

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Payroll Expense Tax Exclusion for Small Business Net New Payroll 2012 Through 2015]

Ordinance amending the San Francisco Business and Tax Regulations Code Article 12-A by adding Section 906.5 to permit a Payroll Expense Tax Exclusion for Small Business Net New Payroll for years 2012 through 2015.

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.) The tax rate is 1.5% of taxable Payroll Expense. This tax is determined each year based on the Payroll Expense of the entity.

Amendments to Current Law

The proposed amendment would amend Section 906 to establish an exclusion for net new Payroll Expense incurred by a Small Business in years 2012 through 2015. The amount a Small Business may exclude is 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. The Net New Payroll Expense Tax exclusion is available for years 2012 and 2013.

Background

The purpose of this legislation 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.