

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations Code - Half-Cent Sales Tax Increase for Transportation]

Ordinance amending the Business and Tax Regulations Code to impose a transactions (sales) and use tax at the rate of one-half of one percent (0.5%) for 25 years, to be imposed by the San Francisco County Transportation Authority and administered by the State Board of Equalization; adopt the San Francisco Transportation Expenditure Plan; designate the Transportation Authority as the independent agency to oversee implementation of the San Francisco Transportation Expenditure Plan; authorize the issuance of bonds or other obligations to finance the projects identified in the Expenditure Plan; and establish an appropriations limit; and directing submission of the tax for voter approval at the November 8, 2016 general municipal election.

Existing Law

Existing Article 12-D of the Business and Tax Regulations Code, known as the “Uniform Local Sales and Use Tax Ordinance of the City and County of San Francisco,” establishes and implements a sales tax on retailers for the privilege of selling tangible personal property at retail in the City. Article 12-D incorporates provisions identical to those of the Sales and Use Tax Law of the State of California. Existing law, Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code, and Division 12.5 (commencing with Section 131000) of the Public Utilities Code, authorizes the San Francisco County Transportation Authority to impose an additional local retail transactions (sales) and use tax, if the tax is approved by the Board of Supervisors and a two-thirds vote of the people. The proceeds of the tax must be spent on transportation projects set forth in a transportation expenditure plan that must be approved by the Board of Supervisors.

Amendments to Current Law

This ordinance would add Article 14-A, the San Francisco Transportation Expenditure Plan Ordinance, to the Business and Tax Regulations Code. The San Francisco County Transportation Authority would impose a transactions (sales) and use tax at a rate of 0.5% for 25 years. The tax is a special tax. This ordinance authorizes the Transportation Authority to issue up to \$2 billion in bonds that would be repaid with proceeds from the tax.

Proceeds of the tax would be used for the projects set forth in the San Francisco Transportation Expenditure Plan. By approving this ordinance, the Board of Supervisors would approve the San Francisco Transportation Expenditure Plan.

This ordinance would also increase the Transportation Authority’s appropriations limit under Article XIII B of the California Constitution to \$500,000,000.

FILE NO. 160670

Background Information

This tax may only be imposed upon a 2/3 vote of the people.

The combined state and local sales and use tax rate in the City is 8.75%. The 0.25% of the state component of the tax imposed under Article XIII, section 36 of the California Constitution will expire December 31, 2016, reducing the combined rate to 8.5%.

The Transportation Authority has received 0.5% of the combined rate since 1990 (Prop. B, superseded by 2003's Prop. K). The tax imposed by this ordinance is additional to the existing taxes, and would increase the Transportation Authority's portion of the combined rate to 1.00%.

This legislative digest reflects amendments made at the July 13, 2016 Budget and Finance Sub-Committee meeting. The San Francisco Transportation Expenditure Plan was amended to change the proposed expenditures for various programs. A further amendment provides that the Board of Supervisors will, as part of this ordinance, adopt the Plan as required by the Public Utilities Code.

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