

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Waiver of Permit, License, and Business Registration Fees for Certain Small Businesses]

Ordinance amending the Business and Tax Regulations Code to waive, retroactively to July 1, 2023, certain first-year permit, license, and business registration fees for specified small businesses that newly form or that open a new location; and refunding any waived fees that have been paid to the City.

Existing Law

In 2021, the Board of Supervisors established a pilot program, commonly referred to as “First Year Free,” which waived initial registration fees, initial license fees, and permit fees for certain new small businesses, through October 31, 2022. The “First Year Free” program also waived initial license fees and permit fees for certain small businesses with a new location in the City, through October 31, 2022. The waiver was limited to specified commercial uses and required that the business be located on the ground floor. The small business ceiling was \$2,000,000 in annual San Francisco gross receipts, and if the business had more than \$10,000,000 in San Francisco gross receipts in any year through its third full year after commencing business in San Francisco or opening a new business location in San Francisco, the waiver would be revoked retroactively and the business would be required to remit to the City any waived fee amounts.

In 2022, the Board of Supervisors extended the “First Year Free” program through June 30, 2023 and expanded that program 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 waiver; (2) removing the requirement that the business be located on the ground floor; (3) expanding the business types that qualify for the waiver to include all commercial uses; and (4) increasing from \$10,000,000 to \$15,000,000 the San Francisco gross receipts above which the waiver would be retroactively revoked.

Amendments to Current Law

This ordinance would further extend the “First Year Free” program, with modifications, for five years and codify that program in Article 2 of the Business and Tax Regulations Code. This ordinance would waive, retroactively to July 1, 2023, permit, initial license, and initial business registration fees for businesses that have estimated first-year San Francisco gross receipts of \$5,000,000 or less, have a registered business location that is for commercial use other than for a home-based business or short-term residential rental use, and have actual San Francisco gross receipts of \$15,000,000 or less 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.

This ordinance also would waive, retroactively to July 1, 2023, permit and initial license fees for businesses that open a location in the City for commercial use other than for a home-based business or short-term residential rental use, reported San Francisco gross receipts of \$5,000,000 or less on its most recent return, and have actual San Francisco gross receipts of \$15,000,000 or less in the calendar year of, or in any calendar year during the three full calendar years following, the date the business opened the new location. The waiver would apply only to the new location.

A home-based business is defined as a business operated from a home or other residential location. A short-term residential rental use is as defined in Section 41A.4 of Chapter 41A of the Administrative Code (residential unit conversion and demolition).

This ordinance would require the Tax Collector to refund any waived fees paid to the City, if the fee payer files a written request with the Tax Collector within one year of payment. This ordinance also would establish procedures for the administration of the waiver. The waiver would sunset on June 30, 2028.

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