



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.



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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