

REVISED LEGISLATIVE DIGEST
(Amended in Committee - November 26, 2018)

[Business and Tax Regulations Code - Early Care and Education Commercial Rents Tax Credit and Exclusions]

Ordinance amending the Business and Tax Regulations Code to provide a credit against the Early Care and Education Commercial Rents Tax for the operation of certain child care facilities, and to exclude from the Early Care and Education Commercial Rents Tax base amounts subject to the hotel tax or parking tax.

Existing Law

The Early Care and Education Commercial Rents Tax (“Commercial Rents Tax”) was passed by voters at the June 5, 2018 election and becomes operative on January 1, 2019. The Commercial Rents Tax generally is imposed at the rate of 3.5% on the amounts a business receives from the lease of commercial space in the City, with a lower 1% rate on amounts from the lease of warehouse space. The Commercial Rents Tax generally does not apply to businesses exempt from Gross Receipts and Payroll Expense Taxes and provides for certain other exemptions and exclusions. Revenues from the Commercial Rents Tax will fund early care and education for young children and other public purposes. The City also imposes a 14% tax on the rental of hotel rooms (“Hotel Tax”) and a 25% tax on the rental of parking spaces (“Parking Tax”) in the City.

Amendments to Current Law

This ordinance would provide a credit against the Commercial Rents Tax for businesses that lease or provide commercial space in the City for certain licensed child care facilities that provide care to infants, toddlers, and/or preschool-age children. The amount of the credit would be based on the total number of infants, toddlers, and preschool-age children for which the child care facility is licensed to provide care, as follows:

Number of Infants, Toddlers, and Preschool-Age Children	Amount of Credit
1 to 49	\$7,200
50 to 99	\$16,000
100 or more	\$36,000

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The credit would be allowed on an annual basis and would be neither refundable nor allowed to be carried forward to a subsequent tax year. The credit would be allowed for tax years ending after December 31, 2018 and expire on December 31, 2023.

Effective January 1, 2019, this ordinance also would exclude from gross receipts subject to the Commercial Rents Tax rent that is subject to the Hotel Tax or the Parking Tax and rent that would be subject to the Hotel Tax of the Parking Tax but for the exemptions from those taxes.

Background Information

This legislative digest reflects amendments made in committee to clarify that rent that would be subject to the Hotel Tax of the Parking Tax but for an exemption from those taxes is also exempt from the Commercial Rents Tax.

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