

**LEGISLATIVE DIGEST**

[Business and Tax Regulations Code - Commercial Vacancy Tax Exemption]

**Ordinance amending the Business and Tax Regulations Code to exempt from the commercial vacancy tax beginning on January 1, 2025, any taxable commercial space located in a named neighborhood commercial district or named neighborhood commercial transit district in which a City public infrastructure or construction project has a construction duration of more than 180 days in a calendar year, and from January 1, 2022, through December 31, 2024, any taxable commercial space located in the Taraval Street Neighborhood Commercial District or the Inner Taraval Street Neighborhood Commercial District.**

Existing Law

Beginning January 1, 2022, the City imposes a commercial vacancy tax (“Vacancy Tax”), which is an annual excise tax on persons keeping ground floor commercial space in certain neighborhood commercial districts and certain neighborhood commercial transit districts vacant, to fund assistance to small businesses. The Vacancy Tax is based on (1) the number of linear feet of ground-level street-facing commercial space that is kept vacant and (2) the number of years that space has been kept vacant. Commercial space is kept “vacant” if it is unoccupied, uninhabited, or unused for more than 182 days, whether consecutive or nonconsecutive, in a calendar year. Certain periods during which commercial space is under construction, is subject to pending building permit and other applications, or has experienced damage from certain disasters are disregarded for purposes of determining whether the commercial space has been kept vacant.

Amendments to Current Law

Beginning January 1, 2025, this ordinance would exempt from the Vacancy Tax commercial space located in districts that have a public infrastructure or construction project by the Department of Public Works, Public Utilities Commission, or Municipal Transportation Agency with a construction duration of more than 180 days in the calendar year. This ordinance would require the above departments to submit reports annually to the Board and the Tax Collector by December 1 of each tax year listing any projects that meet or are projected to meet the 180-day criteria for that tax year, beginning with the report due by December 1, 2025, for the 2025 tax year.

Retroactive to January 1, 2022, this ordinance would exempt from the Vacancy Tax for tax years 2022, 2023, and 2024 commercial space located in the Taraval Street Neighborhood Commercial District or the Inner Taraval Street Neighborhood Commercial District. This ordinance also would require the Tax Collector to refund, without interest, any taxes,

FILE NO. 241172

penalties, and interest paid to the City that were overpaid as a result of the retroactive application of this ordinance.

n:\legana\as2024\2500040\01800397.docx