BOARD of SUPERVISORS

City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. (415) 554-5184
Fax No. (415) 554-5163
TDD/TTY No. (415) 554-5227

M E M O R A N D U M

TO: José Cisneros, Treasurer, Office of the Treasurer and Tax Collector

FROM: Brent Jalipa, Assistant Clerk, Budget and Finance Committee

DATE: March 13, 2026

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following proposed legislation, introduced by Supervisor Rafael Mandelman:

File No. 260792

Ordinance amending the Business and Tax Regulations Code, retroactively to January 1, 2026, to provide small hardware retailers with a credit against their Gross Receipts Tax for tax years 2026 through 2035.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c. Amanda Kahn Fried, Office of the Treasurer and Tax Collector

[Business and Tax Regulations Code - Retroactive - Gross Receipts Tax Credit for Small Hardware Retailers]

Ordinance amending the Business and Tax Regulations Code, retroactively to January 1, 2026, to provide small hardware retailers with a credit against their Gross Receipts Tax for tax years 2026 through 2035.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Findings and Purposes.

(a) Small hardware retailers are necessary to maintaining the character of San Francisco and its neighborhoods, and to maintaining the diverse and varied shopping choices for which San Francisco is known.

(b) Small hardware retailers have greater difficulty making tax payments than larger ones, which are in a better position to absorb costs because of economies of scale.

(c) By reducing the burden of Gross Receipts Taxes on small hardware retailers, this ordinance intends to protect the character and diversity of San Francisco and its neighborhoods.

Section 2. Article 12-A-1 of the Business and Tax Regulations Code is hereby amended by revising Section 952.4 and adding Section 960.5, to read as follows:

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 Sections 953.1 through 953.7 of this Article 12-A-1 to particular numerical NAICS codes are intended to apply the definitions and descriptions adopted in that system as of December 15, 2012. References in Sections 953.20 through 953.26, 960.1, ~~and~~ 960.3*, and 960.5* of this Article to particular numerical NAICS codes are intended to apply the definitions and descriptions adopted in that system as of January 1, 2022.

SEC. 960.5. TAX CREDIT FOR SMALL HARDWARE RETAILERS.

(a) For tax years beginning on or after January 1, 2026, a Small Hardware Retailer shall be allowed a credit against its Gross Receipts Tax equal to 0.2% of the Small Hardware Retailer's taxable gross receipts from all sources for that tax year, capped at a maximum credit of $60,000 per tax year. The Tax Collector shall adjust the maximum credit on an annual basis in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the calendar year two years prior to the tax year, beginning with tax year 2027, and rounded to the nearest $1,000.

(b) For purposes of this Section 960.5, "Qualifying Hardware Products" means items sold at retail that are commonly used for household property repair, maintenance, or installation, limited to the following categories of items:

(1) Handheld tools, handheld power tools, and related tool accessories;

(2) Fasteners, builders' hardware, locks, security hardware, and related hardware components and accessories;

(3) Plumbing repair parts and materials used for plumbing repair or installation;

(4) Electrical repair parts and materials used for electrical repair or installation, including basic lighting components used to repair or maintain existing fixtures;

(5) Weatherization materials and supplies used for non-structural property maintenance or repair;

(6) Manual lawn and garden tools and irrigation repair supplies;

(7) Protective equipment primarily for construction, repair, or maintenance activities;

(8) Household fire safety and detection devices;

(9) Specialty chemical products used primarily for plumbing, mechanical, or surface repair; and

(10) Surface preparation and project-related cleaning supplies used in connection with repair or installation activities.

(c) For purposes of this Section 960.5, "Qualifying Hardware Products" shall not include the following categories of items, even if such items are sold at retail and are commonly used for household property repair, maintenance, or installation:

(1) Lumber, plywood, drywall sheets, cement, concrete, brick, roofing materials, or other bulk building materials;

(2) Major appliances, portable household appliances, consumer electronics, or motorized vehicles;

(3) Powered outdoor equipment;

(4) Furniture, home furnishings, décor, housewares, bedding, or floor coverings;

(5) Clothing, food, beverages, or personal care products;

(6) Services (including key cutting), labor, rentals, delivery charges, warranties, or installation charges;

(7) Computers, computer equipment, and related accessories, including tablets,

printers, and peripheral devices;

(8) Toys, games, and recreational products;

(9) Paint and related surface preparation materials;

(10) Plants, soil, mulch, fertilizer, pesticides, or other lawn and garden products;

(11) Portable heating and cooling appliances;

(12) Grills, outdoor cooking appliances, propane tanks, and related fuel products;

(13) Replacement batteries;

(14) Seasonal merchandise, including but not limited to holiday lighting, decorations, and similar items;

(15) Decorative lighting fixtures, string lights, or ornamental lighting products;

(16) General cleaning supplies;

(17) Electronic security devices, including cameras, alarm systems, and smart doorbell systems; or

(18) Storage containers, shelving systems, organizational products, and similar household storage goods.

(d) For purposes of this Section 960.5, a "Small Hardware Retailer" means a person or combined group engaged in business activities described in NAICS codes 44 and/or 45 (Retail Trade) that received more than 50% of its combined gross receipts from Qualifying Hardware Products during the tax year and had less than $50 million in combined gross receipts from all sources during the tax year, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the calendar year two years prior to the tax year, beginning with tax year 2027, and rounded to the nearest $10,000.

(e) For purposes of this Section 960.5, "taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 954 of this Article 12-A-1, attributable to the City.

(f) For purposes of this Section 960.5, "combined gross receipts" shall have the same meaning as in Section 956.2(b) of this Article 12-A-1.

(g) In no event shall the credit under this Section 960.5 reduce a person or combined group's gross receipts tax liability to less than $0 for any tax year. The credit under this Section shall not be refundable and may not be carried forward to a subsequent year.

(h) Notwithstanding Section 6.22-1 of the Business and Tax Regulations Code or any other provision of law that would limit public disclosure, any person claiming a credit under this Section 960.5 and each person in their combined group that is engaging in business within the City waives any right to confidentiality in the fact that the person or the combined group has claimed any credit under this Section 960.5 for a particular tax year. Nothing in this subsection (h) shall constitute a waiver of the confidentiality of the information in the person or combined group's Gross Receipts Tax return, including the amount of any credit claimed under this Section, other than the fact that the person or combined group has claimed a credit under this Section.

(i) This Section 960.5 shall expire by operation of law on December 31, 2035, and no person or combined group may claim the credit authorized under this Section for tax years commencing on or after January 1, 2036. The City Attorney is authorized to cause this Section 960.5 to be removed from the Business and Tax Regulations Code after it expires.

Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

Section 4. Effective Date; Retroactivity.

(a) This ordinance shall become effective on the 31st day after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) Upon the effective date of this ordinance, this ordinance shall be retroactive to January 1, 2026.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
CHARLES E. OLSON
Deputy City Attorney

4924-7919-7351, v. 4

FILE NO. 260792

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Retroactive - Gross Receipts Tax Credit for Small Hardware Retailers]

Ordinance amending the Business and Tax Regulations Code, retroactively to January 1, 2026, to provide small hardware retailers with a credit against their Gross Receipts Tax for tax years 2026 through 2035.

Existing Law

The Business and Tax Regulations Code imposes Gross Receipts Tax on small hardware retailers as it does on retailers and other businesses in the City.

Amendments to Current Law

This ordinance creates a new tax credit for small hardware retailers against their Gross Receipts Tax obligations for ten years, beginning with tax year 2026. The credit can be claimed by retailers that (1) receive more than 50% of their combined gross receipts from qualifying hardware products, and (2) have less than $50 million in combined gross receipts from all sources during a tax year. The credit is 0.2% of taxable gross receipts from all sources, capped at $60,000.

Background Information

Small hardware retailers are an important part of the diverse and varied shopping choices for which San Francisco is known. Small hardware retailers have greater difficulty making tax payments than larger ones, which are in a better position to absorb costs because of economies of scale. By reducing the Gross Receipts Taxes on small hardware retailers, this ordinance intends to protect the character and diversity of San Francisco and its neighborhoods.

4926-2012-1513, v. 3

Introduction Form

(by a Member of the Board of Supervisors or the Mayor)

I hereby submit the following item for introduction (select only one):

- [x] 1. For reference to Committee (Ordinance, Resolution, Motion or Charter Amendment)
- [ ] 2. Request for next printed agenda (For Adoption Without Committee Reference)
  (Routine, non-controversial and/or commendatory matters only)
- [ ] 3. Request for Hearing on a subject matter at Committee
- [ ] 4. Request for Letter beginning with "Supervisor ______ inquires…"
- [ ] 5. City Attorney Request
- [ ] 6. Call File No. ______ from Committee.
- [ ] 7. Budget and Legislative Analyst Request (attached written Motion)
- [ ] 8. Substitute Legislation File No. ______
- [ ] 9. Reactivate File No. ______
- [ ] 10. Topic submitted for Mayoral Appearance before the Board on ______

The proposed legislation should be forwarded to the following (please check all appropriate boxes):

- [x] Small Business Commission
- [ ] Youth Commission
- [ ] Ethics Commission
- [ ] Planning Commission
- [ ] Building Inspection Commission
- [ ] Human Resources Department

General Plan Referral sent to the Planning Department (proposed legislation subject to Charter 4.105 & Admin 2A.53):

- [ ] Yes
- [ ] No

(Note: For Imperative Agenda items (a Resolution not on the printed agenda), use the Imperative Agenda Form.)

Sponsor(s):

Mandelman

Subject:

Business and Tax Regulations Code - Gross Receipts Tax Credit for Small Hardware Retailers

Long Title or text listed:

Ordinance amending the Business and Tax Regulations Code, retroactively to January 1, 2026, to provide small hardware retailers with a credit against their Gross Receipts Tax for tax years 2026 through 2035.

Signature of Sponsoring Supervisor: ______