

## **LEGISLATIVE DIGEST**

[Business and Tax Regulations - Payroll Expense Tax Exclusion for Compensation Paid to Individuals With a Felony Conviction]

**Ordinance amending the San Francisco Business and Tax Regulations Code, Article 12-A, by adding Section 906.5 to establish a Payroll Expense Tax exclusion for compensation paid to individuals who have a felony conviction.**

### **Existing Law**

San Francisco imposes a Payroll Expense Tax on business entities based on the compensation they pay to employees and others for work or services performed in San Francisco. (Business and Tax Regulations Code Section 901 et seq.) The tax rate is 1.5% of taxable Payroll Expense. This tax is determined each year based on the Payroll Expenses of the entity.

### **Amendments to Current Law**

The proposed amendment would amend Section 906 to establish a \$675,000 exclusion from a person's Payroll Expense for each Ex-Offender who works or performs services on a Full-Time basis for that person; alternatively, a person may exclude \$337,500 from its Payroll Expense for each Ex-Offender who works or performs services on a Part-Time basis for that person. The Ex-Offender Payroll Expense Tax exclusion is available for 2012 and 2013.

### **Background Information**

San Francisco imposes a Payroll Expense Tax on business entities based on the compensation they pay to employees and others for work or services performed in San Francisco. (Business and Tax Regulations Code Section 901 et seq.) The tax rate is 1.5% of taxable Payroll Expense. This legislation aims to provide San Francisco employers with a meaningful incentive to employ Ex-Offenders. Studies have shown that when an Ex-Offender finds employment, the likelihood of the Ex-Offender re-offending is reduced.