

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations and Administrative Codes - Tax on Technology Companies to Fund Affordable Housing and Homeless Services; Business Registration Fee Reduction]

Motion ordering submitted to the voters at an election to be held on November 8, 2016, an ordinance amending the Business and Tax Regulations Code and Administrative Code to reduce the business registration fee on persons with \$1,000,000 or less in gross receipts and to impose a new 1.5% special tax on the payroll expense of technology companies engaged in business in the City to fund affordable housing and homeless services; and increasing the City’s appropriations limit by the amount of the new tax for four years from November 8, 2016.

Existing Law

The Business and Tax Regulations Code imposes a number of taxes on persons engaged in business in the City. Among these taxes, the business registration fee, the payroll expense tax, and the gross receipts tax are generally imposed on all persons engaged in business in the City.

The amount of a person’s business registration fee is typically determined based on the person’s gross receipts in the City for the preceding tax year. The business registration fee ranges from \$75 for certain persons with up to \$100,000 in gross receipts in the City, to \$35,000 for certain persons with gross receipts of \$200,000,001 and over in the City.

Under Proposition E passed in November 2012, the rate of the current payroll expense tax will be decreased each year until 2018, while the gross receipts tax rates will be correspondingly increased over that period.

Amendments to Current Law

Effective beginning in the fiscal year commencing July 1, 2018 and ending June 30, 2019, the proposed ordinance would reduce the business registration fee of most persons with \$1,000,000 or less in gross receipts in the City as follows:

San Francisco Gross Receipts for the Immediately Preceding Tax Year	Current Annual Business Registration Fee*	Proposed Annual Business Registration Fee
\$0 to \$100,000	\$75-\$90	\$45
\$100,000.01 to \$250,000	\$125-\$150	\$75

\$250,000.01 to \$500,000	\$200-\$250	\$125
\$500,000.01 to \$750,000	\$400-\$500	\$250
\$750,000.01 to \$1,000,000	\$600-\$700	\$350

* The lower amount generally applies to persons that were required to report all of their gross receipts under the category applicable to retail trade, wholesale trade, and certain services, and the higher amount applies to most other persons.

This ordinance would not affect the business registration fees for persons with over \$1,000,000 in gross receipts in the City for the preceding tax year.

Effective January 1, 2018, this ordinance would also impose a special tax, called the Homelessness and Housing Impact Technology Tax, at a rate of 1.5% of the total San Francisco payroll expense of technology companies engaged in business in the City, subject to certain exemptions. This tax would be in addition to all other taxes imposed by the City. The ordinance would define a technology company as generally including any person that receives any amount of gross receipts from a business within one or more of the following North American Industry Classification System (“NAICS”) codes; 3341 (computer and peripheral equipment manufacturing), 5112 (software publishers), 5182 (data processing, hosting, and related services), 51913 (Internet publishing and broadcasting and web search portals), and 5415 (computer systems design and related services). The tax would generally be due on the same date and subject to similar installment payment obligations as the current payroll expense tax and gross receipts tax.

Small businesses, which generally include persons whose combined gross receipts within the City did not exceed \$1,000,000, would be exempt from the Homelessness and Housing Impact Technology Tax, and persons with combined gross receipts of less than \$500,000 would not be required to file a Homelessness and Housing Impact Technology Tax return.

After paying for the costs of administering the tax and issuing any necessary refunds of the tax, the Homelessness and Housing Impact Technology Tax would be dedicated to funding affordable housing and homeless services.

Finally, the initiative ordinance would increase the City’s appropriations limit under Article XIII B of the California Constitution by the amount of Homelessness and Housing Impact Technology Tax collected, for four years from the date of the election.

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