

FILE NO. 080350

LEGISLATIVE DIGEST

[Amends Enterprise Zone Tax Credit to delete requirement a new job be created; applies credit to qualified new employees; revises the ~~makes~~ definition of "Qualified Employee" ~~consistent with state law~~ and conforms the boundaries of the Enterprise Zone with state.]

Ordinance amending Section 906A of the Business and Tax Regulations Code to delete the requirement that a new job be created to obtain the Enterprise Zone Tax Credit after the effective date; to apply the credit to all newly hired Qualified Employees; to revise make the definition of "Qualified Employee" consistent with the state law; to conform the geographical boundaries of the San Francisco Enterprise Zone with the area approved by the State Department of Housing and Community Development; ~~and to delete an outdated reference to the Private Industry Council~~ and to establish a sunset date.

Existing Law

Section 906A of the San Francisco Business and Tax Regulations Code provides a credit against the Payroll Tax for businesses located within the San Francisco Enterprise Zone, who on or after January 1, 1992, create new jobs and hire qualified employees. A "qualified employee" must be hired on or after January 1, 1992 and either be receiving services under the Federal Job Training Partnership Act (JTPA); be registered in the Greater Avenues for Independence (GAIN) Program; be certified as eligible for the federal Work Opportunity Credit Program or be receiving General Assistance. The credit is a percentage of the additional tax that would be incurred on wages paid to the new employee. The percentage varies from one hundred percent (100%) during the first twenty-four (24) months, to ten (10%) during the fifth twenty-four (24) months. To claim the tax credit, a taxpayer must file with the Tax Collector a form and an affidavit establishing its entitlement to the credit, supported by state tax credit forms.

Amendments to Current Law

Subsections (d) through ~~(g)~~ (h) are added to Section 906A, to update the San Francisco Payroll Tax program for the time period beginning with the effective date of the ordinance by:

- deleting the requirement that a new job be created to obtain the credit;
- Requiring that a "qualified employee" be a resident of the City and County of San Francisco, be receiving subsidized employment, training, or services funded by the Federal Job Training Partnership Act, and in other respects making the definition of "qualified employee" consistent with that found in California Revenue & Taxation Code §17053.74, except the provision in state law regarding Targeted Employment Areas (TEA).
- conforming the geographical boundaries of the San Francisco Enterprise Zone with the area approved by the State Department of Housing and Community Development; and

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- deleting a reference to the Private Industry Council, which no longer exists.
- providing that the local Enterprise Zone Tax Credit will expire on December 31, 2020.

Background Information

San Francisco businesses are eligible for substantial tax credits and benefits through two Enterprise Zone (EZ) programs. The state Enterprise Zone program is administered by the Mayor's Office of Economic and Workforce Development and enables businesses located in targeted locations to reduce their state income tax liability. The local Enterprise Zone program is administered by the Office of the Treasurer and Tax Collector, and provides a credit against the San Francisco Payroll Expense Tax for new jobs created on or after January 1, 1992.

Under the local Enterprise Program, employers located within the boundaries of the Enterprise Zone may be eligible for a local payroll tax credit if they hire new workers from targeted groups. The tax credit serves to offset the payroll tax the business would have paid as a result of hiring new qualified employees. The credit can be claimed over a period of ten years in the following manner:

First 24 months: 100% of payroll tax
Second 24 months: 50% of payroll tax
Third 24 months: 25% of payroll tax
Fourth 24 months: 15% of payroll tax
Fifth 24 months: 10% of payroll tax

This ordinance updates San Francisco's program and makes the geographical boundaries of the San Francisco's Enterprise Zone consistent with the expanded boundaries of the state approved Enterprise Zone. The ordinance also conforms the definition of "Qualified Employee" to the state's more detailed definition except that it requires that a "qualified employee" be a resident of the City and County of San Francisco and that he or she be receiving subsidized employment, training, or services funded by the Federal Job Training Partnership Act and It deletes the requirement that a new job be created to obtain the credit. The revised Enterprise Zone area includes: Chinatown; South of Market; Mission Bay; Embarcadero; Potrero Hill; Tenderloin; Civic Center; Western Addition; Mission; Japantown; Financial District; Bayview; Hunters Point; and parts of Visitacion Valley.

Enterprise Zone Tax Credits approved under the old program will continue unchanged until paid out.