

[Payroll Expense Tax Exclusion for Biotechnology Business.]

Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for biotechnology businesses, as specified.

Note: Additions are *single-underline italics Times New Roman*; deletions are *strikethrough italics Times New Roman*. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough-normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The San Francisco Business and Tax Regulations Code is hereby amended by adding Sections 906.1 of Article 12-A (Payroll Expense Tax Ordinance), as follows:

SEC. 906.1. BIOTECHNOLOGY EXCLUSION. (a) Any person engaging in biotechnology business within the City may exclude from the person's ~~their~~ payroll expense all compensation paid to, on behalf of or for the benefit of all ~~individuals~~ employees of that person, and all distributions by an Association by way of salary to those having an ownership interest in such Association, who or that perform substantially all work or render substantially all services in direct support of such person's biotechnology business, subject to the conditions and limitations set forth in this Section. For purposes of this Section, outside contractors shall not be considered employees of the biotechnology business. For purposes of this Section, "biotechnology business" means conducting biotechnology research and experimental development, and operating laboratories for biotechnology research and experimental development, using recombinant DNA, cell fusion, and bioprocessing techniques, as well as the application thereof to the development of diagnostic products and/or devices to improve human health, animal health, and agriculture. For purposes of this Section, "biotechnology business" means conducting biotechnology research and experimental development, operating laboratories for biotechnology research

1 and experimental development, or rendering biotechnology services. Work performed and
2 services rendered for research and experimental development in the physical, engineering
3 and life sciences and allied subjects in direct support of such person's biotechnology business
4 by an individual shall be deemed to be performing work or rendering services in direct support
5 of such person's biotechnology business.

6 (b) The biotechnology exclusion authorized under this Section shall be available to and may
7 be taken by each person engaging in the biotechnology business in the City for a period of ~~ten~~seven
8 and one half years from the effective date of this Section or the commencement of the person's
9 biotechnology business in the City, whichever is later. The date the Tax Collector received the
10 person's application for a business registration certificate for the person's biotechnology business
11 shall be presumed to be the date of commencement of such business unless the person establishes a
12 different commencement date to the satisfaction of the Tax Collector.

13 (c) The biotechnology exclusion authorized under this Section shall expire on the fifteenth
14 tenth anniversary date of the effective date of this Section. A person may not use or claim any unused
15 portion of the ~~ten~~-seven and one half year biotechnology exclusion after the expiration date of this
16 Section. Unless exempted under Sections 906 of this Article, every person engaging in the
17 biotechnology business in the City shall pay the tax imposed under this Article on the full amount of the
18 person's payroll expense attributable to the City from and after the expiration of this Section.

19 (d) If a person's calculated liability for the Payroll Expense Tax does not exceed \$2,500 for
20 the tax year after applying the biotechnology exclusion under this Section, the person shall be exempt
21 from payment of the Payroll Expense Tax for that tax year as provided in Section 905-A.

22 (f) The Tax Collector shall submit an annual report to the Board of Supervisors for
23 each year for which the biotechnology exclusion authorized under this Section is available that
24 sets forth aggregate information on the dollar value of the biotechnology exclusions taken
25

1 each year, the number of businesses taking the exclusion, the change in the number of
2 biotechnology businesses engaging in business in the City, and any increase or decrease in
3 the number of jobs in the biotechnology business sector compared to the number of jobs in
4 the biotechnology business sector for the immediately preceding calendar year.

5 (g) The Assessor-Recorder and the Tax Collector shall jointly prepare and submit
6 an annual report to the Board of Supervisors for each year for which the biotechnology
7 exclusion authorized under this Section is available that sets forth any increases in property
8 taxes resulting from biotechnology businesses location, relocation or expansion to or within
9 the City.

10 (h) The Mayor's Office of Economic Development shall coordinate community
11 educational workshops on the biotechnology industry.

12 (i) The Controller, after five years from the enactment of this Ordinance, shall
13 perform an assessment and review of the effect of the biotechnology tax exclusion. Based on
14 such assessment and review the Controller shall prepare and submit an analysis to the Board
15 of Supervisors. The analysis shall be based on criteria deemed relevant by the Controller,
16 and may include but is not limited to, data contained in the annual reports to the Board of
17 Supervisors as required by subsections (f) and (g) of Section 1.

18
19 APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

20 By: Carol A. Boardman
21 Carol A. Boardman
22 Deputy City Attorney
23
24
25



City and County of San Francisco

City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Tails Ordinance

File Number: 040592

Date Passed:

Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for biotechnology businesses, as specified.

June 29, 2004 Board of Supervisors — CALLED FROM COMMITTEE

July 13, 2004 Board of Supervisors — CONTINUED

Ayes: 10 - Alioto-Pier, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Peskin, Sandoval

Absent: 1 - Ammiano

July 20, 2004 Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE

Ayes: 11 - Alioto-Pier, Ammiano, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Peskin, Sandoval

July 20, 2004 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 7 - Alioto-Pier, Dufty, Hall, Ma, Maxwell, McGoldrick, Peskin
Noes: 4 - Ammiano, Daly, Gonzalez, Sandoval

July 27, 2004 Board of Supervisors — AMENDED

Ayes: 7 - Ammiano, Daly, Gonzalez, Hall, McGoldrick, Peskin, Sandoval
Noes: 4 - Alioto-Pier, Dufty, Ma, Maxwell

July 27, 2004 Board of Supervisors — PASSED ON FIRST READING AS AMENDED

Ayes: 8 - Alioto-Pier, Ammiano, Dufty, Hall, Ma, Maxwell, McGoldrick, Peskin
Noes: 3 - Daly, Gonzalez, Sandoval

August 10, 2004 Board of Supervisors — FINALLY PASSED

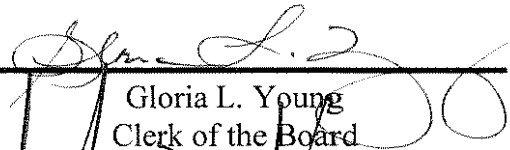
Ayes: 7 - Alioto-Pier, Dufty, Elsbernd, Ma, Maxwell, McGoldrick, Peskin
Noes: 4 - Ammiano, Daly, Gonzalez, Sandoval

File No. 040592

I hereby certify that the foregoing Ordinance
was **FINALLY PASSED** on August 10, 2004
by the Board of Supervisors of the City and
County of San Francisco.

AUG 12 2004

Date Approved



Gloria L. Young
Clerk of the Board



Mayor Gavin Newsom