[Business and Tax Regulations Code - Gross Receipts Tax Rate Increase Postponement and Credits for Opening City Location]

Ordinance amending the Business and Tax Regulations Code to extend through December 31, 2024, the Gross Receipts Tax rates in effect on January 1, 2022, for the business activities of retail trade, certain services, manufacturing, food services, accommodations, and arts, entertainment and recreation, and postpone to January 1, 2025, the imposition of the Gross Receipts Tax rates otherwise set to go into effect beginning January 1, 2023, for those business activities; and to provide for businesses that open a physical location in the City on or after January 1, 2023, through December 31, 2027, and that did not have a physical location in the City for at least three years prior to that opening, an annual Gross Receipts Tax credit equal to 0.45% of the business's San Francisco taxable gross receipts from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, for businesses not engaged in business in the City as an administrative office, or 0.7% of the taxable payroll expense of a business that engages in business in the City as an administrative office, for each of up to three tax years immediately following the tax year in which the business opened the physical location in the City, but no later than the 2028 tax year, and not to exceed $1,000,000 per tax year.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~strikethrough Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Article 12-A-1 of the Business and Tax Regulations Code is hereby amended by revising Sections 953.1, 953.2, and 953.3, and adding Section 960.1, to read as follows:

SEC. 953.1. GROSS RECEIPTS TAX APPLICABLE TO RETAIL TRADE; WHOLESALE TRADE; AND CERTAIN SERVICES.

(a) The gross receipts tax rates applicable to the business activities of retail trade, wholesale trade, and certain services are:

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(2) For the business activities of retail trade and certain services:

(A) For tax years 2021 *through and including 2024*~~*and 2022*~~:

0.053% (e.g., $0.53 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.07% (e.g., $0.70 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.095% (e.g., $0.95 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.224% (e.g., $2.24 per $1,000) for taxable gross receipts over $25,000,000

(B) For tax year *2025*~~*2023*~~:

0.079% (e.g., $0.79 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.105% (e.g., $1.05 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.142% (e.g., $1.42 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.224% (e.g., $2.24 per $1,000) for taxable gross receipts over $25,000,000

(C) For tax years beginning on or after January 1, *2026*~~2024~~:

0.105% (e.g., $1.05 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.14% (e.g., $1.40 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.189% (e.g., $1.89 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.224% (e.g., $2.24 per $1,000) for taxable gross receipts over $25,000,000

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SEC. 953.2. GROSS RECEIPTS TAX APPLICABLE TO MANUFACTURING; TRANSPORTATION AND WAREHOUSING; INFORMATION; BIOTECHNOLOGY; CLEAN TECHNOLOGY; AND FOOD SERVICES.

(a) The gross receipts tax rates applicable to the business activities of manufacturing, transportation and warehousing, information, biotechnology, clean technology, and food services are:

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(2) For the business activities of manufacturing and food services:

(A) For tax years 2021 *through and including 2024*~~and 2022~~:

0.088% (e.g., $0.88 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.144% (e.g., $1.44 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.259% (e.g., $2.59 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.665% (e.g., $6.65 per $1,000) for taxable gross receipts over $25,000,000

(B) For tax year *2025*~~2023~~:

0.131% (e.g., $1.31 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.215% (e.g., $2.15 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.389% (e.g., $3.89 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.665% (e.g., $6.65 per $1,000) for taxable gross receipts over $25,000,000

(C) For tax years beginning on or after January 1, *2026*~~*2024*~~:

0.175% (e.g., $1.75 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.287% (e.g., $2.87 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.518% (e.g., $5.18 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.665% (e.g., $6.65 per $1,000) for taxable gross receipts over $25,000,000

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SEC. 953.3. GROSS RECEIPTS TAX APPLICABLE TO ACCOMMODATIONS; UTILITIES; AND ARTS, ENTERTAINMENT AND RECREATION.

(a) The gross receipts tax rates applicable to the business activities of accommodations; utilities; and arts, entertainment and recreation are:

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(2) For the business activities of accommodations and arts, entertainment and recreation:

(A) For tax years 2021 *through and including 2024*~~*and 2022*~~:

0.21% (e.g., $2.10 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.228% (e.g., $2.28 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.228% (e.g., $2.28 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.56% (e.g., $5.60 per $1,000) for taxable gross receipts over $25,000,000

(B) For tax year *2025~~2023~~*:

0.315% (e.g., $3.15 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.341% (e.g., $3.41 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.341% (e.g., $3.41 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.56% (e.g., $5.60 per $1,000) for taxable gross receipts over $25,000,000

(C) For tax years beginning on or after January 1, *2026~~2024~~*:

0.42% (e.g., $4.20 per $1,000) for taxable gross receipts between $0 and $1,000,000

0.455% (e.g., $4.55 per $1,000) for taxable gross receipts between $1,000,000.01 and $2,500,000

0.455% (e.g., $4.55 per $1,000) for taxable gross receipts between $2,500,000.01 and $25,000,000

0.56% (e.g., $5.60 per $1,000) for taxable gross receipts over $25,000,000

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SEC. 960.1. TAX CREDIT FOR OPENING PHYSICAL LOCATION IN THE CITY.

(a) A person or combined group that opens a physical location in the City on or after January 1, 2023 through and including December 31, 2027, shall be allowed a credit against that person or combined group's Gross Receipts Tax if the person or combined group did not have a

physical location in the City for at least three years prior to opening the physical location. The credit under this Section 960.1 shall be an annual credit for each of up to three tax years immediately following the tax year in which the person or combined group opened the physical location in the City. The credit shall be in an amount per tax year, not to exceed $1,000,000 per tax year, calculated as follows:

(1) for a person or combined group not engaged in business within the City as an administrative office, as defined in Section 953.8 of Article 12-A-1, 0.45% of the person or combined group's taxable gross receipts during the tax year from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, as those activities are defined in Sections 953.2, 953.4, and 953.6 of this Article 12-A-1, without regard to any application of Section 953.9 of Article 12-A-1; or

(2) for a person or combined group engaged in business within the City as an administrative office, as defined in Section 953.8 of Article 12-A-1, 0.7% of the person or combined group's taxable payroll expense during the tax year.

(b) For purposes of this Section 960.1:

(1) "Opens a physical location" means that the person or combined group opens, by acquiring real property or pursuant to an agreement with a term for at least six months, a location of the person or combined group that is available for the person or combined group's use and can accommodate one or more employees.

(2) In determining whether a person or combined group had a physical location in the City prior to opening a physical location, any physical location in the City of the person or combined group's predecessor in interest shall be deemed a physical location in the City of that person or combined group.

(3) The acquisition of an existing business shall not constitute the opening of a physical location.

(4) In determining whether a person or combined group had a physical location in the City prior to opening a physical location, and in determining whether a person or combined group has opened a physical location in the City, a person or combined group that owned or leased real property in the City all of which such person or combined group leased or subleased to a third party that was not in such person's combined group and did not lease back shall not be deemed to have had or opened a physical location in the City as a result of owning or leasing that real property for the time period in which the real property was leased or subleased to the third party.

(c) For purposes of this Section 960.1, "taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 954 of Article 12-A-1, attributable to the City.

(d) For purposes of this Section 960.1, "taxable payroll expense" means "payroll expense" as defined in Section 953.8(f) of Article 12-A-1, attributable to the City.

(e) In no event shall the credit under this Section 960.1 reduce a person or combined group's Gross Receipts Tax liability to less than $0 for any tax year. The credit under this Section shall not be refundable and may not be carried forward to a subsequent tax year.

(f) Notwithstanding Section 6.22-1 of the Business and Tax Regulations Code or any other provision of law that would limit public disclosure, the person or each person in the combined group that is engaging in business within the City waives any right to confidentiality in the fact that it has claimed any credit under this Section 960.1 for a particular tax year. Nothing in this subsection (f) shall constitute a waiver of the confidentiality of the information in the person or combined group's Gross Receipts Tax return, including the amount of any credit claimed under this Section, other than the fact that the person or combined group has claimed a credit under this Section.

(g) Notwithstanding any other provision of this Section 960.1, no person or combined group may claim the credit authorized under this Section 960.1 for tax years commencing on or after January 1, 2029.

(h) Commencing with a report filed no later than October 31, 2024, for the 2023 tax year, the Tax Collector shall submit an annual report by October 31 of the calendar year following each tax year to the Board of Supervisors for each tax year for which the credit under this Section 960.1 is in effect that sets forth aggregate information on the dollar amount of the credits taken each year and the number of businesses taking the credit.

Section 2. Effective Date; Retroactivity.

(a) This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

(b) Upon the effective date of this ordinance, this ordinance shall be retroactive to January 1, 2023.

Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
KERNE H. O. MATSUBARA
Deputy City Attorney

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