

BOARD of SUPERVISORS



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San Francisco 94102-4689  
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## MEMORANDUM

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

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

DATE: March 24, 2023

SUBJECT: SUBSTITUTE PROPOSED ORDINANCE INTRODUCED

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The Board of Supervisors' Budget and Finance Committee has received the following substitute to a proposed Ordinance, introduced by Mayor London Breed:

**File No. 230155-2**

**Ordinance amending the Business and Tax Regulations Code to extend through December 31, 2024, the Gross Receipts Tax rates in effect on January 1, 2022, for the business activities of retail trade, certain services, manufacturing, food services, accommodations, and arts, entertainment and recreation, and postpone to January 1, 2025, the imposition of the Gross Receipts Tax rates otherwise set to go into effect beginning January 1, 2023, for those business activities; and to provide for businesses that open a physical location in the City on or after January 1, 2023, through December 31, 2027, and that did not have a physical location in the City for at least three years prior to that opening, an annual Gross Receipts Tax credit equal to 0.45% of the business's San Francisco taxable gross receipts from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, for businesses not engaged in business in the City as an administrative office, or 0.7% of the taxable payroll expense of a business that engages in business in the City as an administrative office, for each of up to three tax years immediately following the tax year in which the business opened the physical location in the City, but no later than the 2028 tax year, and not to exceed \$1,000,000 per tax year.**

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

1 [Business and Tax Regulations Code - Gross Receipts Tax Rate Increase Postponement and  
2 Credits for Opening City Location]

3 **Ordinance amending the Business and Tax Regulations Code to extend through**  
4 **December 31, 2024, the Gross Receipts Tax rates in effect on January 1, 2022, for the**  
5 **business activities of retail trade, certain services, manufacturing, food services,**  
6 **accommodations, and arts, entertainment and recreation, and postpone to**  
7 **January 1, 2025, the imposition of the Gross Receipts Tax rates otherwise set to go into**  
8 **effect beginning January 1, 2023, for those business activities; and to provide for**  
9 **businesses that open a physical location in the City on or after January 1, 2023,**  
10 **through December 31, 2027, and that did not have a physical location in the City for at**  
11 **least three years prior to that opening, an annual Gross Receipts Tax credit equal to**  
12 **0.45% of the business's San Francisco taxable gross receipts from one or more of the**  
13 **business activities of information, administrative and support services, financial**  
14 **services, insurance, and professional, scientific and technical services, for businesses**  
15 **not engaged in business in the City as an administrative office, or 0.7% of the taxable**  
16 **payroll expense of a business that engages in business in the City as an administrative**  
17 **office, for each of up to three tax years immediately following the tax year in which the**  
18 **business opened the physical location in the City, but no later than the 2028 tax year,**  
19 **and not to exceed \$1,000,000 per tax year.**

20  
21 **NOTE:** **Unchanged Code text and uncodified text** are in plain Arial font.  
22 **Additions to Codes** are in *single-underline italics Times New Roman font*.  
23 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.  
24 **Board amendment additions** are in double-underlined Arial font.  
25 **Board amendment deletions** are in ~~strikethrough Arial font~~.  
**Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or parts of tables.

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

2 Section 1. Article 12-A-1 of the Business and Tax Regulations Code is hereby  
3 amended by revising Sections 953.1, 953.2, and 953.3, and adding Section 960.1, to read as  
4 follows:

5  
6 **SEC. 953.1. GROSS RECEIPTS TAX APPLICABLE TO RETAIL TRADE; WHOLESALE**  
7 **TRADE; AND CERTAIN SERVICES.**

8 (a) The gross receipts tax rates applicable to the business activities of retail trade,  
9 wholesale trade, and certain services are:

10 \* \* \* \*

11 (2) For the business activities of retail trade and certain services:

12 (A) For tax years 2021 *through and including 2024*~~and 2022~~:

13 0.053% (e.g., \$0.53 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

14 0.07% (e.g., \$0.70 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
15 \$2,500,000

16 0.095% (e.g., \$0.95 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
17 \$25,000,000

18 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

19 (B) For tax year ~~2025~~2023:

20 0.079% (e.g., \$0.79 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

21 0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
22 \$2,500,000

23 0.142% (e.g., \$1.42 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
24 \$25,000,000

25 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

1 (C) For tax years beginning on or after January 1, ~~2026~~2024:  
2 0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000  
3 0.14% (e.g., \$1.40 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
4 \$2,500,000  
5 0.189% (e.g., \$1.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
6 \$25,000,000  
7 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000  
8 \* \* \* \*

9  
10 **SEC. 953.2. GROSS RECEIPTS TAX APPLICABLE TO MANUFACTURING;**  
11 **TRANSPORTATION AND WAREHOUSING; INFORMATION; BIOTECHNOLOGY; CLEAN**  
12 **TECHNOLOGY; AND FOOD SERVICES.**

13 (a) The gross receipts tax rates applicable to the business activities of manufacturing,  
14 transportation and warehousing, information, biotechnology, clean technology, and food  
15 services are:

16 \* \* \* \*

17 (2) For the business activities of manufacturing and food services:

18 (A) For tax years 2021 *through and including 2024*~~and 2022~~:  
19 0.088% (e.g., \$0.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000  
20 0.144% (e.g., \$1.44 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
21 \$2,500,000  
22 0.259% (e.g., \$2.59 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
23 \$25,000,000  
24 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

25 (B) For tax year ~~2025~~2023:

1 0.131% (e.g., \$1.31 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

2 0.215% (e.g., \$2.15 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
3 \$2,500,000

4 0.389% (e.g., \$3.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
5 \$25,000,000

6 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

7 (C) For tax years beginning on or after January 1, ~~2026~~2024:

8 0.175% (e.g., \$1.75 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

9 0.287% (e.g., \$2.87 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
10 \$2,500,000

11 0.518% (e.g., \$5.18 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
12 \$25,000,000

13 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

14 \* \* \* \*

15

16 **SEC. 953.3. GROSS RECEIPTS TAX APPLICABLE TO ACCOMMODATIONS; UTILITIES;**  
17 **AND ARTS, ENTERTAINMENT AND RECREATION.**

18 (a) The gross receipts tax rates applicable to the business activities of  
19 accommodations; utilities; and arts, entertainment and recreation are:

20 \* \* \* \*

21 (2) For the business activities of accommodations and arts, entertainment and  
22 recreation:

23 (A) For tax years 2021 *through and including 2024*~~and 2022~~:

24 0.21% (e.g., \$2.10 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

25

1 0.228% (e.g., \$2.28 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
2 \$2,500,000

3 0.228% (e.g., \$2.28 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
4 \$25,000,000

5 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

6 (B) For tax year 20252023:

7 0.315% (e.g., \$3.15 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

8 0.341% (e.g., \$3.41 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
9 \$2,500,000

10 0.341% (e.g., \$3.41 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
11 \$25,000,000

12 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

13 (C) For tax years beginning on or after January 1, 20262024:

14 0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

15 0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$1,000,000.01 and  
16 \$2,500,000

17 0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$2,500,000.01 and  
18 \$25,000,000

19 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

20 \* \* \* \*

21

22 **SEC. 960.1. TAX CREDIT FOR OPENING PHYSICAL LOCATION IN THE CITY.**

23 (a) A person or combined group that opens a physical location in the City on or after  
24 January 1, 2023 through and including December 31, 2027, shall be allowed a credit against that  
25 person or combined group's Gross Receipts Tax if the person or combined group did not have a

1 physical location in the City for at least three years prior to opening the physical location. The credit  
2 under this Section 960.1 shall be an annual credit for each of up to three tax years immediately  
3 following the tax year in which the person or combined group opened the physical location in the City.  
4 The credit shall be in an amount per tax year, not to exceed \$1,000,000 per tax year, calculated as  
5 follows:

6 (1) for a person or combined group not engaged in business within the City as an  
7 administrative office, as defined in Section 953.8 of Article 12-A-1, 0.45% of the person or combined  
8 group's taxable gross receipts during the tax year from one or more of the business activities of  
9 information, administrative and support services, financial services, insurance, and professional,  
10 scientific and technical services, as those activities are defined in Sections 953.2, 953.4, and 953.6 of  
11 this Article 12-A-1, without regard to any application of Section 953.9 of Article 12-A-1; or

12 (2) for a person or combined group engaged in business within the City as an  
13 administrative office, as defined in Section 953.8 of Article 12-A-1, 0.7% of the person or combined  
14 group's taxable payroll expense during the tax year.

15 (b) For purposes of this Section 960.1:

16 (1) "Opens a physical location" means that the person or combined group opens, by  
17 acquiring real property or pursuant to an agreement with a term for at least six months, a location of  
18 the person or combined group that is available for the person or combined group's use and can  
19 accommodate one or more employees.

20 (2) In determining whether a person or combined group had a physical location in the  
21 City prior to opening a physical location, any physical location in the City of the person or combined  
22 group's predecessor in interest shall be deemed a physical location in the City of that person or  
23 combined group.

24 (3) The acquisition of an existing business shall not constitute the opening of a physical  
25 location.

1                   (4) In determining whether a person or combined group had a physical location in the  
2 City prior to opening a physical location, and in determining whether a person or combined group has  
3 opened a physical location in the City, a person or combined group that owned or leased real property  
4 in the City all of which such person or combined group leased or subleased to a third party that was  
5 not in such person's combined group and did not lease back shall not be deemed to have had or opened  
6 a physical location in the City as a result of owning or leasing that real property for the time period in  
7 which the real property was leased or subleased to the third party.

8                   (c) For purposes of this Section 960.1, "taxable gross receipts" means a person or combined  
9 group's gross receipts, not excluded under Section 954 of Article 12-A-1, attributable to the City.

10                   (d) For purposes of this Section 960.1, "taxable payroll expense" means "payroll expense" as  
11 defined in Section 953.8(f) of Article 12-A-1, attributable to the City.

12                   (e) In no event shall the credit under this Section 960.1 reduce a person or combined group's  
13 Gross Receipts Tax liability to less than \$0 for any tax year. The credit under this Section shall not be  
14 refundable and may not be carried forward to a subsequent tax year.

15                   (f) Notwithstanding Section 6.22-1 of the Business and Tax Regulations Code or any other  
16 provision of law that would limit public disclosure, the person or each person in the combined group  
17 that is engaging in business within the City waives any right to confidentiality in the fact that it has  
18 claimed any credit under this Section 960.1 for a particular tax year. Nothing in this subsection (f)  
19 shall constitute a waiver of the confidentiality of the information in the person or combined group's  
20 Gross Receipts Tax return, including the amount of any credit claimed under this Section, other than  
21 the fact that the person or combined group has claimed a credit under this Section.

22                   (g) Notwithstanding any other provision of this Section 960.1, no person or combined group  
23 may claim the credit authorized under this Section 960.1 for tax years commencing on or after  
24 January 1, 2029.



1           (h) Commencing with a report filed no later than October 31, 2024, for the 2023 tax year, the  
2 Tax Collector shall submit an annual report by October 31 of the calendar year following each tax year  
3 to the Board of Supervisors for each tax year for which the credit under this Section 960.1 is in effect  
4 that sets forth aggregate information on the dollar amount of the credits taken each year and the  
5 number of businesses taking the credit.

6  
7           Section 2. Effective Date; Retroactivity.

8           (a) This ordinance shall become effective 30 days after enactment. Enactment occurs  
9 when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not  
10 sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the  
11 Mayor’s veto of the ordinance.

12           (b) Upon the effective date of this ordinance, this ordinance shall be retroactive to  
13 January 1, 2023.

14  
15           Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors  
16 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,  
17 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal  
18 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment  
19 additions, and Board amendment deletions in accordance with the “Note” that appears under  
20 the official title of the ordinance.

21 APPROVED AS TO FORM:  
22 DAVID CHIU, City Attorney

23 By:                     /s/            
24           KERNE H. O. MATSUBARA  
          Deputy City Attorney

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**LEGISLATIVE DIGEST**  
**(SUBSTITUTED 03/21/23)**

[Business and Tax Regulations Code - Gross Receipts Tax Rate Increase Postponement and Credits for Opening City Location]

**Ordinance amending the Business and Tax Regulations Code to extend through December 31, 2024, the Gross Receipts Tax rates in effect on January 1, 2022, for the business activities of retail trade, certain services, manufacturing, food services, accommodations, and arts, entertainment and recreation, and postpone to January 1, 2025, the imposition of the Gross Receipts Tax rates otherwise set to go into effect beginning January 1, 2023, for those business activities; and to provide for businesses that open a physical location in the City on or after January 1, 2023, through December 31, 2027, and that did not have a physical location in the City for at least three years prior to that opening, an annual Gross Receipts Tax credit equal to 0.45% of the business's San Francisco taxable gross receipts from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, for businesses not engaged in business in the City as an administrative office, or 0.7% of the taxable payroll expense of a business that engages in business in the City as an administrative office, for each of up to three tax years immediately following the tax year in which the business opened the physical location in the City, but no later than the 2028 tax year, and not to exceed \$1,000,000 per tax year.**

Existing Law

The City currently imposes a Gross Receipts Tax on businesses to fund general municipal purposes. For 2022, the rates ranged from 0.053% to 0.975% of taxable gross receipts, depending on the business's type of business activities and amount of taxable gross receipts. For qualifying businesses that pay the alternative Administrative Office Tax, the 2022 rate was 1.47% of San Francisco payroll expense. Proposition F, approved by voters in November 2020, increased the 2023 Gross Receipts Tax rates for the business activities of retail trade, certain services, manufacturing, food services, accommodations, and arts, entertainment and recreation, with additional rate increases beginning in 2024. For certain other business activities, the Gross Receipts Tax rates were scheduled to increase beginning in 2023, if total taxable gross receipts reported by all taxpayers for 2021 equaled or exceeded 90 percent of 2019 total taxable gross receipts. Proposition F also increased the administrative office tax rate to 1.54% for 2023, if the above 2021 gross receipts threshold was met. The Controller certified that the 90 percent threshold was not met, so the scheduled rate increases for administrative offices and those other business activities will not take effect in 2023.

The City currently does not provide tax credits against the Gross Receipts Tax.

Amendments to Current Law

This ordinance would postpone by two years the Gross Receipts Tax rate increases for 2023 and subsequent years applicable to the business activities of retail trade, certain services, manufacturing, food services, accommodations, and arts, entertainment and recreation.

This ordinance also would provide a non-refundable credit against the Gross Receipts Tax for each person or combined group (“taxpayer”) that opens a physical location in the City on or after January 1, 2023 through December 31, 2027, provided the taxpayer did not have a physical location in the City for at least three years prior to that opening. To qualify for the credit, the taxpayer must open a location, by acquisition of real property or through an agreement for at least six months, that is available for the taxpayer’s use and can accommodate one or more employees. In determining whether a taxpayer had a physical location in the City prior to opening a physical location, any physical location in the City of the taxpayer’s predecessor in interest would be considered a physical location in the City of that taxpayer. The acquisition of an existing business would not be considered the opening of a physical location. Real property that a taxpayer has leased or subleased to a third party would not be considered a physical location of that taxpayer for the period of such lease or sublease—for purposes of determining whether a taxpayer had a physical location in the City prior to opening a physical location and whether a taxpayer has opened a physical location.

The credit would be 0.45% of the taxpayer’s total San Francisco taxable gross receipts from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, or 0.7% of the taxable payroll expense of a taxpayer that engages in business in the City as an administrative office. Taxpayers may take the credit for each of up to three tax years immediately following the tax year in which the taxpayer opened the physical location in the City. Taxpayers may not carry forward the credit to a subsequent tax year and may not take the credit in the 2029 and subsequent tax years.

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**From:** [Conine-Nakano, Susanna \(MYR\)](#)  
**To:** [BOS Legislation, \(BOS\)](#)  
**Cc:** [Paulino, Tom \(MYR\)](#); [Arvanitidis, Laurel \(ECN\)](#); [Bell, Tita \(BOS\)](#)  
**Subject:** Mayor -- Substitute Ordinance -- Gross Receipts Tax Rate  
**Date:** Tuesday, March 21, 2023 4:47:53 PM  
**Attachments:** [ORD Gross Receipts Tax Rate and Credits SUBSTITUTE.docx](#)  
[DIG Gross Receipts Tax Rate and Credits SUBSTITUTE.docx](#)  
[CAT Approval.msg](#)

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Hello Clerks,

Attached for introduction to the Board of Supervisors is an Ordinance amending the Business and Tax Regulations Code to extend through December 31, 2024 the Gross Receipts Tax rates in effect on January 1, 2022 for the business activities of retail trade, certain services, manufacturing, food services, accommodations, and arts, entertainment and recreation, and postpone to January 1, 2025 the imposition of the Gross Receipts Tax rates otherwise set to go into effect beginning January 1, 2023 for those business activities; and to provide for businesses that open a physical location in the City on or after January 1, 2023 through December 31, 2027, and that did not have a physical location in the City for at least three years prior to that opening, an annual Gross Receipts Tax credit equal to 0.45% of the business's San Francisco taxable gross receipts from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, for businesses not engaged in business in the City as an administrative office, or 0.7% of the taxable payroll expense of a business that engages in business in the City as an administrative office, for each of up to three tax years immediately following the tax year in which the business opened the physical location in the City, but no later than the 2028 tax year, and not to exceed \$1,000,000 per tax year.

The attached substitute ordinance will supersede File 230155.

Please note that Supervisor Engardio is a co-sponsor of this legislation.

Best,  
Susanna

**Susanna Conine-Nakano**

Office of Mayor London N. Breed  
City & County of San Francisco  
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San Francisco, CA 94102  
415-554-6147