




MEMORANDUM

TO: Members, Board of Supervisors
Clerk of the Board

FROM: Ben Rosenfield 

DATE: May 16, 2016

SUBJECT: Notification of Payroll Expense Tax and Gross Receipts Tax Designation Ceiling to the Neighborhood Beautification Fund

Article 12B-1 of the Business & Tax Regulations Code establishes the Neighborhood Beautification and Graffiti Clean-Up Fund Option (now known as the Community Challenge Grant Program), under which taxpayers subject to the payroll expense tax and/or the gross receipts tax may elect to designate a portion of their tax liability to the Fund. Section 1032 requires the Controller to calculate the maximum percentage of their tax liability that taxpayers can elect to contribute to the Fund such that total contributions will be approximately \$1,000,000, adjusted for inflation.

To permit the Office of the Treasurer and Tax Collector to create the online filing forms necessary to collect the payroll expense and gross receipts taxes, our office calculated the tax year 2016 target contribution amount and resultant contribution rate assuming an inflation adjustment for 2016 equal to that of 2015. The inflationary increase for tax year 2015 was calculated using data from the US Department of Labor Bureau of Labor Statistics website using the Consumer Price Index (CPI) – All Urban Consumers for the San Francisco–Oakland–San Jose CA Area, using December factors from the end of the prior year.

Given tax year 2014 contributions of \$2.0 million we estimate that a 3.0% contribution ceiling would result in contributions equal to the inflation adjusted target amount of \$2.0 million for tax year 2016. Figures are provided in the table below.

Tax Year	CPI	Fiscal Year	Target Contributions (\$ millions)	Actual Contributions (\$ millions)	Contribution Rate
2012	2.22%	FY 2012-13	\$ 1.77	\$ 0.50	1.0%
2013	2.58%	FY 2013-14	1.82	0.51	1.0%
2014	2.67%	FY 2014-15	1.87	2.23	3.0%
2015	3.18%	FY 2015-16	1.93	1.79	2.6%
2016*	3.18%	FY 2016-17	1.99	1.99	3.0%

*CPI and contributions for tax year 2016 are estimated.

Please contact me or Michelle Allersma, Director of the Controller’s Office Budget and Analysis Division, at (415) 554-4792 if you have any questions regarding this information.