

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations, Administrative Codes - Stock-Based Compensation Tax]

Motion ordering submitted to the voters at an election to be held on November 5, 2019, an Ordinance amending the Business and Tax Regulations Code and Administrative Code to impose an additional tax on stock-based compensation payroll expense to fund affordable housing, programs for families, education, and youth, support for the low- and moderate-income workforce, and small business stabilization; to create an advisory oversight committee regarding the tax and funding; and to increase the City's appropriations limit by the amount collected under the additional tax for four years from November 5, 2019.

Existing Law

Persons engaged in business in the City currently pay a payroll expense tax under Article 12-A of the Business and Tax Regulations Code. The payroll expense tax rate is 0.38% of taxable payroll expense.

Amendments to Current Law

This ordinance would impose an additional payroll expense tax at the rate of 1.12% on persons with taxable payroll expense attributable to stock-based compensation. Stock-based compensation means any compensation in the form of, or dependent on the value of, equity interests, including but not limited to stock, stock options, restricted stock, restricted stock units, stock acquired as a result of employee stock purchase plans, stock appreciation rights, and phantom stock. Persons subject to the additional tax would also remain liable for the existing payroll expense tax.

The additional tax would be dedicated to a fund for affordable housing, programs for families, education, and youth, support for the low- and moderate-income workforce, and small business stabilization. An advisory oversight committee would be established to monitor and make recommendations regarding the administration of, and appropriations from, the fund to ensure that the fund is administered in a manner accountable to the community.

The additional tax would be retroactive to May 7, 2019.

This ordinance would increase the City's appropriations limit under Article XIII B by the amounts collected from the additional tax from this new industry category, for four years from November 5, 2019.