

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Community Affairs

BILL: SB 122

INTRODUCER: Senator Truenow

SUBJECT: Local Business Taxes

DATE: October 23, 2025

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Shuler	Fleming	CA	Pre-meeting
2.			FT	
3.			AP	

I. Summary:

SB 122 repeals ch. 205, F.S., titled “Local Business Taxes,” but maintains the authority for municipalities that currently impose local business taxes measured by gross receipts to continue such levies. Municipalities that levy such taxes will be allowed to revise the definition of the term “merchant,” but will not be allowed to revise the tax rate.

The bill takes effect on July 1, 2026.

II. Present Situation:

Local Business Taxes

The local business tax, as authorized in ch. 205, F.S., represents the taxes charged and the method by which a local government authority grants the privilege of engaging in or managing any business, profession, or occupation within its jurisdiction.¹ Counties and municipalities may levy a business tax, and the tax proceeds are considered general revenue for the local government.² This tax does not refer to any regulatory fees or licenses paid to any board, commission, or officer for permits, registration, examination, or inspection.³

Local business taxes are sometimes colloquially referred to as “business tax receipts.” The term “receipt” is defined in s. 205.022(5), F.S., to mean the document issued by the local governing authority, which bears the words “Local Business Tax Receipt” and evidences that the person in

¹Section 205.022(5), F.S.

² Sections 205.032 and 205.042, F.S. *See also* OFF. ECON. DEMOGRAPHIC RSCH., 2024 LOCAL GOVERNMENT FINANCIAL INFORMATION HANDBOOK 139 (May 2025), available at <https://edr.state.fl.us/content/local-government/reports/lgifh24.pdf> (last visited Dec. 3, 2025) [hereinafter 2024 LGIFH].

³ Section 205.022(5), F.S.

whose name the document is issued has complied with the provisions of ch. 205, F.S., relating to the business tax.

History of Local Business Taxes

Prior to 1972, the state imposed an occupational license tax and shared the revenues with the counties.⁴ Municipalities levied their own occupational license taxes pursuant to local ordinances or resolutions.⁵ Counties had no authority to levy an occupational license tax until October 1, 1972, when ch. 72-306, Laws of Florida, repealed the state tax and authorized both counties and cities to impose an occupational license tax at the rate in effect for the previous year.⁶ This same act ratified all municipal licenses and all existing municipal occupational license taxes not inconsistent with ch. 205, F.S.⁷ However, the act also provided for the sunset and repeal of ch. 205 on September 30, 1973.⁸ A permanent grandfathering for prior taxes (though rates were locked at their October 1, 1971, levels) was accomplished in ch. 73-144, Laws of Florida, which repealed the sunset that would have gone into effect later that year. In 1980, the Legislature authorized counties and municipalities to increase rates by a specified percentage of the 1971 rates.⁹

Effective January 1, 2007, the legislature changed the name of the Local Occupational License Tax to the Local Business Tax.¹⁰ This was done in response to some individuals representing that the “occupational license” received under ch. 205, F.S., conferred upon them some type of official proof of their competency to perform various repairs and services.¹¹ The name change was intended to clarify that the payments made under ch. 205, F.S., were taxes and not some type of regulatory fee.¹²

Administrative Procedures

In order to levy a business tax, the governing body must first give at least 14 days of public notice between the first and last reading of the resolution or ordinance by publishing a notice in a newspaper of general circulation within its jurisdiction as defined by law.¹³ The public notice must contain the proposed classifications and rates applicable to the business tax.¹⁴ A number of other conditions for levy are imposed on counties and municipalities.¹⁵

⁴ See ss. 205.012 and 205.041(1), F.S. (1971).

⁵ See s. 205.041(2), F.S. (1971).

⁶ Because counties were authorized for the first time to implement their own occupational license tax, the rate was capped at the amount imposed by the state as provided in ch. 205, F.S., for the year beginning October 1, 1971. Section 205.033, F.S. (1972). Municipalities were not allowed to exceed rates in effect in their jurisdiction at that time. Section 205.043, F.S. (1972).

⁷ Chapter 72-306, s. 2, Laws of Fla.

⁸ *Id.* at s. 4.

⁹ Chapter 80-274, ss. 54 and 55, Laws of Fla.

¹⁰ Chapter 2006-152, Laws of Fla.

¹¹ *Id.* The act provided multiple “Whereas” clauses to explain the intent, including “WHEREAS, some unscrupulous persons present a local occupational license to consumers as proof of competency to perform various repairs and services . . .”.

¹² See *id.*

¹³ Sections 205.033, F.S., and 205.042, F.S.

¹⁴ Sections 205.033, F.S., and 205.042, F.S.

¹⁵ Sections 205.033, F.S., and 205.043, F.S.

The governing body of a municipality that levies the tax may request that the county in which the municipality is located issue the municipal receipt and collect the tax and vice versa.¹⁶ However, before any local government issues any business receipts on behalf of another local government, those governments must adopt an interlocal agreement.¹⁷ All business tax receipts are sold by the appropriate tax collector beginning July 1 of each year.¹⁸ The taxes are due and payable on or before September 30 of each year, and the receipts expire on September 30 of the succeeding year.¹⁹ Administrative penalties are imposed for delinquent payments or engaging in business without first obtaining a local business tax receipt.²⁰

New Tax Levies

A county or municipality that has not yet adopted a business tax ordinance or resolution may adopt a business tax ordinance pursuant to s. 205.0315, F.S. The tax rate structure and classifications in the adopted ordinance must be reasonable and based upon the rate structure and classifications prescribed in ordinances adopted by adjacent local governments that have implemented a local business tax.²¹ If no adjacent local government has implemented a local business tax, or if the governing body of the county or municipality finds that the rate structures or classifications of adjacent local governments are unreasonable, then an alternative method is authorized.²² In such a case, the rate structure or classifications of the local government seeking to impose the tax may be based upon the ordinances of local governments that have a comparable population.²³

Tax Base/Rate Restructuring

Currently, counties and municipalities with an existing local business tax may not reclassify businesses, professions, and occupations.²⁴ However, those counties and municipalities that underwent a reclassification and rate structure revision pursuant to s. 205.0535, F.S., prior to October 1, 1995, or during a window of time available from July 1, 2007, through October 1, 2008, for certain municipalities, may, every other year, increase or decrease by ordinance the rates of business taxes by up to 5 percent.²⁵ However, an increase may not be enacted by less than a majority plus one vote of the governing body.²⁶ A county or municipality is not prohibited from decreasing or repealing any authorized local business tax.²⁷

Exemptions

Chapter 205, F.S., provides several exemptions and exclusions from local business taxes. Customary religious, charitable, or educational activities of nonprofit religious, charitable, and educational institutions are excluded from the definition of “business,” “profession,” and

¹⁶ Section 205.045, F.S.

¹⁷ *Id.*

¹⁸ Section 205.053, F.S.

¹⁹ *Id.*

²⁰ *Id.*

²¹ Section 205.0315, F.S.

²² *Id.*

²³ *Id.*

²⁴ Section 205.0535, F.S.

²⁵ Section 205.0535(4), F.S.; chs. 93-180 and 2007-97, Laws of Fla.

²⁶ Section 205.0535(4), F.S.

²⁷ *Id.* at (5).

“occupation” and are thereby excluded from paying local business taxes.²⁸ There is an optional partial exemption for businesses located in enterprise zones.²⁹ Vehicles used for the delivery and transportation of tangible personal property by a business that is otherwise required to pay a local business tax may not be construed as separate places of business and charged a separate local business tax.³⁰ There are also exemptions for persons engaged in specified farming activities,³¹ certain nonresident persons regulated by the Department of Business and Professional Regulation (DBPR),³² certain employees of businesses that are required to pay a local business tax,³³ individuals licensed as broker or sales associates,³⁴ certain disabled persons, the aged, and widows with minor dependents,³⁵ veterans, their spouses and certain low-income persons,³⁶ and certain mobile home setup operations.³⁷ Charitable, religious, fraternal, youth, civic, service, or other similar organizations that make occasional sales or engage in fundraising projects that are performed exclusively by its members and where the proceeds derived from the activities are used exclusively in the charitable, religious, fraternal, youth, civic, and service activities of the organization are also exempt.³⁸

Regulatory Provisions

Section 205.194, F.S., provides that any person applying for or renewing a local business tax receipt to practice any profession or engage in or manage any business or occupation regulated by DBPR, the Florida Supreme Court, or any other state regulatory agency, including any board or commission thereof, must exhibit an active state certificate, registration, or license, or proof of copy of the same, before such local receipt may be issued. Sections 205.196, 205.1965, 205.1967, 205.1969, 205.1971, 205.1973, and 205.1975, F.S., provide similar requirements for the production of evidence of appropriate licensure prior to the issuance of a business tax receipt for pharmacies and pharmacists, assisted living facilities, pest control, health studios, sellers of travel, telemarketing businesses, and household moving services, respectively.

Local Business Taxes on Gross Sales of Retail and Wholesale Merchants

The City of Panama City levies separate license taxes on the gross sales of all retail and wholesale merchants within the municipal jurisdiction.³⁹ For retail merchants, the tax is \$10 for each \$1,000 (i.e., 1 percent) of gross sales with a minimum tax of \$1.50 per month.⁴⁰ For wholesale merchants, the tax is \$0.50 for each \$1,000 of gross sales, or major fraction thereof, (i.e., 0.05 percent) with a minimum tax of \$1.50 per month.⁴¹ Additionally, the tax applies only

²⁸ Section 205.022(1), F.S.

²⁹ Section 205.054, F.S. This exemption was scheduled for repeal on December 31, 2015. *See* ss. 205.054(6) and 290.016, F.S.

³⁰ Section 205.063, F.S.

³¹ Section 205.064, F.S.

³² Section 205.065, F.S.

³³ Section 205.066, F.S.

³⁴ Section 205.067, F.S.

³⁵ Section 205.162, F.S.

³⁶ Section 205.055, F.S.

³⁷ Section 205.193, F.S.

³⁸ Section 205.192, F.S.

³⁹ PANAMA CITY, FLA. MUN. CODE, ch. 7, art. II., https://library.municode.com/fl/panama_city/codes/code_of_ordinances (last visited Dec. 4, 2025).

⁴⁰ *Id.* at s. 7-53.

⁴¹ *Id.*

to the first \$5,000 collected by a merchant for any single item of merchandise.⁴² The merchant pays the license tax by the 30th day of each month based on the merchant's gross sales of the preceding month.⁴³ If payment is made on or before the 20th day of the month such tax is payable, a 3 percent discount is allowed.⁴⁴

The City of Panama City Beach levies separate business taxes on the gross sales of all retail and wholesale merchants within the municipal jurisdiction.⁴⁵ For retail merchants, the tax is \$10 for each \$1,000 of gross sales, or major portion thereof, (i.e., 1 percent) with a minimum tax of \$50 per year.⁴⁶ For wholesale merchants, the tax is \$1.50 for each \$1,000 of gross sales, or major fraction thereof, (i.e., 0.15 percent) with a minimum tax of \$50 per year.⁴⁷ On the first day of each month, the merchant submits a statement of gross sales for the preceding month at which time the tax is paid.⁴⁸ The statement and payment are delinquent on the 10th day of each month following application for receipt.⁴⁹ Upon becoming delinquent, the receipt is subject to revocation by the city council, and the city clerk reports at each regular city council meeting any delinquent merchant's business tax receipts.⁵⁰ Once revoked, a merchant's receipts may be reinstated if all accrued taxes plus a 10 percent penalty of the gross amount are paid.⁵¹ No merchant can transact business while his or her business tax receipt stands revoked.⁵² If payment is made on or before the 10th day of the month such tax is payable, a 3 percent discount is allowed.⁵³

The cities of Panama City and Panama City Beach are the only known local governments in Florida that levy a license or business tax on the gross receipts of retail and wholesale merchants.⁵⁴ Section 205.044, F.S., provides for their authority to continue levying these taxes. After adoption of the 1968 Florida Constitution, multiple steps of legislative ratification have been necessary to clarify this authority. While authority could have been provided by special or local act before the 1968 Florida Constitution was adopted, the new constitution made clear that city taxes could only be authorized pursuant to general law.⁵⁵

⁴² *Id.*

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ PANAMA CITY BEACH, FLA. CODE OF ORDINANCES, ch. 14,

https://library.municode.com/fl/panama_city_beach/codes/code_of_ordinances

⁴⁶ *Id.* at s.14-29.

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ 2024 LGIFH, *supra* note 2 at 142.

⁵⁵ *City of Tampa v. Birdsong Motors, Inc.*, 261 So. 2d 1 (Fla. 1972). See also Fla. Const. Art. VII, s. 1(a), which provides "No tax shall be levied except in pursuance of law. No state ad valorem taxes shall be levied upon real estate or tangible personal property. All other forms of taxation shall be preempted to the state except as provided by general law," and Fla. Const. Art. VII, s. 9(a): "Counties, school districts, and municipalities shall, and special districts may, be authorized by law to levy ad valorem taxes and may be authorized by general law to levy other taxes, for their respective purposes, except ad valorem taxes on intangible personal property and taxes prohibited by this constitution."

In the 1972 *City of Tampa v. Birdsong Motors, Inc.* case, the Supreme Court of Florida found unconstitutional a Tampa license tax that was based on gross sales.⁵⁶ Tampa's tax had been originally enacted in 1954 and was structured much like the current Panama City and Panama City Beach taxes.⁵⁷ The Court reasoned that the basis of the tax on gross sales made it indistinguishable from a sales tax, that Tampa had not been authorized by general law to levy such a tax, the 1968 Florida Constitution required local governments to be authorized by general law to levy taxes, and thus, Tampa's gross receipts tax was unconstitutional.⁵⁸

The Court's decision put into question all of the license taxes that were not specifically authorized under ch. 205, resulting in the Legislature reacting soon thereafter by ratifying existing municipal taxes in section 2 of ch. 72-306, Laws of Florida. A repeal of that act's sunset and permanent grandfathering of local license taxes would follow in 1973,⁵⁹ and the authority to continue levying municipal gross receipts taxes was affirmed in 2018.⁶⁰

Local Business Tax Revenues

The revenues derived from the business tax imposed by county governments, exclusive of the costs of collection and any credit given for municipal business taxes, are apportioned between the county's unincorporated area and the incorporated municipalities located within the county by a ratio derived by dividing their respective populations by the county's total population.⁶¹ Within 15 days following the month of receipt, the apportioned revenues are sent to each governing authority; however, this provision does not apply to counties that have established a new rate structure pursuant to s. 205.0535, F.S.⁶²

While mostly considered as general revenue for the county or municipality, a county may use proceeds to oversee and implement a comprehensive economic development strategy through advertising, promotional activities, and other sales and marketing techniques.⁶³ The proceeds of the additional business tax imposed by certain counties pursuant to s. 205.033(6), F.S., must be distributed by the county's governing body to a designated organization or agency for the purpose of implementing a comprehensive economic development strategy through advertising, promotional activities, and other sales and marketing techniques.⁶⁴

In Local Fiscal Year (LFY) 2022-23, the most recent year for which preliminary data is available, counties collected a total of \$51.5 million of local business tax revenue.⁶⁵ In that same LFY, municipalities collected a total of \$175.4 million of local business tax revenue.⁶⁶

⁵⁶ *Birdsong*, 261 So. 2d at 7.

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ Chapter 73-144, Laws of Fla.

⁶⁰ Chapters 2018-80 and 2018-118, Laws of Fla.

⁶¹ Section 205.033(4), F.S.

⁶² Section 205.033(5), F.S.

⁶³ Section 205.033(7), F.S.

⁶⁴ Section 205.033(6)(b), F.S.

⁶⁵ OFF. ECON & DEMOGRAPHIC RSCH., *Local Business Tax: County Revenues: LFY 1993-2023*, <https://edr.state.fl.us/Content/local-government/data/data-a-to-z/localbiztxco.xlsx> (last visited Dec. 4, 2025).

⁶⁶ OFF. ECON & DEMOGRAPHIC RSCH., *Local Business Tax: Municipal Revenues: LFY 1993-2023*, <https://edr.state.fl.us/Content/local-government/data/data-a-to-z/localbiztxmu.xlsx> (last visited Dec. 4, 2025).

The revenue collected by the cities that impose a local business tax on merchants based on gross receipts cannot be fully differentiated from the revenue collected through a flat business tax in this communities. The annual amounts of general fund revenue generated from merchant licenses are reported separately from other local business tax revenues in Panama City’s annual budget.⁶⁷ In LFY 2023-24, Panama City collected a total of \$13.8 million in merchant services fees.⁶⁸ However, such amounts are not separately reported in Panama City Beach’s annual budget or financial statement.⁶⁹ Panama City Beach collected \$20.5 million total in business taxes for LFY 2023-24.⁷⁰

III. Effect of Proposed Changes:

SB 122 repeals ch. 205, F.S., titled “Local Business Taxes,” but moves the authority for municipalities that impose business taxes measured by gross receipts which is currently in s. 205.044, F.S., to newly created s. 218.150, F.S. Newly created s. 218.044, F.S., will grandfather municipal business taxes currently imposed on merchants and measured by the gross receipts from the sale of merchandise or services, or both by allowing the continued imposition of the tax, despite repeal of ch. 205, F.S., by the act. Municipalities that levy such taxes may revise the definition of the term “merchant” by ordinance, but are not allowed to revise the gross receipts tax rate.

With these changes, counties will no longer have the authority to levy business taxes. Municipalities will no longer be able to levy flat business taxes, as only those measured by gross receipts that are currently imposed are grandfathered. The only known municipalities that levy such taxes currently are Panama City and Panama City Beach.

The bill strikes cross-references to ch. 205, F.S., wherever they appear in other sections of statute to conform those provisions to the repeal of that chapter.

The bill takes effect on July 1, 2026.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Section 18 of Article VII of the Florida Constitution governs laws that require counties and municipalities to spend funds, limit the ability of counties and municipalities to raise revenue, or reduce the percentage of state tax shared with counties and municipalities.

Section 18(b) of Article VII of the Florida Constitution provides that except upon approval of each house of the Legislature by two-thirds vote of the membership, the legislature may not enact, amend, or repeal any general law if the anticipated effect of

⁶⁷ 2024 LGIFH, *supra* note 2 at 142.

⁶⁸ City of Panama City, Annual Comprehensive Financial Report For the fiscal year ended September 30, 2024, at 180, available at <https://www.panamacity.gov/ArchiveCenter/ViewFile/Item/1550> (last visited Dec. 3, 2025).

⁶⁹ 2024 LGIFH, *supra* note 2 at 142.

⁷⁰ City of Panama City Beach, Annual Financial Statements for the Fiscal Year Ended September 30, 2024 at 10, available at <https://www.pcbfl.gov/home/showpublisheddocument/27506/638858521026030000>.

doing so would be to reduce the authority that municipalities or counties have to raise revenue in the aggregate, as such authority existed on February 1, 1989. However, the mandates requirements do not apply to laws having an insignificant impact,^{71,72} which is \$2.4 million or less for Fiscal Year 2026-2027.⁷³

The REC has not yet reviewed SB 122, but has reviewed HB 103 which contains provisions which similarly affect local authority to impose local business taxes (See Section V. Fiscal Impact Statement of analysis). Because SB 122 reduces the authority for counties and municipalities to raise revenue in a manner similar to HB 103, the mandates provision of section 18 of Article VII of the Florida Constitution may apply.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

Section 19 of Article VII, Florida Constitution requires increased taxes or fees to be passed in a separate bill and by two-thirds vote of the membership of each house of the Legislature. This bill does not increase any taxes or fees; therefore, the increased tax or fee requirements do not apply.

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

The REC has not yet reviewed SB 122, but has reviewed similar provisions in HB 103 that reduce county and municipal authority to levy local business taxes. The REC adopted a negative impact for Fiscal Year 2026-2027 of \$188.6 million to local government revenue for HB 103.⁷⁴

⁷¹ FLA. CONST. art. VII, s. 18(d).

⁷² An insignificant fiscal impact is the amount not greater than the average statewide population for the applicable fiscal year multiplied by \$0.10. See FLA. SENATE COMM. ON COMTY. AFFAIRS, *Interim Report 2012-115: Insignificant Impact*, (Sept. 2011), <http://www.flsenate.gov/PublishedContent/Session/2012/InterimReports/2012-115ca.pdf> (last visited Dec. 5, 2025).

⁷³ Based on the Demographic Estimating Conference's estimated population adopted on June 30, 2025, <https://edr.state.fl.us/Content/conferences/population/demographicssummary.pdf> (last visited Dec. 5, 2025).

⁷⁴ OFF. ECON & DEMOGRAPHIC RSCH., *Revenue Estimating Conference Results: HB 103 84-87* (Nov. 14, 2025), available at <https://edr.state.fl.us/Content/conferences/revenueimpact/archives/2026/pdf/page84-87.pdf>.

B. Private Sector Impact:

Because the bill limits the authority for counties and municipalities to levy business taxes, businesses in many jurisdictions will experience reduced costs.

C. Government Sector Impact:

Because the bill limits the authority for counties and municipalities to levy business taxes, the bill will reduce revenue collected by the counties and municipalities that levy business taxes.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends sections 125.01047, 166.04465, 202.24, 213.0535, 213.055, 213.756, 330.41, 337.401, 376.84, 379.3761, 482.071, 482.242, 489.127, 489.128, 489.131, 489.532, 489.537, 500.12, 500.511, 501.015, 501.016, 501.160, 507.13, 539.001, 559.904, 559.928, 559.9281, 559.935, 559.939, 559.955, and 616.12 of the Florida Statutes.

This bill creates section 218.150 of the Florida Statutes.

This bill repeals sections 205.013, 205.022, 205.023, 205.0315, 205.032, 205.033, 205.042, 205.043, 205.044, 205.045, 205.053, 205.0532, 205.0535, 205.0536, 205.0537, 205.054, 205.055, 205.063, 205.064, 205.065, 205.066, 205.067, 205.162, 205.191, 205.192, 205.193, 205.194, 205.196, 205.1965, 205.1967, 205.1969, 205.1971, 205.1973, and 205.1975 of the Florida Statutes.

IX. Additional Information:**A. Committee Substitute – Statement of Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.