File No. 120681 Committee Item No. 11
Board Item No. 20

COMMITTEE/BOARD OF SUPERVISORS

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Completed by: Victor Young **Date** July 13, 2012
Completed by: Victor Young **Date** 7-19-12

An asterisked item represents the cover sheet to a document that exceeds 25 pages.
The complete document can be found in the file.

Amendment of the Whole
in Committee. 7/12/12
MOTION NO.

FILE NO. 120681

[Initiative Ordinance - Business and Tax Regulations Code - Enact Gross Receipts Tax and Phase Out Payroll Expense Tax]

Motion ordering submitted to the voters an: "Ordinance amending the Business and Tax Regulations Code to: 1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax and an administrative office tax on persons engaging in business activities in San Francisco; 2) amend Article 12-A (Payroll Expense Tax Ordinance) to reduce business payroll expense tax rates based on the amount of gross receipts tax collected under Article 12-A-1 (Gross Receipts Tax Ordinance); 3) amend Article 12 (Business Registration Ordinance) to establish business registration fees based on gross receipts and amend the current business registration fees to generate approximately $13 million in estimated additional revenue; 4) amend Article 12-A (Payroll Expense Tax Ordinance) to add a sunset date to the surplus business tax revenue credit; and 5) amend Article 6 (Common Administrative Provisions) to establish requirements for filing a tax return under Article 12-A-1 (Gross Receipts Tax Ordinance), establish penalties for non-filing, and amend the requirements for filing payroll expense tax returns and penalties for non-filing to conform to the new gross receipts tax" at an election to be held on November 6, 2012.

MOVED, That the Board of Supervisors hereby submits the following Ordinance to the voters of the City and County of San Francisco, at an election to be held on November 6, 2012.

Ordinance amending the Business and Tax Regulations Code to: 1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax and an administrative office tax on persons engaging in business activities in San Francisco;

2) amend Article 12-A (Payroll Expense Tax Ordinance) to reduce business payroll expense tax rates based on the amount of gross receipts tax collected under Article 12-A-1 (Gross Receipts Tax Ordinance); 3) amend Article 12 (Business Registration Ordinance) to establish business registration fees based on gross receipts and amend the current business registration fees to generate approximately $13 million in estimated additional revenue; 4) amend Article 12-A (Payroll Expense Tax Ordinance) to add a sunset date to the surplus business tax revenue credit; and 5) amend Article 6 (Common Administrative Provisions) to establish requirements for filing a tax return under Article 12-A-1 (Gross Receipts Tax Ordinance), establish penalties for non-filing, and amend the requirements for filing payroll expense tax returns and penalties for non-filing to conform to the new gross receipts tax.

NOTE: Additions are *single-underline italics Times New Roman*; deletions are ~~*strike-through italics Times New Roman*~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The Planning Department has determined that the actions contemplated in this Ordinance comply with the California Environmental Quality Act (California Public Resources Code Section 21000 et seq.). Said determination is on file with the Clerk of the Board of Supervisors in File No. 120681 and is incorporated herein by reference.

Section 2. Pursuant to Article XIIIC of the Constitution of the State of California, this Ordinance shall be submitted to the qualified electors of the City and County of San Francisco, at the November 6, 2012 consolidated general election.

Section 3. The San Francisco Business and Tax Regulations Code is hereby amended by adding Article 12-A-1 to read as follows:

SEC. 950. FINDINGS AND PURPOSE.

The voters hereby find and declare as follows:

1. San Francisco is the only major city in California that levies its entire business tax on payroll expense. This exclusive payroll-based tax discourages job creation and economic growth, lowers wages, and provides an unstable revenue stream.

2. San Francisco currently charges a flat rate on its payroll expense tax base. Instituting a tiered rate structure, in which businesses are taxed based on their gross receipts, will better distribute the tax burden according to a business's ability to pay.

3. Gross receipts is the most common business tax base among California's largest cities.

4. Amending San Francisco's business tax system to include a gross receipts tax will promote revenue stability by diversifying the tax base.

5. The rate schedules and the small business exemption for businesses with receipts under $1,000,000 provide particular tax relief to small businesses.

6. The legislation will gradually phase in the new gross receipts tax over a five-year period, beginning in tax year 2014, to allow businesses time to adjust to the change and to minimize the risk to the City and to taxpayers of instability in City revenues during the transition from the payroll expense tax to a gross receipts tax.

7. Also beginning in tax year 2014, the payroll expense tax will be adjusted, over the same period, in increments that are consistent with the phase in of the gross receipts tax.

8. Each year during the phase-in period, the formula dictates an increase in the gross receipts tax rate and an adjustment in the payroll expense tax rate that is expected to reduce the payroll expense tax rate to zero by or before 2018. The Controller will calculate the annual increase in the gross

receipts tax rate and the adjustment in the payroll expense tax rate by applying formulas specified in this legislation.

SEC. 951. SHORT TITLE.

This Article shall be known as the "Gross Receipts Tax Ordinance" and the tax this Article imposes shall be known as the "Gross Receipts Tax."

SEC. 952. DEFINITIONS.

Except where the context otherwise requires, the terms used in this Article shall have the meanings given to them in Sections 6.2-1 et seq. of Article 6 and in Article 12-A.

SEC. 952.1. ADVANCE PAYMENT.

"Advance payment" means a nonrefundable payment for the purchase of property or services to be delivered or performed in the future.

SEC. 952.2. CASH DISCOUNT.

"Cash discount" means a deduction from the invoice price of goods or charge for services which is allowed if the bill is paid on or before a specified date, or paid in cash rather than by credit card.

SEC. 952.3. GROSS RECEIPTS.

(a) "Gross receipts" means the total amounts received or accrued by a person from whatever source derived, including, but not limited to, amounts derived from sales, services, dealings in property, interest, rent, royalties, dividends, licensing fees, other fees, commissions and distributed amounts from other business entities. Except as otherwise specifically provided in this Article, gross

receipts includes but is not limited to all amounts that constitute gross income for federal income tax purposes. Gross receipts includes all receipts, cash, credits and property of any kind or nature and including any amount for which credit is allowed by the seller to the purchaser, without any deduction therefrom on account of the cost of the property sold, the cost of materials used, labor or service costs, interest paid or payable, losses or any other expense whatsoever, except that cash discounts allowed or taken on sales shall not be included as gross receipts. Gross receipts, including advance payments, shall be included in a taxpayer's gross receipts at the time such receipts are recognized as revenue for federal income tax reporting purposes.

(b) "Gross receipts" with respect to any lease or rental shall include payment for any services that are part of the lease or rental, whether received in money or otherwise, that are paid to, on behalf of, or for the benefit of, the lessor, and all receipts, cash, credits, property of any kind or character and the fair market value of services so paid or rendered by the lessee.

(c) Treatment of Taxes. "Gross receipts" shall not include the amount of any federal, state, or local tax imposed on or with respect to retail sales whether imposed upon the retailer or upon the purchaser and regardless of whether the amount of tax is stated as a separate charge, or such part of the sales price of any property previously sold and returned by the purchaser to the seller which is refunded by the seller by way of cash or credit allowances given or taken as part payment on any property so accepted for resale. Gross receipts shall also not include any federal, state or local tax imposed upon a person for which that person is reimbursed by means of a separately stated charge to a purchaser, lessee, licensee or customer. Gross receipts shall not include any amount of third-party taxes that a taxpayer collects from or on behalf of the taxpayer's customers and remits to the appropriate governmental entity imposing such tax. Gross receipts shall not include any tax refunds received by a person from a governmental entity. Gross receipts shall include any federal, state or local tax not specifically excluded in this subsection.

(d) "Gross receipts" shall not include any amount received from or charged to any person that is a related entity to the taxpayer. Nor shall gross receipts include any grants received from governmental entities or any gifts. Gross receipts also shall not include any distributions (such as dividends, interest and other returns on capital) from an entity treated as a pass-through entity for federal income tax purposes, provided such distributions are derived exclusively from an investment in such entity, and that such entity is a person or a member of a combined group subject to the gross receipts tax.

(e) "Gross receipts" from the sale or exchange of stocks or other similar written instruments evidencing a right to participate in the assets of any business, or of bonds or other evidence of indebtedness, or of any other marketable securities (collectively referred to in this Article as "financial instruments") or of any real property shall not include the cost to acquire the financial instrument(s), or real property sold or otherwise exchanged or converted. To the extent that any loss on the sale or exchange of financial instruments reduces the gross income of a person for federal income tax purposes in the year the loss is incurred, that loss shall reduce gross receipts from the sale or exchange of financial instruments, but in no event shall those receipts be less than zero, and in no event may any such loss be carried back or carried forward to reduce gross receipts in a tax year other than that in which the loss was incurred.

(f) No person shall be deemed to be engaging in business in the City if that person is an individual whose only gross receipts within the City are derived from investments of that individual's own funds in financial instruments. Gross receipts of an individual shall not include interest, dividends, capital gains and similar items or investment income earned from the investment of that individual's own capital.

(g) For purposes of this Article and Article 12, and notwithstanding Section 6.2-12 of Article 6, no person shall be deemed to be engaging in business within the City if its activities in the City consist solely of one or more of the following:

(1) contracting with, or otherwise using the services of, any investment advisor or affiliate thereof which is not a related entity;

(2) maintaining documents of formation, incorporation, or registration within the City;

(3) being an owner, member, or other participant in an entity engaging in business within the City which is a pass-through entity for federal income tax purposes; or

(4) having trustees or directors who meet or reside within the City.

SEC. 952.4. NAICS CODE.

"NAICS code" means the numerical classification for business activities established in the North American Industry Classification System used by federal governmental agencies to classify business establishments; references in this Article to particular numerical NAICS codes are intended to apply the definitions and descriptions adopted in that system as of the effective date of this Article.

SEC. 952.5. RELATED ENTITY.

A person is a "related entity" to a taxpayer if that person and the taxpayer are permitted or required under Section 25102 of the California Revenue and Taxation Code, or any successor, to have their income reflected on the same combined report. For purposes of this Article, if two or more persons derive gross receipts solely from sources within California, and their business activities are such that, if conducted both within and outside California, a combined report would be required under the California Revenue and Taxation Code, or any successor, then those persons are related entities regardless of whether they file a combined report under the California Revenue and Taxation Code, or successor.

SEC. 952.6. SALE AND SELL.

"Sale" and "sell" mean the making of any transfer of title, in any manner or by any means whatsoever, to property for a price, and to the serving, supplying or furnishing, for a price, of any property fabricated or made at the special order of consumers who do or who do not furnish directly or indirectly the specifications or materials therefor. A transaction whereby the possession of property is transferred but the seller retains the title as a security for the payment of the price shall likewise be deemed a sale.

SEC. 953. IMPOSITION OF GROSS RECEIPTS TAX.

(a) Except as otherwise provided under this Article, the City imposes and every person engaging in business within the City shall pay an annual gross receipts tax measured by the person's gross receipts from all taxable business activities attributable to the City. A person's liability for the gross receipts tax shall be calculated according to Sections 953.1 through 953.7.

(b) The gross receipts tax is a privilege tax imposed upon persons engaging in business within the City for the privilege of engaging in a business or occupation in the City. The gross receipts tax is imposed for general governmental purposes. Proceeds from the tax shall be deposited in the City's general fund and may be expended for any purposes of the City.

(c) The voters intend by adopting this measure to authorize application of the gross receipts tax in the broadest manner consistent with the provisions of this Article and the requirements of the California Constitution, the United States Constitution, and any other applicable provision of federal and state law.

(d) The gross receipts tax imposed under this Article is in addition to the payroll expense tax imposed under Article 12-A. Persons not otherwise exempt from the gross receipts tax or payroll expense tax shall pay both taxes. Persons exempt from either the gross receipts tax or payroll expense tax, but not both, shall pay the tax from which they are not exempt.

(e) Except for subsection (d) of this Section, the tax on Administrative Office Business Activities imposed by Section 953.8 is intended as a complementary tax to the gross receipts tax, and shall be considered a gross receipts tax for purposes of this Section.

SEC. 953.1. GROSS RECEIPTS TAX APPLICABLE TO RETAIL TRADE; WHOLESALE TRADE; AND CERTAIN SERVICES.

(a) The base gross receipts tax rate provided by this Section is applicable to the business activities of retail trade, wholesale trade, and certain services. Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.075% (e.g., $0.75 per $1,000) for gross receipts between $0 and $1,000,000

0.100% (e.g., $1 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.150% (e.g., $1.50 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.175% (e.g., $1.75 per $1,000) for gross receipts over $25,000,000

(b) Retail trade includes the activity of retailing any type of personal property, generally without significantly transforming its characteristics, and rendering services incidental to the retail sale of property; it includes business activity described in NAICS codes 44 and 45.

(c) Wholesale trade includes the activity of wholesaling property, generally without transformation, and rendering services incidental to the sale of property on a wholesale basis; it includes business activity described in NAICS code 42.

(d) Certain services includes the repair and maintenance services, personal and laundry services, and religious, grantmaking, civic, professional and similar organizations that are not otherwise exempt; it includes business activity described in NAICS codes 811, 812 and 813.

(e) The amount of gross receipts from retail trade activities and from wholesale trade activities subject to the gross receipts tax shall be one-half of the amount determined under Section 956.1 plus one-half of the amount determined under Section 956.2:

(f) The amount of gross receipts from certain services activities subject to the gross receipts tax shall be the total amount determined under Section 956.2.

SEC. 953.2. GROSS RECEIPTS TAX APPLICABLE TO MANUFACTURING; TRANSPORTATION AND WAREHOUSING; INFORMATION; BIOTECHNOLOGY; CLEAN TECHNOLOGY; AND FOOD SERVICES.

(a) The base gross receipts tax rate provided by this Section is applicable to the business activities of manufacturing, transportation and warehousing, information, biotechnology, clean technology, and food services. Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.125% (e.g., $1.25 per $1,000) for gross receipts between $0 and $1,000,000

0.200% (e.g., $2 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.350% (e.g., $3.50 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.450% (e.g., $4.50 per $1,000) for gross receipts over $25,000,000

(b) Manufacturing includes the activity of transforming materials, substances or components into new products by mechanical, physical or chemical means; it includes the activity of assembling component parts of manufactured products; it includes business activity described in NAICS codes 31, 32 and 33.

(c) Transportation and warehousing includes the activities of providing transportation of passengers and/or goods, warehousing and storage for goods, scenic and sightseeing transportation,

and support activities related to modes of transportation; it includes business activity described in NAICS codes 48 and 49.

(d) Information includes producing and distributing information or cultural products; providing the means to transmit or distribute those products; and processing data; it includes business activity described in NAICS code 51.

(e) For purposes of this Article, biotechnology includes the activity of biotechnology business as defined in Section 906.1 of Article 12-A, and clean technology includes the activity of clean technology business as defined in Section 906.2 of Article 12-A.

(f) Food services includes the activity of preparing meals, snacks and/or beverages to customer order for immediate on-premises or off-premises consumption; it includes drinking places; it includes business activity described in NAICS code 722.

(g) The amount of gross receipts from all business activities described in this Section subject to the gross receipts tax shall be one-half of the amount determined under Section 956.1 plus one-half of the amount determined under Section 956.2.

SEC. 953.3. GROSS RECEIPTS TAX APPLICABLE TO ACCOMMODATIONS; UTILITIES; AND ARTS, ENTERTAINMENT AND RECREATION.

(a) The base gross receipts tax rate provided by this Section is applicable to each of the following business activities: accommodations; utilities; and arts, entertainment and recreation. Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.300% (e.g., $3 per $1,000) for gross receipts between $0 and $1,000,000

0.325% (e.g., $3.25 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.325% (e.g., $3.25 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.400% (e.g., $4 per $1,000) for gross receipts over $25,000,000

(b) Accommodations includes the activity of providing lodging or short-term accommodations for travelers, vacationers, or others; it includes business activity described in NAICS code 721.

(c) Utilities includes the activities of the generation, transmission and distribution of electric power, the distribution of natural gas, the provision and distribution of steam supply, the treatment and distribution of water supply, and the removal of sewage; it includes business activity described in NAICS code 22; it excludes establishments primarily engaged in waste management services.

(d) Arts, entertainment and recreation include the activity of operating facilities or providing services to meet cultural, entertainment or recreational interests of customers or patrons; it includes business activity described in NAICS code 71.

(e) The amount of gross receipts and from accommodations subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to properties located or used within the City.

(f) The amount of gross receipts from utilities subject to the gross receipts tax shall be one-half of the amount determined under Section 956.1 plus one-half of the amount determined under Section 956.2.

(g) The amount of gross receipts from arts, entertainment and recreation subject to the gross receipts tax shall be the total amount determined under Section 956.2.

SEC. 953.4. GROSS RECEIPTS TAX APPLICABLE TO PRIVATE EDUCATION AND HEALTH SERVICES; ADMINISTRATIVE AND SUPPORT SERVICES; AND MISCELLANEOUS BUSINESS ACTIVITIES.

(a) The base gross receipts tax rate provided by this Section is applicable to the business activities of private education and health services, and administrative and support services. This rate also applies to all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate or an administrative office tax by this Article. Commencing on the operative date of

the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.525% (e.g., $5.25 per $1,000) for gross receipts between $0 and $1,000,000

0.550% (e.g., $5.50 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.600% (e.g., $6 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.650% (e.g., $6.50 per $1,000) for gross receipts over $25,000,000

(b) Private education and health services include the activity by persons other than governmental agencies of providing instruction and training in any subject, or of providing health care or social assistance for individuals; it includes business activity described in NAICS codes 61 and 62.

(c) Administrative and support services includes the activity of performing routine support activities for the day-to-day business activities of others; it includes business activity described in NAICS code 56.

(d) The amount of gross receipts from all business activities described in this Section subject to the gross receipts tax shall be determined under Section 956.2.

SEC. 953.5. GROSS RECEIPTS TAX APPLICABLE TO CONSTRUCTION.

(a) The base gross receipts tax rate provided by this Section is applicable to the business activity of construction. Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.300% (e.g., $3 per $1,000) for gross receipts between $0 and $1,000,000

0.350% (e.g., $3.50 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.400% (e.g., $4 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.450% (e.g., $4.50 per $1,000) for gross receipts over $25,000,000

(b) Construction includes the activity of preparing sites for, subdividing land for, or working on, buildings or engineering projects (including highways and utility systems); it includes business activity described in NAICS code 23.

(c) The amount of gross receipts from construction subject to the gross receipts tax shall be one-half of the amount determined under Section 956.1 plus one-half of the amount determined under Section 956.2. The amount of gross receipts so determined shall then be reduced by any amounts which were included in a person's gross receipts within the City pursuant to Section 956.1, and which that person paid to a subcontractor possessing a valid business registration certificate with the City during the tax year. There shall be no reduction for any other costs, including without limitation costs for materials, fees, equipment, or other services. In order to claim such a reduction, a person must maintain an itemized schedule of payments to subcontractors and information sufficient to enable the Tax Collector to verify that the subcontractor possessed a valid business registration certificate with the City.

SEC. 953.6. GROSS RECEIPTS TAX APPLICABLE TO FINANCIAL SERVICES; INSURANCE; AND PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES.

(a) The base gross receipts tax rate provided by this Section is applicable to the business activities of financial services; insurance; and professional, scientific and technical services. Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.400% (e.g., $4 per $1,000) for gross receipts between $0 and $1,000,000

0.450% (e.g., $4.50 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.500% (e.g., $5 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.550% (e.g., $5.50 per $1,000) for gross receipts over $25,000,000

(b) Financial services includes the activities of engaging in or facilitating financial transactions; it includes business activities described in NAICS codes 521, 522 and 523. Any person engaged in financial services business activities who deals in financial instruments as a principal shall include in gross receipts all trading profits, dividends and interest derived from those financial instruments, except to the extent provided in Section 952.3(f).

(c) Insurance includes the activities of facilitating or supporting the pooling of risk by underwriting insurance and annuities; the activities covered by this Section include those of persons not exempt from the gross receipts tax based on business activities described in NAICS code 524.

(d) Professional, scientific and technical services includes the activity of providing for others, specialized professional, scientific, or technical services that require a high degree of expertise and training; it includes business activity described in NAICS code 54.

(e) The amount of gross receipts from the activities described in this Section subject to the gross receipts tax shall be the amount determined under Section 956.2.

SEC. 953.7. GROSS RECEIPTS TAX APPLICABLE TO REAL ESTATE AND RENTAL AND LEASING SERVICES.

(a) The base gross receipts tax rate provided by this Section is applicable to the business activities of real estate and rental and leasing services. Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the base tax rate provided by this Section is:

0.300% (e.g., $3 per $1,000) for gross receipts between $0 and $1,000,000

0.325% (e.g., $3.25 per $1,000) for gross receipts between $1,000,001 and $2,500,000

0.325% (e.g., 3.25 per $1,000) for gross receipts between $2,500,001 and $25,000,000

0.400% (e.g., $4 per $1,000) for gross receipts over $25,000,000

(b) Real estate and rental and leasing services includes the activities of renting, leasing, or otherwise allowing the use of tangible or intangible assets, and the activity of providing related services; it includes business activity described in NAICS code 53.

(c) The amount of gross receipts from real estate and rental and leasing services subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to properties located or used within the City. Gross receipts shall not include amounts derived from or related to properties located or used outside the City.

SEC. 953.8. TAX ON ADMINISTRATIVE OFFICE BUSINESS ACTIVITIES.

(a) Except as provided in this Section, notwithstanding any other provision of this Article and in lieu of the other taxes provided by this Article and Article 12-A for any person or combined group, every person engaging in business within the City as an administrative office, as defined below, shall pay an annual administrative office tax measured by its total payroll expense that is attributable to the City. If a person is a member of a combined group, then its tax shall be measured by the total payroll expense of the combined group attributable to the City. Such combined group shall pay only the administrative office tax. The administrative office tax rate for each tax year is 1.500 percent.

(b) "Engaging in business within the City as an administrative office" means that:

(1) a person is engaging in business within the City during the tax year and over 50 percent of the total combined payroll expense within the City of that person and its related entities for the preceding tax year was associated with providing administrative or management services exclusively to that person or related entities;

(2) the total combined number of employees of that person and its related entities within the United States as of the last day of the preceding tax year exceeded 1,000; and

(3) the total combined gross receipts of that person and its related entities reported on United States federal income tax return(s) for the preceding tax year exceeded $1,000,000,000.

(c) For purposes of subsection (b) only, a related entity shall include any person who could be included in the same combined report under California Revenue and Taxation Code Section 25102 but for the existence of a water's edge election under Section 25110 of that Code.

(d) "Administrative or management services" comprises oversight services from executive staff and routine support services on an enterprise-wide basis, such as recordkeeping, risk management, personnel administration, legal, accounting, market research and analysis, and training services; it does not include sales personnel or personnel actively engaged in marketing, research and development, direct customer service, and product support services. The Tax Collector is authorized to classify in its reasonable discretion which personnel employed by any person provide administrative or management services.

(e) A person provides administrative office services exclusively for itself or a related entity only if the final recipient of those services is at a location where that person or a related entity conducts business activities.

(f) "Payroll expense" for purposes of this Section shall have the meaning given to that term by Sections 902.1 et seq. of Article 12-A, except that Section 902.1(b) of Article 12-A shall not apply for purposes of determining whether a person is engaging in business within the City as an administrative office. Section 902.1(b) shall apply for all other purposes under this Section. The portion of the payroll expense of a person or combined group that is attributable to the City shall be determined as set forth in Section 904 of Article 12-A.

(g) In addition to the administrative office tax provided in subsection (a), any person engaging in business within the City as an administrative office exclusively for itself or a related entity shall apply for a registration certificate and pay a registration fee, as provided in Article 12.

(h) Except as provided in this Section, the provisions of Article 6 and Article 12 apply to the administrative office tax.

SEC. 953.9. PERSONS OR COMBINED GROUPS ENGAGED IN MULTIPLE BUSINESS ACTIVITIES.

If a person, or a combined group as described in Section 956.3, engages in business activities described in more than one of Sections 953.1 through 953.7, inclusive, of this Article, the rate or rates of gross receipts tax to be applied to that person or group, and the method for determining gross receipts in the City, shall be determined as follows:

(a) If more than 80 percent of its gross receipts, determined in accordance with Section 956, are derived from business activities described in only one of Sections 953.1 through 953.7, inclusive, then the rules of that applicable Section apply to all of its gross receipts derived from all business activities.

(b) If its business activities in the City are described in more than one of Sections 953.1 through 953.7, inclusive, and subsection (a) of this Section does not apply, then such person or combined group shall separately compute the gross receipts tax for each set of business activities as provided in the Section applicable to that particular set of business activities, modified as follows:

(1) if the set of business activities described in any of Sections 953.1 through 953.7, inclusive, generates less than 20 percent of the total gross receipts of the person or group, then the receipts and payroll of any such set of activities may be combined for all purposes related to computing the gross receipts tax with whichever set of that person's or group's activities are taxed at the highest rate;

(2) the small business exemption provided in Section 954.1 shall apply only if the sum of receipts within the City from all sets of business activities does not exceed $1,000,000 in total;

(3) the progressive rates described in Sections 953.1 through 953.7 apply on an aggregate basis for businesses with multiple sets of activities;

(4) the applicable rate for each set of business activities shall be determined in numbered order of the Sections describing each set of business activities; i.e., the gross receipts and tax

for business activities described in Section 953.1 should be determined first, Section 953.2 second, and so on;

(5) the rate(s) applicable to any set of activities after the first shall be determined by adding together the gross receipts determined for all previous sets of activities and applying the rate scale commencing with the total gross receipts so determined; and

(6) the gross receipts tax liability for the person or combined group shall be the sum of the liabilities for each set of business activities.

SEC. 954. EXEMPTIONS AND EXCLUSIONS.

(a) Except as provided in subsection (b) of this Section, an organization that is exempt from income taxation by Chapter 4 (commencing with Section 23701) of Part 11 of Division 2 of the Revenue and Taxation Code or Subchapter F (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504 and 508 of the Internal Revenue Code of 1986, as amended, shall be exempt from taxation under this Article, only so long as those exemptions continue to exist under state or federal law.

(b) An organization otherwise exempt from income taxation under subsection (a) that is directly engaged within the City in an unrelated trade or business within the meaning of Section 513(a) of the Internal Revenue Code of 1986, as amended, and has, from its own operations, unrelated business taxable income within the meaning of Section 512(a)(1) of the Internal Revenue Code of 1986, as amended, shall pay the gross receipts tax on its gross receipts from its unrelated trade or business activities that are attributable to the City. If it is impracticable, unreasonable or improper to allocate such organization's gross receipts as aforesaid either because of the particular nature of the organization's unrelated trade or business or for any other reason, then the amount of gross receipts reasonably attributable to the organization's unrelated trade or business in the City shall be determined on the basis of all of the relevant facts and circumstances of the particular case, in

accordance with any rulings or regulations issued or promulgated by the Tax Collector for this purpose.

(c) Gross receipts as defined in Section 952.3 shall not include receipts from business activities if, and only so long as and to the extent that, the City is prohibited from taxing such receipts under the Constitution or laws of the United States or under the Constitution or laws of the State of California.

(d) Rent Controlled Buildings Exclusion. A person subject to the tax may exclude from gross receipts in any tax year 50 percent of the total amount received from the rental of real property to tenants in occupancy at any location in the City, which is subject to limits on rent increases pursuant to the Residential Rent Stabilization and Arbitration Ordinance, San Francisco Administrative Code, Chapter 37, Section 37.1 et seq.

(e) Exclusion of Certain Sales of Real Property. Gross receipts as defined in Section 952.3 shall not include receipts from any sales of real property with respect to which the Real Property Transfer Tax imposed by Article 12-C has been paid to the City.

(f) For only so long as and to the extent that the City is prohibited from imposing the tax under this Article, the following persons shall be exempt from the gross receipts tax:

(1) Banks and financial corporations exempt from local taxation under Article XIII, Section 27 of the California Constitution and Revenue and Taxation Code Section 23182;

(2) Insurance companies exempt from local taxation under Article XIII, Section 28 of the California Constitution;

(3) Persons engaging in business as a for-hire motor carrier of property under Revenue and Taxation Code Section 7233;

(4) Persons engaging in intercity transportation as a household goods carrier under Public Utilities Code Section 5327;

(5) Charter-party carriers operating limousines that are neither domiciled nor maintain a business office within the City under Public Utilities Code Section 5371.4; and

(6) Any person upon whom the City is prohibited under the Constitution or laws of the State of California from imposing the gross receipts tax.

(g) To the extent that any taxpayer has paid a substantially similar tax to any other taxing jurisdiction on any gross receipts attributed to the City and taxed under this Article, the tax paid to such taxing jurisdiction shall be credited against the tax due under this Article; in no event shall this credit reduce the taxpayer's liability to less than zero.

SEC. 954.1. SMALL BUSINESS EXEMPTION.

(a) Notwithstanding any other provision of this Article, a "small business enterprise," as hereinafter defined for purposes of this Article 12-A-1, shall be exempt from payment of the gross receipts tax, nevertheless, a small business enterprise shall pay the annual registration fee pursuant to Section 855 of Article 12.

(b) For purposes of this Article 12-A-1, the term "small business enterprise" shall mean and include any person or combined group, except for a lessor of residential real estate:

(1) Whose gross receipts within the City for the preceding tax year did not exceed $1,000,000; and

(2) Who filed a tax return by the last day of February for the preceding tax year, if that person or group had gross receipts in the City of over $500,000. If a person is required to file a tax return under this Section, and fails to file a return by that date, the taxpayer shall be subject to a penalty as specified in subsection (c).

(c) In lieu of the penalty specified in Section 6.17-3 of Article 6 for failing to file a return, any person who otherwise qualifies for the small business exemption set forth in this Section, and who had gross receipts in the City of over $500,000, who fails to file a return by the last date of February shall pay a penalty as follows:

(1) The penalty for the first month, or fraction thereof, that the return is delinquent, shall be 5 percent of the amount of the tax liability, calculated without regard to the small business exemption in this Section. The penalty shall increase by an additional 5 percent each month, or fraction thereof, that the return is delinquent, up to a maximum of 20 percent of the tax liability. Any penalties remaining unpaid for a period of 90 days or more shall be subject to an additional penalty of 20 percent of the amount of the tax liability excluding penalties and interest.

(2) Penalties are due and payable when assessed. Unpaid penalties, interest and fees shall accrue interest at the rate of 1 percent per month, or fraction thereof, from the date that they are assessed through the date of payment. The total amount of the penalties, interest and fees shall not exceed the amount of the person's gross receipts tax liability for the period but for the small business exemption.

(d) The Tax Collector may, at his or her discretion, reduce the penalty set forth in subsection (c) to not less than $100 upon a showing that the late filing of the return was due to reasonable cause and not due to willful neglect.

(e) For purposes of this Article 12-A-1, and notwithstanding any other provision of this Section, a lessor of residential real estate is a "small business enterprise" if and only if the lessor leases fewer than 4 units in any individual building. "Residential real estate" means real property where the primary use of or right to use the property is for the purpose of dwelling, sleeping or lodging other than as part of the business activity of accommodations. For purposes of determining whether a lessor of residential real estate is a small business enterprise, a lessor of residential real estate is treated as a separate person with respect to each individual building in which it leases residential real estate units, notwithstanding Section 6.2-15 of Article 6, or Section 956.3 of this Article. The provisions of this subsection apply only to leasing residential real estate units within a building, and not to any business activity related to other space, either within the same building or other buildings, which is not

residential real estate. The Tax Collector is authorized to determine what constitutes a separate building and the number of units in a building.

SEC. 955. PERSONS DERIVING NO GROSS RECEIPTS FROM BUSINESS ACTIVITIES OUTSIDE THE CITY.

Notwithstanding any other provision of this Article, any person subject to the gross receipts tax who derives non-exempt gross receipts from business activities within the City and derives no gross receipts from business activities outside the City is subject to tax on all non-exempt gross receipts.

SEC. 956. ALLOCATION AND APPORTIONMENT FOR ALL PERSONS DERIVING GROSS RECEIPTS FROM BUSINESS ACTIVITIES BOTH WITHIN AND OUTSIDE THE CITY.

All persons deriving gross receipts from business activities both within and outside the City shall allocate and/or apportion their gross receipts to the City, using the rules set forth in Section 956.1 and 956.2, in the manner directed in Sections 953.1 through 953.7, inclusive, and in Section 953.9 of this Article.

SEC. 956.1. ALLOCATION OF RECEIPTS FROM REAL, PERSONAL, TANGIBLE AND INTANGIBLE PROPERTY.

(a) For all persons required to determine an amount of gross receipts pursuant to this Section, that amount shall be all non-exempt gross receipts within the City as determined hereunder.

(b) Gross receipts from the sale, lease, rental or licensing of real property are in the City if the real property is located in the City.

(c) Gross receipts from sales of tangible personal property are in the City if the property is delivered or shipped to a purchaser within the City regardless of the f.o.b. point or other conditions of the sale.

(d) Gross receipts from the rental, lease or licensing of tangible personal property are in the City if the property is located in the City.

(e) Gross receipts from services are in the City to the extent the purchaser of the services received the benefit of the services in the City.

(f) Gross receipts from intangible property are in the City to the extent the property is used in the City. In the case of financial instruments, sales are in the City if the customer is located in the City.

SEC. 956.2. APPORTIONMENT OF RECEIPTS BASED ON PAYROLL.

(a) For all persons required to determine an amount of gross receipts pursuant to this Section, that amount shall be all combined gross receipts of the person multiplied by a fraction, the numerator of which is payroll in the City and the denominator of which is combined payroll.

(b) Combined gross receipts are the total worldwide gross receipts of the person and all related entities to the person, unless the election provided for in California Revenue and Taxation Code Section 25110 is in effect for the person, in which case combined gross receipts shall be computed consistently with the water's edge election, as set forth therein.

(c) Combined payroll is the total worldwide compensation paid by the person and all related entities to the person, unless the election provided for in California Revenue and Taxation Code Section 25110 is in effect for the person, in which case combined payroll shall be computed consistently with the water's edge election, as set forth therein. A person who has no combined payroll in a tax year shall have no gross receipts under this Section for that tax year.

(d) Payroll in the City is the total amount paid for compensation in the City by the person and by all related entities to the person.

(e) Compensation paid in the City shall be determined as set forth in Section 904 of Article 12-A.

(f) "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for services. In the case of any person who has no employees, compensation shall also include all taxable income for federal income tax purposes of the owners or proprietors of such person who are individuals. Those owners or proprietors shall be treated as individuals to whom compensation is paid for purposes of subsection (e).

(g) The apportionment provided by this Section shall not include in either the numerator or the denominator any payroll of persons exempt from tax under subsections (a), (b), or (f) of Section 954.

SEC. 956.3. COMBINED RETURNS.

A person engaging in business within the City must file gross receipts tax returns as provided in Article 6. Those returns must be filed on a combined basis with all of that person's related entities. That person, and all of that person's related entities, constitute a combined group. Every combined group must file a single return; the combined group may choose a single person to file the return on its behalf. Each person within the combined group engaging in business in the City must provide a power of attorney to the person filing the return, authorizing the person filing the return to file said return and to act on behalf of each person with respect to payments, refunds, audits, resolutions, and any other items related to the tax liability reflected in the return. The power of attorney shall be substantially in a form to be promulgated by the Tax Collector. Each return filed by a combined group constitutes a combined return under this Article and Article 6. The person filing any combined return shall pay the tax liability reflected on the return and any liability determined on audit at the time and in the manner set forth for returns and liabilities in Article 6.

SEC. 957. TAX COLLECTOR AUTHORIZED TO DETERMINE GROSS RECEIPTS.

The Tax Collector may, in his or her reasonable discretion, independently establish a person's gross receipts and establish or reallocate gross receipts among related entities so as to fairly reflect the

gross receipts of all persons. This authority extends to determining whether any amount excluded from gross receipts by virtue of Section 952.3(f) is in whole or in part compensation or payment for services and thus included in gross receipts.

SEC. 958. ADMINISTRATION OF THE GROSS RECEIPTS TAX ORDINANCE.

Except as otherwise provided under this Article, the Gross Receipts Tax Ordinance shall be administered pursuant to Article 6 of the San Francisco Business and Tax Regulations Code.

SEC. 959. RATE OF GROSS RECEIPTS TAX: CONTROLLER COMPUTATION.

(a) Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the rate of gross receipts tax for Sections 953.1 through 953.7 in accordance with subsection (b) of this Section. The Controller shall certify and publish such rates on or before September 1 of each year.

(b) Gross Receipts Tax Computation. The Controller shall compute the gross receipts tax rates for each tax year by multiplying each base rate in Sections 953.1 through 953.7 by the "Gross Receipts Tax Rate Adjustment Factor," which shall be determined according to the following table and formulas, but no gross receipts tax rate shall exceed the base rates provided by Sections 953.1 through 953.7.

Gross Receipts Tax Rate Adjustment Factor Computation Table

Tax Year	*Gross Receipts Tax Rate Adjustment Factor (GADJyear)*
2014	$GADJ_{14} = 10\%$
2015	$GADJ_{15} = 25\% + EXP_{15}$
2016	$GADJ_{16} = 50\% + EXP_{16}$
2017	$GADJ_{17} = 75\% + EXP_{17}$
2018	$GADJ_{18} = 100\% + EXP_{18}$

Where: "EXPyear" is the "Excess Payroll Expense Tax Revenue Factor," a percentage that reduces the gross receipts tax rate adjustment factor for a year in which the payroll expense tax rate determined under Section 903.1 of Article 12-A becomes zero, and which adjusts for excess payroll expense tax revenue collected for that tax year. The Controller shall compute EXPyear according to the following table and formulas:

(1) In any year in which PAYRATEyear is greater than zero, where PAYRATEyear is determined under Section 903.1 of Article 12-A, EXPyear is zero.

(2) In the first year in which PAYRATEyear is zero, where PAYRATEyear is determined under Section 903.1 of Article 12-A, EXPyear shall be computed according to the following table and formulas. In subsequent years, GADJyear shall be the same value it was in the prior year:

Excess Payroll Expense Tax Revenue Factor Computation Table

Tax Year	*Excess Payroll Expense Tax Revenue Factor (EXPyear)*
2015	$EXP_{15} = [(1.125\% + PADJ_{15}) \times (PAYTAX_{14}/PAYRATE_{14})]/(GRTAX_{14}/10\%)$
2016	$EXP_{16} = [(0.750\% + PADJ_{16}) \times (PAYTAX_{15}/PAYRATE_{15})]/GRTAX_{15}/25\%)$
2017	$EXP_{17} = [(0.375\% + PADJ_{17}) \times (PAYTAX_{16}/PAYRATE_{16})]/GRTAX_{16}/50\%)$
2018	$EXP_{18} = [PADJ_{18} \times (PAYTAX_{17}/PAYRATE_{17})]/(GRTAX_{17}/75\%)$

Where: PADJyear, PAYTAXyear, and GRTAXyear are determined under Section 903.1 of Article 12-A.

(c) Notwithstanding any other provision of this Article, in any year in which the payroll expense tax rate determined under Section 903.1 of Article 12-A is zero, the gross receipts tax rates for that year and all future years shall be as the Controller computed for that year. The Controller shall certify and publish such rates by September 1 of that year, at which time the Controller's duty to compute, certify and publish the gross receipts tax rates shall cease.

(d) Notwithstanding any other provision of this Article, the gross receipts tax rates for 2019 and all future years shall be the rates in effect in tax year 2018. The Controller shall certify and publish such rates on or before September 1, 2019, at which time the Controller's duty to compute, certify and publish the payroll expense tax rate shall cease.

SEC. 960. THE "PAYROLL EXPENSE TAX EXCLUSION" CREDIT.

(a) "Payroll Expense Tax Exclusion Credit" means the dollar amount by which a person would have been able to reduce its payroll expense tax liability pursuant to the Enterprise Zone Tax Credit under Section 906A of Article 12-A, the Biotechnology Exclusion under Section 906.1 of Article 12-A, and/or the Clean Technology Business Exclusion under Section 906.2 of Article 12-A, as if the payroll expense tax were in full force and effect and calculated at a rate of 1½ percent.

(b) "Combined Business Tax Liability" means the sum of the gross receipts tax and the payroll expense tax a person owes for a tax year.

(c) For so long as a particular payroll expense tax exclusion listed under subsection (a) is in effect, without regard to whether the payroll expense tax is otherwise in effect, a person may credit against its combined business tax liability for a tax year the amount of a particular payroll expense tax exclusion credit to which it would be entitled under the payroll expense tax; however, in no event shall such credit reduce a person's combined business tax liability to less than zero. Any person who claims the credit under this Section must meet all of the eligibility requirements of the payroll expense tax exclusion(s) it claims. The credit may be claimed against the tax liability only of the person who qualified for the payroll expense tax exclusion and not against any liability of related entities or other members of that person's combined group.

SEC. 961. CENTRAL MARKET STREET LIMIT.

(a) The "Central Market Street Limit" means a person's payroll expense tax liability for a tax year as determined under the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion under Section 906.3 of Article 12-A, calculated at a rate of 1½ percent.

(b) "Combined Business Tax Liability" means the sum of the gross receipts tax and the payroll expense tax a person owes that is attributable to location(s) in the Central Market Street and Tenderloin Area as defined in Section 906.3(b) of Article 12-A for a tax year under the rates established for that year.

(c) For so long as the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion is in effect, without regard to whether the payroll expense tax is otherwise in effect, a person shall owe the lesser of its combined business tax liability or the amount of its Central Market Street limit. Any person who claims the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion must meet all of the eligibility requirements of that exclusion.

SEC. 962. AMENDMENT OF ORDINANCE.

The Board of Supervisors may amend or repeal Article 12-A-1 of the Business and Tax Regulations Code without a vote of the people except as limited by Article XIIIC of the California Constitution.

SEC. 963. EFFECT OF STATE AND FEDERAL AUTHORIZATION.

To the extent that the City's authorization to impose or collect any tax imposed under this Article 12-A-1 is expanded or limited as a result of changes in state or federal law, no amendment or modification of this Article 12-A-1 shall be required to conform the taxes to those changes, and the taxes are hereby imposed and the Tax Collector shall collect them to the full extent of the City's authorization up to the full amount and rate of the taxes imposed under this Article 12-A-1.

SEC. 964. SEVERABILITY.

Except as provided in Section 965(b) below, if any section, sentence, clause, phrase, or portion of Article 12-A-1 is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining sections, sentences, clauses, phrases, or portions of this Article shall nonetheless remain in full force and effect. The people of the City and County of San Francisco hereby declare that, except as provided in Section 965(b), they would have adopted each section, sentence, clause, phrase, or portion of this Article, irrespective of the fact that any one or more sections, sentences, clauses, phrases, or portions of this Article be declared invalid or unenforceable and, to that end, the provisions of this Article are severable.

SEC. 965. SAVINGS CLAUSE.

(a) No section, clause, part or provision of this Article shall be construed as requiring the payment of any tax that would be in violation of the Constitution or laws of the United States or of the

Constitution or laws of the State of California. Except as provided in subsection (b) of this Section, if any section, clause, part or provision of this Article, or the application thereof to any person or circumstance, is held invalid or unconstitutional, the remainder of this Article, including the application of such part or provision to other persons or circumstances, shall not be affected thereby and shall continue in full force and effect. To this end, the provisions of this Article are severable.

(b) If the imposition of the gross receipts tax in Section 953, or any portion of the rate computation under Section 959, of this Article is held invalid or unconstitutional in a final court determination, the remainder of this Article shall be null and void and of no force and effect. For any tax year for which this Article is invalidated pursuant to this Section, the payroll expense tax provided by Article 12-A may be assessed against any person engaging in business in the City during that tax year as if this Ordinance had not been passed, except that such assessment may be made and collected notwithstanding any statute of limitations provided by Article 6.

Section 4. Operative Date.

Except for Section 5, this Ordinance shall become operative the first day of the first calendar quarter commencing after December 31, 2013. Section 5 shall become operative on the effective date of this Ordinance.

Section 5. The San Francisco Business and Tax Regulations Code is hereby amended by amending Sections 855 and 856 and adding Section 863 to Article 12, to read as follows:

SEC. 855. REGISTRATION CERTIFICATE – FEE.

(a) *Fee for registration years ending on or after June 30, 2004, but ending on or before June 30, 2014.* Except as otherwise provided in this Section and Section 856 of this Article, the

annual fee for obtaining a registration certificate *for registration years ending on or after June 30, 2004, but ending on or before June 30, 2014*, payable in advance, shall be as follows:

~~*Computed*~~ Payroll Expense Tax for the Immediately Preceding Tax Year	Annual Registration Fee
Less than $1	$25
$1 to $10,000	$150
$10,000.01 to $50,000	$250
More than $50,000	$500

(b) In the event that an applicant for a registration certificate, *for registration years ending on or after June 30, 2004, but ending on or before June 30, 2014,* has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's estimated tax liability under Article 12-A (Payroll Expense Tax Ordinance) for the period covered by the registration certificate.

(c) Fee for Registration Year Commencing July 1, 2014 and Ending June 30, 2015. Except as otherwise provided in this Section and Section 856 of this Article, the annual fee for obtaining a registration certificate, for the registration year commencing July 1, 2014 and ending June 30, 2015, payable in advance, shall be as follows:

Payroll Expense for the Immediately Preceding Tax Year	*Annual Registration Fee*
$0 to $66.66	*$75*
$66.67 to $75,000	*$150*
$75,001 to $100,000	*$250*
$100,001 to $150,000	*$500*
$150,001 to $200,000	*$700*
$200,001 to $250,000	*$800*
$250,001 to $1,000,000	*$250*
$1,000,001 to $2,500,000	*$500*
$2,500,001 to $5,000,000	*$1,000*
$5,000,001 to $10,000,000	*$5,000*
$10,000,001 to $25,000,000	*$10,000*
$25,000,001 or more	*$20,000*

(d) In the event that an applicant for a registration certificate, for registration year commencing July 1, 2014 and ending June 30, 2015, has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's payroll expense under Article 12-A (Payroll Expense Tax Ordinance) for the period covered by the registration certificate.

(e) Fee for Registration Years Ending After June 30, 2015. Except as otherwise provided in this Section and Section 856 of this Article, the annual fee for obtaining a registration certificate, for the registration years ending after June 30, 2015, payable in advance, shall be as follows:

Gross Receipts for the Immediately Preceding Tax Year	*Annual Registration Fee*
$0 to $100,000	*$75*
$100,001 to $250,000	*$150*
$250,001 to $500,000	*$250*
$500,001 to $750,000	*$500*
$750,001 to $1,000,000	*$700*
$1,000,001 to $2,500,000	*$100*
$2,500,001 to $7,500,000	*$250*
$7,500,001 to $15,000,000	*$750*
$15,000,001 to $25,000,000	*$1,000*
$25,000,001 to $50,000,000	*$5,000*
$50,000,001 to $100,000,000	*$10,000*
$100,000,001 and over	*$20,000*

(f) In the event that an applicant for a registration certificate, for a registration year ending after June 30, 2015, has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's estimated gross receipts under Article 12-A-1 (Gross Receipts Tax Ordinance) for the period covered by the registration certificate.

~~*(e) The fee for obtaining a registration certificate for any calendar year ending on or before December 31, 2001 shall be determined in accordance with the registration fee provisions of the Business and Tax Regulations Code, or its predecessor, governing such year.*~~

~~(d)~~(g) Fee for Administrative Office Business Activities. Except as otherwise provided in this Section and Section 856 of this Article, the annual fee for obtaining a registration certificate for

Administrative Office Business Activities under Section 953.8 of Article 12A-1, for the registration years ending after June 30, 2015, payable in advance, shall be as follows:

Payroll Expense for Immediately Preceding Tax Year	*Annual Registration Fee*
$0 to $2,500,000	*$500*
$2,500,001 to $25,000,000	*$1,000*
Over $25,000,000	*$20,000*

(h) In the event that an applicant for a registration certificate for Administrative Office Business Activities under Section 953.8 of Article 12A-1, for a registration year ending after June 30, 2015, has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's estimated payroll expense under Article 12-A-1 for the period covered by the registration certificate.

(i) Any organization having a formally recognized exemption from income taxation pursuant to Section 501(c), 501(d) or 401(a) of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504 and 508 of the Internal Revenue Code of 1986, as amended, shall not be required to pay a registration fee under this Article unless the organization is also engaged within the City in an unrelated trade or business within the meaning of Section 906 of Article 12-A *or Section 954 of Article 12-A-1*.

~~*(e)*~~*(j)* A person shall be exempt from paying the registration fee required by this Section if and to the extent that, *and only so long as,* federal or state law prohibits the imposition of the registration fee upon such person.

SEC. 856. REGISTRATION CERTIFICATE – APPLICATION AND ISSUANCE.

(a) Each person engaging in business within the City shall apply to the Tax Collector *for a registration certificate*, ~~*on a*~~*using the* form prescribed by the Tax Collector~~*, for a registration certificate*~~. The application shall be accompanied by the person's registration fee as determined under this Article. *A combined group as described in Section 956.3 of Article 12-A-1 shall apply for a certificate and calculate its fee on a combined basis.* ~~*To ease administrative burdens on taxpayers (by consolidating the deadlines to file annual tax returns and apply for renewal of registration certificates), the term of registration certificates shall be changed from the calendar year basis to a fiscal year basis. The purpose of subsections (b) through (e) of this Section is to facilitate such change and shall be interpreted in accordance with this purpose.*~~

~~*(b) A registration certificate issued for a calendar year commencing on or before January 1, 2002, shall be valid until December 31 of such calendar year. All persons engaging in business within the City during any such calendar year shall, before the last business day in October, apply to the Tax Collector for a registration certificate for the succeeding calendar year. The application for renewal of the annual registration certificate shall become delinquent if the registration fee is not paid on or before the last business day in October.*~~

~~*(c) To accomplish the change from the calendar year registration period to a fiscal year registration period, there shall be a Registration Transition Period commencing January 1, 2003, and ending June 30, 2003. A registration certificate issued for the Registration Transition Period shall be valid through June 30, 2003. Except as provided in subsection (f) of this Section, any person engaging in business within the City during the calendar year preceding the Registration Transition Period shall, before October 31, 2002, apply to the Tax Collector for a registration certificate covering the Registration Transition Period. The application for renewal of the registration certificate covering the Registration Transition Period shall become delinquent if the registration fee is not paid on or before October 31, 2002. Except as provided in subsection (f) of this Section, the fee for a registration*~~

~~certificate covering the Registration Transition Period shall be 50 percent of the amount of the annual registration fee otherwise applicable under Section 855 of this Article.~~

~~(d) Any person engaging in business within the City during the Registration Transition Period shall, between January 1 and February 28, 2003, apply to the Tax Collector for a registration certificate for the succeeding registration year (commencing July 1, 2003, and ending June 30, 2004). The application for renewal of such certificate shall become delinquent if not paid on or before February 28, 2003.~~

~~(e) A registration certificate issued for any registration year after the Registration Transition Period shall be valid through June 30 of such registration year. Except as provided in subsection (f) of this Section, for any registration year commencing on or after July 1, 2003, any person engaging in business within the City shall, between January 1 and the last day of May, apply to the Tax Collector for a registration certificate for the succeeding registration year. The application for renewal of the annual registration certificate shall become delinquent if the registration fee is not paid on or before the last day of May.~~

~~(f)~~(b) A person shall have 15 days after commencing business within the City to apply for a registration certificate. The registration fee for newly-established businesses shall be prorated as follows:

~~(1) For tax years ending on or before December 31, 2001, the fee for obtaining a registration certificate for a newly established business shall be determined in accordance with Sections 1007, 1007.1 and 1007.2 of Article 12-B of the Business Tax and Regulations Code as it read on December 31, 1999, or the predecessor provisions governing the registration fee for the relevant tax year.~~

~~(2) For the tax year ending on December 31, 2002, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855 of this Article using the estimated Payroll Expense Tax liability for such tax year. The registration fee for any person~~

~~who commences business operations within the City during such tax year shall be prorated as follows: For persons commencing business between January 1st and March 31st, the registration fee shall be 100 percent of the annual fee; for persons commencing business between April 1st and June 30th, the registration fee shall be 75 percent of the annual fee; for persons commencing business between July 1st and September 30th, the registration fee shall be 50 percent of the annual fee; and for persons commencing business between October 1st and December 31st, the registration fee shall be 25 percent of the annual fee. Where a registration certificate is issued for a period other than for a calendar year, the Tax Collector shall have discretion to prorate the registration fee in accordance with the formula set forth in this paragraph.~~

~~(3) For the Registration Transition Period, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855 of this Article using the applicant's estimated tax liability under Article 12-A (Payroll Expense Tax Ordinance) for the 2003 tax year. For any person who commences business operations within the City on or after January 1, 2003, and before April 1, 2003, the registration fee shall be as set forth in subsection (c) of this Section. For any person who commences business operations within the City on or after April 1, 2003, and before July 1, 2003, the registration, fee shall be 25 percent of the amount of the annual registration fee otherwise applicable under Section 855(a) of this Article.~~

~~(4)~~(1) For the registration year commencing on or after July 1, 2014 and ending June 30, 2015, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855(c) of this Article using the applicant's estimated payroll expense under Article 12-A (Payroll Expense Tax Ordinance) for the tax year in which the person commences such business within the City. For registration years commencing on or after July 1, ~~2003~~2015, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855(e) of this Article using the applicant's estimated ~~tax liability~~gross receipts under Article ~~12-A (Payroll Expense Tax Ordinance)~~12-A-1 (Gross Receipts

Tax Ordinance) for the tax year in which the person commences such business within the City. The registration fee ~~*for persons who commence business operations after the Registration Transition Period*~~ shall be prorated as follows: For persons commencing business between January 1st and March 31st, the registration fee shall be 50 percent of the annual fee; for persons commencing business between April 1st and June 30th, the registration fee shall be 25 percent of the annual fee; for persons commencing business between July 1st and September 30th, the registration fee shall be 100 percent of the annual fee; and for persons commencing business between October 1st and December 31st, the registration fee shall be 75 percent *of* the annual fee. Where a registration certificate is issued for a period other than for a registration year, the Tax Collector shall have discretion to prorate the registration fee in accordance with this model.

~~(5)~~*(2)* Notwithstanding any other provision of this Article, no person obtaining a registration certificate for a newly established business that qualifies for the ~~$25~~ minimum registration fee set forth in Section 855 of this Article shall be entitled to prorate the registration fee under this Section, but instead shall pay the ~~$25~~ minimum registration fee. *For registration years ending on or before June 30, 2014, the minimum registration fee shall be $25. For the registration years ending after June 30, 2014 the minimum registration fee shall be $75.*

~~(g)~~*(c)* All applications for renewal of registration certificates shall be accompanied by the full amount of the applicant's annual registration fee for the period covered by the registration certificate.

~~(h)~~*(d)* Promptly after receiving a properly completed application and registration fee from any person, the Tax Collector shall determine whether the applicant has paid all outstanding: (1) *gross receipts taxes; (2) P*~~p~~ayroll ~~E~~*e*xpense ~~T~~*t*axes; ~~(2)~~*(3)* costs and/or charges assessed pursuant to ~~*Section 174.2 of*~~ Article 5.1 of the Public Works Code, as amended from time to time, for failure to abate a nuisance regarding the cleanliness of an abutting public

sidewalk or right-of-way; and ~~(3)~~(4) other taxes and license fees due to the City. In addition, the Tax Collector may investigate whether the applicant has paid other amounts owning to the City as a result of fines, penalties, interest, assessments, or any other financial obligations imposed by law, regulation or contract. If the Tax Collector determines that all liabilities have been paid, the Tax Collector shall issue a registration certificate to the applicant for each place of business maintained by the applicant.

~~(f)~~(e) If a person submits a timely application under this Section and the Tax Collector determines that the applicant has satisfied all the requirements of this Article, including the payment of all outstanding liabilities owed to the City, then the Tax Collector shall issue a registration certificate to the applicant within 30 days after the Tax Collector makes such determination.

~~(g)~~(f) Each registration certificate shall be non-assignable and nontransferable. The holder of the registration certificate shall surrender the certificate to the Tax Collector immediately upon the sale or transfer of the business for which the Tax Collector issued the registration certificate. The holder of the registration certificate shall also surrender the certificate to the Tax Collector when such holder ceases to conduct business at the location designated in the certificate.

~~(h)~~(g) If the Tax Collector determines that any liabilities enumerated in subsection ~~(h)~~(d) of this Section remain unpaid as of the date an application is received, the Tax Collector shall give written notification of that fact to the applicant. The written notification shall set forth the amount owed, the liabilities enumerated in subsection ~~(h)~~(d) of this Section for which the amount(s) are owed, the dates the liabilities were incurred and any other information the Tax Collector deems necessary to apprise the applicant of what specific liabilities are owed to the City. The Tax Collector shall not issue a registration certificate unless and until the applicant has paid all amounts owing to the City, including, but not limited to, taxes, license fees, and

costs or charges assessed for failure to abate a nuisance condition on a public right-of-way under ~~*Section 174.2 of*~~ Article 5.1 of the Public Works Code, as amended from time to time, for which the applicant is liable; provided, that if a good faith dispute exists regarding the amount of the outstanding liability or liabilities owed by the applicant to the City and the dispute is pending before a City agency or court of competent jurisdiction, then the Tax Collector shall not refuse to issue a registration certificate solely for non-payment of the amount in dispute.

~~(l)~~*(h)* Each registration certificate, and each duplicate thereof, shall set forth the name under which the person transacts or intends to transact business, the location of the registrant's place of business and such other information as the Tax Collector may require, and be prominently displayed therein. In the case of a sole proprietorship, the registration certificate shall be signed by the sole proprietor; in the case of a partnership, the registration certificate shall be signed by a general partner; in the case of a limited liability company, the registration certificate shall be signed by the managing member; and in the case of a corporation, the registration certificate shall be signed by the person authorized by the corporation to sign on its behalf.

~~(m)~~*(i)* Each person liable for payment of a registration fee pursuant to this Article shall ~~only~~pay *only* one *annual* registration fee. ~~; however, t~~*T*he Tax Collector shall issue a separate registration certificate for each location within the City where the person engages in business.

(j) The person may register up to 15 fictitious business names (sometimes abbreviated DBA, dba or d/b/a) without an additional charge. The Tax Collector shall charge a fee of $25, in addition to the registration fee, for each fictitious business name under which the business or operation is registered to conduct business in the City in addition to the first 15 fictitious business names registered.

(k) In addition to all other civil penalties provided for by law, the Tax Collector may charge any person who fails to register in a timely manner a fictitious business name or a location within the

City where the person engages in business, an administrative penalty of $500 per fictitious business name or business location that the person fails to register.

SEC. 863. AMENDMENT OF ORDINANCE.

The Board of Supervisors may amend or repeal Article 12 of the Business and Tax Regulations Code without a vote of the people except as limited by Article XIIIC of the California Constitution.

Section 6. The San Francisco Business and Tax Regulations Code is hereby amended by amending Sections 903.1, 905-A and 906E and adding Section 909 to Article 12-A, to read as follows:

SEC. 903.1. RATE OF PAYROLL EXPENSE TAX.

*(a) Except as provided in subsection (b), T*he rate of the payroll expense tax shall be 1½ percent. The amount of a person's liability for the payroll expense tax shall be the product of such person's taxable payroll expense multiplied by *the rate of the payroll expense tax expressed as a decimal (e.g., for a payroll expense tax rate of 1½ percent,* 0.015*)*. The amount of such tax for Associations shall be ~~*1½ percent*~~*the sum* of the payroll expense of such Association~~*, plus 1½ percent of*~~ *and* the total distributions made by such Association by way of salary to those having an ownership interest in such Association*, multiplied by the rate of the payroll expense tax expressed as a decimal (e.g., for a payroll expense tax rate of 1½ percent, 0.015)*. Amounts paid or credited to those having an ownership interest in such Association prior and in addition to the distribution of ownership profit or loss shall be presumed to be distributions "by way of salary" and for personal services rendered, unless the taxpayer proves otherwise by clear and convincing evidence.

(b) Commencing on the operative date of the Gross Receipts Tax Ordinance, the rate of the payroll expense tax shall be computed by the Controller in accordance with subsections (c) and (d). The Controller shall certify and publish such rate on or before September 1 of each year.

(c) Commencing on the operative date of the Gross Receipts Tax Ordinance:

(1) For any tax year in which the payroll expense tax rate, computed in accordance with subsection (d), is less than zero, then the payroll expense tax rate for that year and all subsequent years shall be zero. The Controller shall certify and publish such rate on or before September 1 of that year, at which time the Controller's duty to compute, certify and publish the payroll expense tax rate shall cease.

(2) Notwithstanding any other provision of this Article or Article 12-A-1, the payroll expense tax rate for 2019 and all future years shall be the rate in effect in tax year 2018. The Controller shall certify and publish such rate on or before September 1, 2019, at which time the Controller's duty to compute, certify and publish the payroll expense tax rate shall cease.

(3) Notwithstanding any other provision of this Article or Article 12-A-1, in no event shall the payroll expense tax rate for any year exceed 1½ percent.

(d) Payroll Expense Tax Rate Computation. The Controller shall compute the payroll expense tax rate for each tax year according to the following table and formulas:

(1) Payroll Expense Tax Rate Computation Table

Tax Year	*Payroll Expense Tax Rate (PAYRATEyear)*
2014	$PAYRATE_{14} = 1.350\%$
2015	$PAYRATE_{15} = 1.125\% + PADJ_{15}$
2016	$PAYRATE_{16} = 0.750\% + PADJ_{16}$
2017	$PAYRATE_{17} = 0.375\% + PADJ_{17}$
2018	$PAYRATE_{18} = 0\% + PADJ_{18}$

Where: "PADJyear" is the payroll expense tax rate adjustment factor expressed as a percentage and computed in accordance with subsection (d)(2).

(2) Payroll Expense Tax Rate Adjustment Factor Computation. Unless the prior year's payroll expense tax rate is zero, in which case the payroll expense tax adjustment factor does not apply, the Controller shall compute the payroll expense tax rate adjustment factor (PADJyear) according to the following table and formulas:

Payroll Expense Tax Rate Adjustment Factor Computation Table

Tax Year	*Payroll Expense Tax Rate Adjustment (PADJyear)*
2015	$PADJ_{15} = MR_{15}/(PAYTAX_{14}/PAYRATE_{14})$
2016	$PADJ_{16} = MR_{16}/(PAYTAX_{15}/PAYRATE_{15})$
2017	$PADJ_{17} = MR_{17}/(PAYTAX_{16}/PAYRATE_{16})$
2018	$PADJ_{18} = MR_{18}/(PAYTAX_{17}/PAYRATE_{17})$

Where:

(A) "PAYTAXyear" = is the actual payroll expense tax revenue received during that year;

(B) "PAYRATEyear" = is the payroll expense tax rate in effect for that year; and

(C) "MRyear" is computed in accordance with subsection (d)(3).

(3) Missing Revenue Factor Computation. The Missing Revenue Factor (MRyear) is, for any year, the amount by which the combined revenue actually collected from the payroll expense tax, gross receipts tax, and business registration fee differs from the combined revenue that was expected based on prior year collections and adjustments in the tax rates. Unless the prior year's payroll expense tax rate is zero, in which case the missing revenue factor does not apply, the Controller shall compute the missing revenue factor (MRyear) according to the following table and formulas:

Missing Revenue Factor Computation Table

Tax Year	*Missing Revenue (MRyear)*
2015	$MR_{15} = ADM_{14} + \$22{,}000{,}000 + ER_{14} - (1.125\%/1.350\%) \times PAYTAX_{14} - (25\%/10\%) \times GRTAX_{14} - REG_{14}$
2016	$MR_{16} = ADM_{15} + \$22{,}000{,}000 + ER_{15} - (0.750\%/PAYRATE_{15}) \times PAYTAX_{15} - (50\%/25\%) \times GRTAX_{15} - REG_{15}$
2017	$MR_{17} = ADM_{16} + \$22{,}000{,}000 + ER_{16} - (0.375\%/PAYRATE_{16}) \times PAYTAX_{16} - (75\%/50\%) \times GRTAX_{16} - REG_{16}$
2018	$MR_{18} = ADM_{17} + \$22{,}000{,}000 + ER_{17} - (100\%/75\%) \times GRTAX_{17} - REG_{17}$

Where:

(A) "GRTAXyear" is the actual gross receipts tax revenue received in that year;

(B) "REGyear" is the business registration fee revenue received in that year;

(C) "ERyear" is the sum of the combined payroll expense tax revenue, gross receipts tax revenue, and business registration fee revenue expected for that year, based on the collections for the prior year adjusted for changes in the rates of payroll expense and gross receipts taxes, and which is computed in accordance with subsection (d)(4);

(D) "$22,000,000" is the amount of additional expected business registration fee revenue; and

(E) "ADMyear" is an estimate of the additional expense incurred by the Tax Collector in administering the tax. It shall be established annually by the Controller and shall not exceed 2 percent of the sum of the actual payroll expense tax revenue and gross receipts tax revenue for the prior year.

(4) Expected Revenue Factor Computation. Unless the prior year's payroll expense tax rate is zero, the Controller shall compute the Expected Revenue factor (ERyear) according to the following table and formulas:

Expected Revenue Factor Computation Table

Tax Year	*Expected Revenue (ERyear)*
2014	$ER_{14} = PAYTAX_{13}$
2015	$ER_{15} = (1.500\%/1.350\%) \times PAYTAX_{14}$
2016	$ER_{16} = (1.500\%/PAYRATE_{15}) \times PAYTAX_{15}$
2017	$ER_{17} = (1.500\%/PAYRATE_{16}) \times PAYTAX_{16}$

SEC. 905-A. SMALL BUSINESS TAX EXEMPTION.

(a) Notwithstanding any other provisions of this Article, *a* "small business enterprise~~s~~" as hereinafter defined, shall be exempt from payment of the ~~P~~*p*ayroll ~~E~~*e*xpense ~~T~~*t*ax; provided, however, that *a* small business enterprise~~s~~ shall pay the annual registration fee pursuant to Section 855 of Article 12.

(b) The term "small business enterprise" shall mean and include any taxpayer:

(1) Whose tax liability under this Article, but for this exemption provision, would not exceed $2,500~~.00~~ or, effective January 1, 2009 whose taxable payroll expense does not exceed $250,000~~.00~~; and~~:~~

(2) Who has filed a tax return by the last date of February for the preceding tax year. If the taxpayer fails to file a return by that date, the taxpayer shall be subject to a penalty as specified in ~~S~~subsection (d).

(c) For the 2011 tax year, and each second succeeding tax year the Tax Collector shall increase the ceiling for the ~~S~~small ~~B~~business ~~T~~tax ~~E~~exemption (rounded to the nearest $10,000~~.00~~ increment) to reflect increases in the United States Department of Labor's Bureau of Labor Statistics consumer price index for all urban customers for the San Francisco-Oakland-San Jose area for each of the preceding two tax years.

(d) In lieu of the penalty specified in Section 6.17-3 of ~~this~~ Article 6 for failing to file a return, any person who otherwise qualifies for the small business tax exemption set forth in this Section who fails to file a return by the last date of February shall pay a penalty as follows:

(1) If the person's ~~P~~payroll ~~E~~expense ~~T~~tax liability under this Article, but for the small business tax exemption under this ~~s~~Section, would be ~~less than $1,000.00~~$2,250 or more, the penalty shall be ~~$100.00 plus 10%~~5 percent of the amount of such liability, for each month, or fraction thereof, that the return is delinquent, *plus an additional 5 percent each month, or fraction thereof, that the return is delinquent, up to a maximum of 20 percent of the tax liability. Any penalties remaining unpaid for a period of 90 days or more shall be subject to an additional penalty of 20 percent of the amount of the tax liability excluding penalties and interest.*

(2) Penalties are due and payable when assessed. Unpaid penalties, interest and fees shall accrue interest at the rate of 1 percent per month, or fraction thereof, from the date that they are

assessed through the date of payment. The total amount of the penalties, interest and fees shall not exceed the~~up to a maximum~~ amount ~~*equal to*~~*of* the person's *payroll* liability for ~~*such tax*~~*the period* but for the small business *tax* exemption~~.~~.

~~*(2) If the person's Payroll Expense Tax liability under this Article, but for the small business exemption under this section, would be $1,000.00 or more, then the penalty shall be $250.00 plus 10% of the amount of such liability, for each month, or fraction thereof, that the return is delinquent, up to a maximum amount equal to the person's liability for such tax but for the small business exemption.*~~

(e) The Tax Collector may, in his or her discretion, reduce the penalty set forth in ~~*S*~~*s*ubsection ~~*(e)*~~*(d)* to not less than $100~~*.00*~~ upon a showing that the late filing of the return was due to reasonable cause and not due to willful neglect.

SEC. 906E. CREDIT OF SURPLUS BUSINESS TAX REVENUE.

(a) General Rule. Any business, as defined in Section 902.2 of Part III of the Municipal Code, that does not qualify as a "small business enterprise" under the provisions of Section 905-A (Small Business Exemption), shall be allowed a credit against the ~~*P*~~*p*ayroll ~~*E*~~*e*xpense ~~*T*~~*t*ax for any taxable year ending within a fiscal year of the City and County of San Francisco immediately following a fiscal year in which the City and County of San Francisco has surplus Business Tax revenue; provided, however, that in no event shall the tax credit allowable pursuant to this Section reduce a taxpayer's liability for such tax to an amount less than zero. For each fiscal year, the Controller shall determine whether the City and County of San Francisco has surplus Business Tax revenue. The Controller's determination whether the City and County of San Francisco has surplus Business Tax revenue shall be made on or before the first business day of September following the close of such fiscal year; provided, however, that for purposes of the 1997/1998 fiscal year, the

Controller may make his or her determination on or before December 31, 1998. The Controller shall notify the Tax Collector of his or her determination.

(b) Amount of Credit. For purposes of this Section, the amount of the tax credit for any taxable year shall be $500.~~00~~; provided, however, that in no event shall the tax credit allowable pursuant to this Section reduce a taxpayer's liability for such tax to an amount less than zero.

(c) Definitions. The following definitions shall apply to the terms used in this Section.

(1) For any fiscal year of the City and County of San Francisco, the City and County of San Francisco shall be deemed to have "surplus Business Tax revenue" if and only if the actual Business Tax revenue for such fiscal year exceeds the anticipated Business Tax revenue for such fiscal year.

(2) For any fiscal year of the City and County of San Francisco, the "actual Business Tax revenue" means the aggregate amount of tax revenue collected pursuant *to* Article 12-A (Payroll Expense Tax Ordinance) and Article 12-B (Business Tax Ordinance) of Part III of the San Francisco Municipal Code, less the amount of such revenue for such year allocable solely to tax rate increases in such year.

(3) For any fiscal year of the City and County of San Francisco, the "anticipated Business Tax revenue" is an amount equal to the product of (i) the actual Business Tax revenue for the fiscal year immediately preceding such fiscal year, multiplied by (ii) 107.5 percent.

(d) Effective Date. The tax credit provided by this Section shall be allowable in taxable years ending after 1997 *and shall expire by operation of law on December 31, 2018. The City Attorney shall cause it to be removed from future editions of the Business and Tax Regulations Code after that date*.

SEC. 909. AMENDMENT OF ORDINANCE.

The Board of Supervisors may amend or repeal Article 12-A of the Business and Tax Regulations Code without a vote of the people except as limited by Article XIIIC of the California Constitution.

Section 7. The San Francisco Business and Tax Regulations Code is hereby amended by amending Sections 6.1-1, 6.2-12, 6.2-17, 6.9-1, 6.9-2, and 6.9-3 and adding Section 6.24-1 to Article 6, to read as follows:

SEC. 6.1-1. COMMON ADMINISTRATIVE PROVISIONS.

(a) These common administrative provisions shall apply to Article 6, 7, 9, 10, 10B, 11, 12, 12-A, *12-A-1,* and 12-B of this Code and to Chapter 105 of the San Francisco Administrative Code, unless the specific language of either Code otherwise requires. Any provision of this Article 6 that references or applies to Article 10 shall be deemed to reference or apply to Article 10B. Any provision of this Article 6 that references or applies to a tax shall be deemed to also reference or apply to a fee administered pursuant to this Article.

(b) Unless expressly provided otherwise, all statutory references in this Article and the Articles set forth in subsection (a) shall refer to such statutes as amended from time to time and shall include successor provisions.

(c) For purposes of this Article, a domestic partnership established pursuant to Chapter 62 of the San Francisco Administrative Code shall be treated the same as a married couple.

SEC. 6.2-12. NEXUS: "ENGAGING IN BUSINESS WITHIN THE CITY."

~~(a)~~ The taxes imposed by Article 12-A (Payroll Expense Tax Ordinance) *and Article 12-A-1 (Gross Receipts Tax Ordinance),* and the registration fee imposed by Article 12 (Business Registration Ordinance) shall apply to any person engaging in business within the City unless exempted therefrom under such Articles. A person is "engaging in business within the City," within the meaning of this Article, if that person meets one or more of the following conditions:

(1) The person maintains a fixed place of business within the City; or

(2) An employee, representative or agent of the person maintains a fixed place of business within the City for the benefit or partial benefit of the person; or

(3) The person or one or more of the person's employees, representatives or agents owns, rents, leases, or hires real or personal property within the City for business purposes for the benefit or partial benefit of the person; or

(4) The person or one or more of the person's employees, representatives or agents regularly maintains a stock of tangible personal property within the City, for sale in the ordinary course of the person's business; or

(5) The person or one or more of the person's employees, representatives or agents employs or loans capital on property within the City for the benefit or partial benefit of the person; or

(6) The person or one or more of the person's employees, representatives or agents solicits business within the City for all or part of any seven days during a tax year; or

(7) The person or one or more of the person's employees, representatives or agents performs work or renders services within the City for all or part of any seven days during a tax year; or

(8) The person or one or more of the person's employees, representatives or agents utilizes the streets within the City in connection with the operation of motor vehicles for business purposes for all or part of any seven days during a tax year; or

(9) The person or one or more of the person's employees, representatives or agents exercises corporate or franchise powers within the City for the benefit or partial benefit of the person; or

(10) The person or one or more of the person's employees, representatives or agents liquidates a business when the liquidators thereof hold themselves out to the public as conducting such business.

SEC. 6.2-17. RETURN. The term "return" means any written statement required to be filed pursuant to Articles 6, 7, 9, 10, 10A, 11, 12, *12-A* or 12-A-*1*.

SEC. 6.9-1. DETERMINATIONS, RETURNS AND PAYMENTS; DUE DATE OF TAXES.

Except for jeopardy determinations under Section 6.12-2, and subject to prepayments required under Section 6.9-2, all amounts of taxes and fees imposed by Articles 6, 7, 9, 10, 10B, 11, ~~and~~ 12-A *and 12-A-1* are due and payable, and shall be delinquent if not paid to the Tax Collector on or before the following dates:

(a) For the transient hotel occupancy tax (Article 7) and the parking space occupancy tax (Article 9), for each calendar quarter, on or before the last day of the month following each respective quarterly period;

(b) For the payroll expense tax (Article 12-A) *and the gross receipts tax (Article 12-A-1)*, on or before the last day of February of each year;

(c) For the utility users taxes (Article 10) and the access line tax (Article 10B), for each monthly period, on or before the last day of the following month; and

(d) For the stadium operator admission tax (Article 11), within 5 days after the event, subject to the provisions of Section 804 of Article 11.

SEC. 6.9-2. DETERMINATIONS, RETURNS AND PAYMENTS; RETURNS.

(a) *Returns.* Except as provided in subsection (b) below, on or before the due date, or in the event of a cessation of business within 15 days of such cessation, each taxpayer shall file a return for the subject period on a form provided by the Tax Collector, regardless of whether there is a tax liability owing. A person subject to any tax or required to remit any third-party tax who has not received a return form or forms from the Tax Collector is responsible for obtaining such form(s) and filing a return or returns on or before the due date, or upon the cessation of business. Returns shall show the amount of tax and any third-party tax paid or otherwise due for the related period and such other information as the Tax Collector may require. Each person subject to any tax or required to remit any third-party tax and required to file the return shall transmit the return, together with the remittance of the amount of tax or third-party tax due, to the Tax Collector at the Tax Collector's Office on or before the due date specified in Section 6.9-1.

(b) *Minimum Filing Amount.*

(1) With respect to each tax year, the Tax Collector may exempt from the annual tax return filing requirement those taxpayers whose liability under the Payroll Expense Tax Ordinance, computed without regard to the small business exemption set forth in Section 905-A of Article 12-A, is less than the Minimum Filing Amount for such tax year. For purposes of this Section, the Minimum Filing Amount shall be an amount of tax liability, computed without regard to such small business exemption, between zero and $2,250. The Tax Collector shall specify the Minimum Filing Amount prior to the beginning of each tax year. If the Tax Collector fails to specify a Minimum Filing Amount prior to the start of a new tax year,

the Minimum Filing Amount for such tax year shall be the Minimum Filing Amount for the preceding tax year.

(2) Notwithstanding any other provision of this Section, commencing with tax years beginning on or after December 31, 2013, a taxpayer whose taxable gross receipts in the City under the Gross Receipts Tax Ordinance (Article 12-A-1), computed without regard to the small business tax exemption set forth under Section 954.1 of Article 12-A-1, is less than $500,000, shall be exempt from filing either a payroll expense tax return or a gross receipts tax return.

SEC. 6.9-3. DETERMINATIONS, RETURNS AND PAYMENTS; PREPAYMENTS.

(a) Prepayments and Remittances. Notwithstanding the due dates otherwise provided in Section 6.9-1, taxpayers shall make prepayments and remittances of taxes and third-party taxes to the Tax Collector as follows:

(1) Hotel and Parking Taxes. The Hotel Tax (Article 7) and the Parking Tax (Article 9) shall be remitted monthly. Such monthly remittances shall be due and payable to the Tax Collector on or before the last day of the month immediately following the month for which such remittance is due. Taxes paid in the first 2 monthly remittances of any quarterly period shall be a credit against the total liability for such third-party taxes for the quarterly period. The third monthly remittance of any quarterly period shall be in an amount equal to the total tax liability for the quarterly period, less the amount of any monthly remittance for such quarter actually paid.

(2) Payroll Expense Tax *and Gross Receipts Tax*. The ~~*P*~~payroll ~~*E*~~expense ~~*T*~~tax (Article 12-A) *and the gross receipts tax (Article 12-A-1)* shall be paid in ~~*biannual or*~~ quarterly installments as follows:

(A) ~~*Small Firm Prepayments. Every person liable for payment of a total Payroll Expense Tax in excess of $3,750 but less than or equal to $50,000 for any tax year shall pay such tax*~~

~~for the following tax year in 2 installments. The first installment shall be due and payable, and shall be delinquent if not paid on or before, August 1st. The first installment shall be a credit against the person's total Payroll Expense Tax for the tax year in which the first installment is due. The first installment shall be in an amount equal to one half of the person's estimated Payroll Expense Tax for such tax year. The estimated liability shall be computed by using 52 percent of the person's taxable payroll expense (as defined in Section 902.1 of Article 12-A) for the preceding tax year, and the rate of tax applicable to the tax year in which the first installment is due. The second installment shall be reported and paid on or before the last day of February of the following year. The second installment shall be in an amount equal to the person's total Payroll Expense Tax for the subject tax year, less the amount of the first installment and other tax prepayments for such tax year, if any, actually paid.~~

~~(B) Large Firm Prepayments.~~*Due Dates.* Every person liable for payment of ~~a total P~~payroll ~~E~~expense ~~T~~tax *or gross receipts tax* ~~in excess of $50,000~~ for any tax year shall pay such tax for the ~~following~~*subject* tax year in 4 quarterly installments. The first, second and third quarterly installments shall be due and payable, and shall be delinquent if not paid on or before, ~~May 1st~~*April 30*, ~~August 1st~~*July 31* and ~~November 1st~~*October 31st*, respectively*, of the subject tax year*. *The fourth installment shall be reported and paid on or before the last day of February following the subject tax year.*

(B) Payments.

(i) Installment Payments. The first, second and third quarterly installments shall be a credit against the person's total ~~P~~payroll ~~E~~expense ~~T~~tax *or gross receipts tax, as applicable,* for the *subject* tax year in which such first, second and third quarterly installments are due. ~~Such quarterly installments each shall be in an amount equal to one-quarter of the person's estimated Payroll Expense Tax liability for such tax year.~~*The fourth quarterly installment shall be in an amount equal to the person's total payroll expense tax or gross receipts tax liability for the subject tax*

year, as applicable, less the amount of the payroll expense tax or gross receipts tax first, second and third quarterly installments and other tax payments, if any, actually paid.

(ii) ~~The estimated liability for such tax year~~Payroll Expense Tax Installments. A person's first, second and third quarterly installment payments of payroll expense tax for any tax year shall be computed by using:

*1. ~~104 percent of t~~T*he person's taxable payroll expense (as defined *~~in Section 902.1 of~~under* Article 12-A) for *~~the preceding tax year,~~each quarter;* and

*2. ~~t~~T*he rate of tax applicable to the tax year in which the first, second and third quarterly installments are due. *~~The fourth installment shall be reported and paid on or before the last day of February of the following year. The fourth quarterly installment shall be in an amount equal to the person's total Payroll Expense Tax liability for the subject tax year, less the amount of the first, second and third quarterly installments and other tax prepayments, if any, actually paid.~~*

3. Notwithstanding the foregoing, and except for taxpayers under Section 953.8 of Article 12-A-1, for tax years commencing after December 31, 2013, the first, second and third quarterly installments shall be computed using the rates set forth in the following table:

Tax Year	*1st, 2nd and 3rd Installments*
2014	*1.350%*
2015	*1.125%*
2016	*0.750%*
2017	*0.375%*
2018	*0.000%*

The fourth quarterly installment shall be in an amount equal to the person's total payroll expense tax liability for the subject tax year, less the amount of the first, second and third quarterly installments and other tax payments, if any, actually paid. A person's total payroll expense tax liability shall be computed using the rate for the subject tax year computed, certified, and published by the Controller under Section 903.1 of Article 12-A or as otherwise provided in this Article.

(iii) Gross Receipts Tax Installments. A person's first, second, and third quarterly installments of gross receipts tax for any tax year shall be computed by using:

1. The person's taxable gross receipts (as defined under Article 12-A-1) for each quarter; and

2. The rate of tax applicable to the tax year in which the first, second and third quarterly installments are due.

3. Notwithstanding the foregoing, and except for taxpayers under Section 953.8 of Article 12-A-1, for tax years commencing after December 31, 2013, the first, second and third quarterly installments shall be computed using the rates applicable to the person's taxable gross receipts under Sections 953.1 through 953.7 of Article 12-A-1, multiplied by the percentages set forth in the following table:

Tax Year	*1st, 2nd and 3rd Installments*
2014	*10%*
2015	*25%*
2016	*50%*
2017	*75%*
2018	*100%*

The fourth quarterly installment shall be in an amount equal to the person's total gross receipts tax liability for the subject tax year, less the amount of the first, second and third quarterly installments and other tax payments, if any, actually paid. A person's total gross receipts tax liability shall be computed using the rate for the subject tax year computed, certified, and published by the Controller under Section 959 of Article 12-A-1, or as otherwise provided in that Article.

(b) Tax Prepayment Penalties. Every person who fails to pay any tax prepayment required under this Section before the relevant delinquency date shall pay a penalty in the amount of 5 percent of the amount of the delinquent tax prepayment per month, or fraction thereof, up to 20 percent in the aggregate, and shall also pay interest on the amount of the delinquent tax prepayment and penalties from the date of delinquency at the rate of 1 percent per month, or fraction thereof, for each month the prepayment is delinquent, until paid.

(c) Hotel and Parking Taxes. An operator subject to the Hotel Tax (Article 7) or the Parking Tax (Article 9) shall make monthly remittances in the amount of the actual tax owed.

(d) Forms and Adjustments. Tax prepayments required under this Section shall be accompanied by a tax prepayment form prepared by the Tax Collector, but failure of the Tax Collector to furnish the taxpayer with a tax prepayment form shall not relieve the taxpayer from any tax prepayment obligation. The Tax Collector may, in writing, adjust the amount of a tax prepayment if the taxpayer can establish in writing by clear and convincing evidence that the first installment of semi-annual tax prepayments, or first, second or third monthly installment of a quarterly tax prepayment, will amount to more than one-half or one-quarter, respectively, of the person's total tax liability for the tax year in which the installment is due.

SEC. 6.24-1. AMENDMENT OF ORDINANCE.

The Board of Supervisors may amend or repeal Article 6 of the Business and Tax Regulations Code without a vote of the people except as limited by Article XIIIC of the California Constitution.

Section 8. Effective Date.

This measure shall go into effect 10 days after the date the official vote count is declared by the Board of Supervisors.

Section 9. Severability.

Except as provided in Section 11 of this Ordinance, if any section, sentence, clause, phrase, or portion of this Ordinance is for any reason held to be invalid or unenforceable by a court of competent jurisdiction, the remaining sections, sentences, clauses, phrases, or portions of this Ordinance shall nonetheless remain in full force and effect. The people of the City and County of San Francisco hereby declare that, except as provided in Section 11, they would have adopted each section, sentence, clause, phrase, or portion of this Ordinance, irrespective of the fact that any one or more sections, sentences, clauses, phrases, or portions of this Ordinance be declared invalid or unenforceable and, to that end, the provisions of this Ordinance are severable.

Section 10. Savings Clause.

(a) No section, clause, part or provision of this Ordinance shall be construed as requiring the payment of any tax that would be in violation of the Constitution or laws of the United States or of the Constitution or laws of the State of California. Except as provided in Section 965(b) of Article 12-A-1 of this Ordinance, if any section, clause, part or provision of this Ordinance, or the application thereof to any person or circumstances, is held invalid or unconstitutional, the remainder of this Ordinance, including the application of such part or provision to other persons or circumstances, shall not be affected thereby and shall continue in full force and effect. To this end, the provisions of this Ordinance are severable.

(b) If the imposition of the gross receipts tax in Section 953 of Article 12-A-1 of this Ordinance is held invalid or unconstitutional in a final court determination, the remainder of this Ordinance shall be null and void and of no force and effect.

Section 11. In enacting this Ordinance, the voters intend to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation, charts, diagrams, or any other constituent part of the Business and Tax Regulations Code that are explicitly shown in this legislation as additions and deletions in accordance with the "Note" that appears under the official title of the legislation.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
JEAN H. ALEXANDER
Deputy City Attorney

FILE NO. 120681

LEGISLATIVE DIGEST

[Business and Tax Regulations Code – Enact Gross Receipts Tax and Phase Out Payroll Expense Tax]

Ordinance amending the Business and Tax Regulations Code to: 1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax and an administrative office tax on persons engaging in business activities in San Francisco; 2) amend Article 12-A (Payroll Expense Tax Ordinance) to reduce business payroll expense tax rates based on the amount of gross receipts tax collected under Article 12-A-1 (Gross Receipts Tax Ordinance); 3) amend Article 12 (Business Registration Ordinance) to establish business registration fees based on gross receipts and amend the current business registration fees to generate approximately $13 million in estimated additional revenue; 4) amend Article 12-A (Payroll Expense Tax Ordinance) to add a sunset date to the surplus business tax revenue credit; and 5) amend Article 6 (Common Administrative Provisions) to establish requirements for filing a tax return under Article 12-A-1 (Gross Receipts Tax Ordinance), establish penalties for non-filing, and amend the requirements for filing payroll expense tax returns and penalties for non-filing to conform to the new gross receipts tax.

Existing Law

The City and County of San Francisco currently imposes a tax on the payroll expense of persons who conduct business in the City. The tax is levied at a rate of 1.5 percent against a business's taxable payroll expense, which includes all compensation a person pays to individuals for services performed in the City. The City exempts small businesses with less than $250,000 in payroll expense.

Amendments to Current Law

The legislation phases in a gross receipts tax gradually, over a five-year period that commences with tax year 2014. The phase-in period allows businesses time to adjust to the gross receipts tax. It also minimizes risk of revenue uncertainty to the City, and to business taxpayers as a whole. Also beginning in tax year 2014, the payroll expense tax will be phased out in increments consistent with the phase in of the gross receipts tax, and is expected to be phased out completely in tax year 2018. If the gross receipts tax generates revenue in excess of that expected during the phase-in process, the payroll expense tax will be phased out early and final gross receipts tax rates will be permanently established at less than the maximum rates authorized by this Ordinance. If, on the other hand, gross receipts tax revenues are less than expected, then the payroll expense tax will not be fully phased out, and a reduced payroll expense tax rate will remain at the end of the process. Beginning tax year 2014, a business whose predominant activity in the City is providing administrative services for itself or a related

entity will continue to pay a tax based on its payroll expense instead of on its gross receipts. All tax proceeds would be deposited in the General Fund and could be expended for any purpose of the City.

Section 2 provides that the Ordinance that will be submitted to qualified electors at the November 6, 2012 general election.

Section 3 enacts new Article 12-A-1, the Gross Receipts Tax Ordinance, as specified. The proposed Gross Receipts Tax Ordinance would impose a tax for the privilege of engaging in a business in the City that is measured by the taxpayer's gross receipts or from business activities that are attributable to the City. The rate of the gross receipts tax is dependent upon a business's activities and the rates are progressive within each industry group. A business predominantly engaged in the City in providing administrative services for itself or a related entity pays a fixed rate of tax measured by its payroll expense. Businesses with less than $1 million in gross receipts are exempt from the gross receipts tax. The gross receipts tax is to be phased in over a five-year period and during that period, the City's payroll expense tax will be phased out. The value of certain exclusions under the current payroll expense tax are carried forward into the gross receipts tax.

Section 4 provides that all sections of this Ordinance are operative beginning tax year 2014, except for the amendments to the Business Registration Ordinance, which are operative on the effective date of this Ordinance.

Section 5 amends the Business Registration Ordinance under Article 12 to establish business registration fees for 2014-2015 based on payroll expense and to establish business registration fees for registration years beginning after June 30, 2015 based on gross receipts to generate an additional $13 million in revenue. It also amends current business registration fees to add a penalty for failure to register business locations and fictitious business names with the Tax Collector, and to add a new fee for registering more than 15 fictitious business names.

Section 6 amends the Payroll Expense Tax Ordinance under Article 12-A to conform the payroll expense tax rates to the phase in of the Gross Receipts Tax Ordinance and provide a sunset date for the existing surplus business tax revenue credit.

Section 7 amends the Common Administrative Provisions set forth in Article 6 of the Business and Tax Regulations Code. The amendments to Article 6 amend return and payment requirements and otherwise conform the administrative provisions to the provisions of the Gross Receipts Tax Ordinance and the amendments to the Payroll Expense Tax Ordinance.

Section 8 provides that the effective date of this legislation is 10 days after the date the official vote count is declared by the Board of Supervisors.

FILE NO.

Background Information

San Francisco is the only major city in California that levies its entire business tax on payroll expense. This payroll-based tax raises an affected business's cost of hiring a worker in San Francisco, and thereby discourages job creation. Instituting a tiered rate structure under which a business is taxed based on its gross receipts will better distribute the tax burden among the City's businesses.

A gross receipts tax is the most common business tax base among California's largest cities. Replacing the payroll expense tax in San Francisco can be expected to stimulate employment in the City, as well as broadening and stabilizing the tax base.

SMALL BUSINESS COMMISSION
OFFICE OF SMALL BUSINESS

CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR

June 27, 2012

Ms. Angela Calvillo, Clerk of the Board
Board of Supervisors
City Hall room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102-4694

Re: File No's. 120681 and 120682 [Initiative Ordinance - Business and Tax Regulations Code - Enact Gross Receipts Tax and Phase Out Payroll Expense Tax]

Dear Ms. Calvillo:

On Monday, June 25 2012, the Small Business Commission (SBC) held a hearing on Board of Supervisors File No's 120681 and 120682, Board Motions proposing to submit and ordinance to phase out the City's Payroll Tax and implement a Gross Receipts based business tax.

The SBC voted 5-0 to provide the following policy recommendations to the Mayor and Board of Supervisors. The gross receipts tax structure is more equitable and will more fairly distribute the business tax among payers. The Commission did not recommend approval of one ordinance over the other; rather, the Commission encourages the Mayor and Board of Supervisors to work collaboratively on submitting a single, consensus ordinance to the voters.

The Commission, in its 5-0 vote, made two affirmative recommendations to be retained in the final ordinance:

1. Maintain the under $1 million small business gross receipt exemption.

2. Continue existing tax exclusions, including the Local Enterprise Zone, Bio Tech, Clean Tech and Central Market designations should be maintained and transitioned into the gross receipts structure, as proposed by the Mayor/Chiu ordinance. Maintaining the Local Enterprise Zone is very important to the SBC, as it has stimulated economic growth in some of the City's most disadvantaged neighborhoods. The Central Market exclusions are set to expire April 20, 2019 less than a year after the completions of the five year phase in/out period.

The Commission supports the increased level of tiers for the business license registration fee and the tier structure of the gross receipts tax. Regarding the business license registration fee, the Commission supports the setting of amounts not to exceed those specified in the Mayor/Chiu proposal for businesses generating less than $25 million in revenue. In excess of $25 million in revenue, the Commission considers the final amounts determined to be policy decisions for the Mayor and Board of Supervisors.

The Commission supports revenue generation to fund the housing trust fund. Commissioners recognize the linkage between the benefits of a workforce that can afford to live in the City and finds that this provision is warranted.

The Commission recognizes that in order for the two proposals to come together, additional revenue generation is likely. The Commission will support this direction, with the provision that a commitment be made by the Mayor and Board of Supervisors for additional revenue generated to be committed to programs and projects that have a tangible benefit to the business community. The Commission recommends that an additional $700,000 per year be raised to provide additional funding to the Office of Small Business. The Commission did not specify a revenue generation dollar amount above the $700,000 allotted to the office of Small Business and considers this a policy decision for the Mayor and Board. The Commission finds that infrastructure projects such as roads and sidewalks, commercial corridor improvements, transit improvements, public safety programs and affordable housing projects all benefit the business community in addition to the City as a whole and should be prioritized.

Again, the SBC recommends, within the parameters set above, that the Mayor and Board of Supervisors work together to craft a single consensus measure to be presented to the voters. The Commission requests that the business community, both small and large continue to be stakeholders in this process and be included in discussions, especially those pertaining to revenue generation.

Sincerely,

Regina Dick-Endrizzi
Director, Office of Small Business

Cc: Supervisors Avalos, Campos, Chiu, Chu, Cohen, Elsbernd, Farrell, Kim, Mar, Olague, Wiener
Jason Elliott, Mayors Office
Jennifer Matz, Office of Economic and Workforce Development
Todd Rufo, Office of Economic and Workforce Development
Tony Winnicker, Office of Economic and Workforce Development
Ben Rosenfield, Controllers Office
Ted Egan, Controllers Office

BOARD of SUPERVISORS

City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Planning Department
Environmental Review Officer

FROM: Angela Calvillo, Clerk of the Board

DATE: June 26, 2012

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
BUDGET AND FINANCE COMMITTEE

The Board of Supervisors Budget and Finance Committee has received the following, which is being referred to the Planning Department for determination as to whether the proposed legislation and fee increase will impact the environment.

Please provide your findings within 10 days from the date of referral.

File: 120681

Initiative Ordinance - Business and Tax Regulations Code - Enact Gross Receipts Tax and Phase Out Payroll Expense Tax (Mayor)

File: 120682

Initiative Ordinance - Business and Tax Regulations Code - Enact Gross Receipts Tax and Phase Out Payroll Expense Tax (Avalos)

Referral - Fees

Please return this cover sheet with the Commission's response to **Victor Young, Clerk, Budget and Finance Committee.**

c: Joy Navarrete, Major Environmental Analysis
Monica Pereira, Major Environmental Analysis

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RESPONSE FROM PLANNING DEPARTMENT - Date: July 5, 2012

✓ **No Comment**

✓ **Recommendation Attached**

[signature] for

Bill Wycko, Environmental Review Officer

Statutory Exemption
CEQA Section 15273
Rates, Tolls, Fares, and Charges.

[signature]
July 5, 2012

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 JUN 12 PM 3:29
BY

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Mayor Edwin M. Lee
RE: Business and Tax Regulations Code – Enact Gross Receipts Tax and Phase Out Payroll Expense Tax
DATE: June 12, 2012

Attached for introduction to the Board of Supervisors is the motion ordering submitted to the voters an: "Ordinance amending the Business and Tax Regulations Code to: 1) enact a new Article 12-A-1 (Gross Receipts Tax Ordinance) to impose a gross receipts tax and a gross expense tax on persons engaging in business activities in San Francisco; 2) amend Article 12-A (Payroll Expense Tax Ordinance) to reduce business payroll expense tax rates based on the amount of gross receipts tax collected under Article 12-A-1 (Gross Receipts Tax Ordinance); 3) amend Article 12 (Business Registration Ordinance) to establish business registration fees based on gross receipts and gross expenses and amend the current business registration fees to generate $13 million in additional revenue; 4) amend Article 12-A (Payroll Expense Tax Ordinance) to add a sunset date to the surplus business tax revenue credit; and 5) amend Article 6 (Common Administrative Provisions) to establish requirements for filing a tax return under Article 12-A-1 (Gross Receipts Tax Ordinance) and establish penalties for non-filing, amend the requirements for filing payroll expense tax returns and penalties for non-filing to conform to the new gross receipts tax" at an election to be held on November 6, 2012.

Please note this item is cosponsored by Supervisor Chiu

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

cc. Supervisor David Chiu

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

Original: Leg Division
C: COB

File 120681
120682

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller
Monique Zmuda
Deputy Controller

July 18, 2012

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 JUL 18 AM 11:38
BY

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

Re: Office of Economic Analysis Impact Report for File Numbers 120681 and 120682

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file numbers 120681 and 120682 "Enacting a Gross Receipts Tax, and Phasing-Out the Payroll Expense Tax: Economic Impact Report" If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

City and County of San Francisco

Enacting a Gross Receipts Tax, and Phasing-Out the Payroll Expense Tax: Economic Impact Report

Items #120681 & 120682

Controller's Office of Economic Analysis
July 18th, 2012

** Complete copy of document is located in

File No. 120681