

LEGISLATIVE DIGEST

[Waiver of Permit, License, and Business Registration Fees for Certain Small Businesses]

Ordinance amending the program established in Ordinance No. 143-21 waiving certain first-year permit, license, and business registration fees for certain businesses, retroactive to November 1, 2021, to 1) extend the program through June 30, 2023, 2) increase the gross receipts permissible for a business to qualify for the tax and fee waiver from \$2,000,000 to \$5,000,000, 3) remove the requirement that the business be located on the ground floor, 4) extend the period for refunds to the later of one year from the date of payment or June 30, 2023, 5) revise the procedures for challenging Tax Collector determinations that a business improperly claimed a waiver under this ordinance; 6) increase the gross receipts above which the waiver would be retroactively revoked from \$10,000,000 to \$15,000,000 in the calendar year of, or in any calendar year during the three full calendar years following, the date the business commenced business within San Francisco or opened a new business location for commercial use; and 7) make other administrative and reporting changes, as defined herein.

Existing Law

In 2021, the Board of Supervisors passed Ordinance 143-21, commonly referred to as “First Year Free” program, which waived initial registration fees, initial license fees, and permit fees for qualified new businesses where the applications for the business registration certificate, initial license, or permit were filed by the qualified new business on or after November 1, 2021, and on or before October 31, 2022. The ordinance defined qualified new businesses as those that: (1) applied for a business registration certificate with a date of commencing business in the City of on or after November 1, 2021, and on or before October 31, 2022; (2) had \$2,000,000 or less in estimated San Francisco gross receipts for the calendar year in which the business commenced within the City; and (3) had a registered business location that is for one of the following ground floor commercial uses (excluding formula retail uses): retail sales and services; entertainment, arts, and recreation; or a social service or philanthropic facility.

The “First Year Free” program also waived the initial license fees and permit fees for qualified businesses with a new location where the applications for the initial license or permit were related to the new location and were filed by the qualified business with the new location on or after November 1, 2021, and on or before October 31, 2022. The ordinance defined qualified businesses with a new location as those that: (1) commenced business within the City before November 1, 2021, and held a valid business registration certificate; (2) commenced business at a new location on or after November 1, 2021, and on or before October 31, 2022, that was for one of the following ground floor commercial uses (excluding formula retail uses): retail sales and services; entertainment, arts, and recreation; or a social service or philanthropic facility; and (3) reported \$2,000,000 or less in annual San Francisco gross receipts or estimated San Francisco gross receipts on their most recently filed gross

receipts tax return, application for a registration certificate, or renewal of a registration certificate.

Certain permits, licenses and fees were excluded from the waiver. And if a business originally subject to waiver had more than \$10,000,000 in San Francisco gross receipts in the calendar year of, or in any calendar year during the three full-year calendar years following, the date the business commenced business in San Francisco or opened a new qualified business location in San Francisco, the waiver was subject to retroactive revocation and the business was required to remit to the City all waived amounts.

Amendments to Current Law

This ordinance would extend the “First Year Free” program through June 30, 2023, including extending the period within which a business that paid waived fees could request a refund to the extent that such a period would have expired prior to June 30, 2023.

This ordinance would also expand the “First Year Free” program retroactively to November 1, 2021, by: (1) increasing from \$2,000,000 to \$5,000,000 the maximum San Francisco gross receipts permissible for a business to qualify for the tax and fee waiver; (2) removing the requirement that the business be located on the ground floor; and (3) increasing from \$10,000,000 to \$15,000,000 the San Francisco gross receipts above which the waiver would be retroactively revoked in the calendar year of, or in any calendar year during the three full-year calendar years following, the date the business commenced business within San Francisco or opened a new business location for commercial use.

Finally, this ordinance would revise the procedures for challenging Tax Collector determinations that a business improperly claimed a waiver under the “First Year Free” program, and would make other administrative and reporting changes.

n:\legana\as2022\2300020\01627207.docx