. These licenses are also subject to the local option discretionary sales surtax imposed by the county where the real property is located.

Registration

Owners and operators of barbershops, beauty salons, and nail salons that lease, sublease or license floor or booth space to independent barbers, cosmetologists, and nail specialists are required to register with the Department of Revenue (Department) to report and remit sales tax. Use the Department's online *Florida Business Tax Application* (Form DR-1) to register at taxapps.floridarevenue.com/taxregistration.

Subleases or Assignments

When an operator assigns a lease or subleases property, the operator may take a credit equal to the tax paid on the floor space that is assigned or subleased on a pro rata basis (see Rules 12A-1.010(4)(b) and 12A-1.070, Florida Administrative Code).

Example – Using the Current 2% Tax Rate

An operator of a beauty salon leases 1,600 square feet of floor space at \$2 per square foot for \$3,200 from their landlord. The operator subleases 100 square feet to a cosmetologist at \$3 per square foot for \$300. The property is located within a county that does not impose a discretionary sales surtax.

Original Lease Amount	(Multiplied by) Sales Tax Rate	(Equals) Sales Tax Paid to Landlord
\$3,200	X 2% (0.02)	= \$64

Sublease Amount	(Multiplied by) Sales Tax Rate	(Equals) Sales Tax Collected by Operator
\$300	X 2% (0.02)	= \$6

The operator must remit the sales tax collected from the cosmetologist. The operator may take a credit for the sales tax paid to their landlord on the portion of the property the operator subleased to the cosmetologist.

In the above example, the operator subleased 100 square feet of the floor space originally leased from their landlord. The sales tax paid to the landlord on the entire 1,600 square feet is \$64.

The amount of sales tax due to the landlord on the subleased floor space was \$4 (100 square feet at \$2/sq ft X 2% sales tax).

The operator collects \$6 on the subleased floor space (100 square feet at \$3/sq ft X 2% sales tax).

The operator may take a credit of \$4 against the \$6 in sales tax collected from the cosmetologist.

$$\begin{array}{r} \$6 \text{ (tax collected from sublease)} \\ - \underline{\$4} \text{ (credit for tax already paid on the subleased property to landlord)} \\ \$2 \text{ (operator remits the difference to the Department)} \end{array}$$

For assignments of licenses to use real property refer to Rule 12A-1.070, Florida Administrative Code.

Records

Businesses engaged in taxable activity, such as renting, leasing, granting a license to use real property, or selling tangible personal property, are required to maintain a complete record of rentals, sales, and purchases along with invoices, receipts, leases, and other pertinent information. Generally, such records must be kept for three years.

Voluntary Disclosure

Owners and operators that owe tax may take advantage of the Department's [Voluntary Disclosure Program](#). The Voluntary Disclosure Program allows taxpayers to voluntarily report and pay previously unpaid tax liabilities. In most cases, penalties are waived.

References: Section 212.031, Florida Statutes; Rules 12A-1.010 and 12A-1.070, Florida Administrative Code

For More Information

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit the Department's website at floridarevenue.com or call Taxpayer Services at (850) 488-6800, Monday through Friday (excluding holidays).

For a detailed written response to your questions, write the Florida Department of Revenue, Taxpayer Services MS 3-2000, 5050 West Tennessee Street, Tallahassee, FL 32399-0112.

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