

## **LEGISLATIVE DIGEST**

[Refund of Homelessness Gross Receipts Tax Overpayments for 2020 Tax Year]

**Ordinance authorizing the Tax Collector, through April 30, 2023, to refund overpayments of Homelessness Gross Receipts Tax to taxpayers who paid estimated Homelessness Gross Receipts Taxes to the City for the 2020 tax year and reported \$50,000,000 or less in total taxable gross receipts for the 2020 tax year on a timely filed original Gross Receipts Tax return.**

### **Background Information and Existing Law**

The City imposes a Gross Receipts Tax on the taxable gross receipts of most businesses engaged in business in the City, a Commercial Rents Tax on the taxable gross receipts from the lease of taxable commercial space in the City, and a Homelessness Gross Receipts Tax on the taxable gross receipts of most businesses with over \$50 million in taxable gross receipts during the tax year. All three taxes are generally due on the last day of February of the year following the calendar year, or the last day of April if filed on extension. But taxpayers also must make estimated tax payments each quarter during the calendar year, which most taxpayers calculate using 25% of their prior year's liability.

For many taxpayers, the onset of the global COVID-19 pandemic in 2020, along with stay-at-home orders and an expansion of employees working from home, resulted in a significant reduction in their San Francisco tax liabilities. Nonetheless, many such taxpayers continued to make estimated tax payments to San Francisco throughout 2020 using 25% of their 2019 tax liability.

For ease of tax compliance, the Office of the Treasurer & Tax Collector (the "Tax Collector") developed an online tax application (the "SF Annual Business Tax Application") that permits taxpayers to report all three taxes through a single filing process. The Tax Collector's 2020 SF Annual Business Tax Application did not automatically process refunds for taxpayers who reported \$50 million or less in taxable gross receipts for 2020 (and who therefore were not liable for the Homelessness Gross Receipts Tax for 2020), but who had made estimated payments of Homelessness Gross Receipts Taxes throughout 2020. In addition, the Tax Collector's Office delayed notifying such taxpayers that they had made estimated payments but reported no liability due to staff being deployed as Disaster Service Workers and work efforts redirected to defer taxes and waive fees. The normally scheduled communications would have identified the taxpayers who were owed refunds more quickly.

Under current law, the Tax Collector may authorize the Controller to refund overpaid taxes without a claim for refund, review by the City Attorney's Office, or approval of the Board of Supervisors within one year of the later of the overpayment or the taxpayer's timely filed request for refund (including a reported overpayment on a return). If the Tax Collector does not authorize issuance of the refund within that one-year period following a timely filed request

for refund, taxpayers that file a timely claim for refund of overpaid taxes may still receive a refund, but such refunds must be made through the claims process, including approval by the Board of Supervisors if the refund exceeds \$25,000.

For taxpayers that paid estimated Homelessness Gross Receipts Taxes for tax year 2020 but reported \$50 million or less in taxable gross receipts such that they are entitled to a refund of their estimated tax payments, the one-year period for the Tax Collector to authorize the refund has passed, but taxpayers generally have until April 30, 2023 to file a claim for a refund of those amounts. Thus, under current law, the refunds for these taxpayers would need to go through the claims process, including Board of Supervisors approval for the refunds in excess of \$25,000.

### Amendments to Current Law

This ordinance would extend the period within which the Tax Collector could authorize the refunds for these taxpayers through April 30, 2023, thereby avoiding unnecessary review by the City Attorney's Office and Board of Supervisors for refunds that are not disputed and would otherwise have been processed automatically.

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