

LEGISLATIVE DIGEST

[Business and Tax Regulations Code – Prevent Termination of Payroll Expense Tax Exclusion for Small Business Net New Payroll if Voters Adopt Gross Receipts Tax]

Ordinance amending the San Francisco Business and Tax Regulations Code Article 12-A by amending Section 906.5 to prevent the Payroll Expense Tax Exclusion for Small Business Net New Payroll for years 2012 through 2015 from terminating in the event the voters of the City and County of San Francisco pass a gross receipts tax.

Existing Law

San Francisco imposes a Payroll Expense Tax on business entities based on the compensation they pay to employees and others for work or services performed in San Francisco. (Business and Tax Regulations Code Section 901 et seq.) This tax is determined each year based on the Payroll Expense of the entity.

In July 2012, the Board of Supervisors passed an ordinance establishing an exclusion for net new Payroll Expense incurred by a Small Business in years 2012 through 2015. Under the exclusion, a Small Business may exclude the lesser of \$250,000 or the amount of Payroll Expense that is greater than the Small Business' Base Year Payroll Expense. The exclusion cannot reduce a person's Payroll Expense Tax liability to less than the person's Base Year Payroll Expense Tax liability. Persons delinquent in remitting any taxes, fees or penalties to the City, or who have violated labor laws are ineligible to claim the exclusion. The Net New Payroll Expense Tax exclusion is available for years 2012 through 2015, unless the voters pass a gross receipts tax prior to the end of 2012. Should that occur, this exclusion will terminate upon passage of the gross receipts tax.

Amendments to Current Law

The proposed amendment to the Payroll Expense Tax Exclusion for Small Business Net New Payroll prevents the exclusion from terminating if voters pass a gross receipts tax. As a result, the exclusion will remain in effect through 2015.

Background Information

The purpose of the Payroll Expense Tax Exclusion for Small Business Net New Payroll is to increase the number of jobs within the City and County of San Francisco by providing an incentive for Small Businesses to create new jobs or to relocate existing jobs to the City and County of San Francisco.