

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Minimum Filing Thresholds for Gross Receipts Tax and Payroll Expense Tax]

Ordinance amending the Business and Tax Regulations Code to raise the thresholds above which persons are required to file gross receipts tax and payroll expense tax returns, so that persons who qualify for the small business exemption from either tax are exempt from filing returns for that tax, other than persons taking certain tax exclusions.

Existing Law

Existing law exempts persons whose combined taxable payroll expense in the City is less than \$150,000 from filing a payroll expense tax return, other than persons taking certain tax exclusions. It also exempts persons or combined groups, other than lessors of residential real estate, whose combined taxable gross receipts in the City are less than \$500,000 from filing a gross receipts tax return, other than persons taking certain tax exclusions. Existing law generally exempts lessors of residential real estate from filing a gross receipts tax return if they lease fewer than 4 units in any individual building, other than persons taking certain tax exclusions.

Existing law also penalizes persons who are exempt from paying payroll expense taxes or gross receipts tax because they qualify for the small business exemption if they do not file payroll expense tax returns or gross receipts tax returns when they exceed the minimum filing thresholds described in the paragraph above.

Amendments to Current Law

Commencing with tax year 2017, this ordinance would raise the minimum filing thresholds for the payroll expense tax and the gross receipts tax so that they are the same as the thresholds for tax exemption under the small business exemption. In other words, under this ordinance persons that qualify for the small business exemption for either tax will be exempt from filing returns for that tax, other than persons taking certain tax exclusions.

n:\legana\as2017\1800136\01224147.docx