

BOARD of SUPERVISORS



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MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller

FROM: Victor Young, Assistant Clerk *Victor Young*
Board of Supervisors

DATE: July 17, 2020

SUBJECT: CHARTER AMENDMENT AND INITIATIVE ORDINANCE
November 3, 2020 Election

On July 16, 2020, the Board of Supervisors' Budget and Finance Committee amended the following Charter Amendment/Initiative Ordinance for the November 3, 2020, Election. This matter is being referred to you in accordance with Rules of Order 2.22.3.

File No. 200648

Charter Amendment (Second Draft) to amend the Charter of the City and County of San Francisco to provide that future annual adjustments in baseline funding for the following Charter-mandated funds will not take into account certain changes in City revenue resulting from voter-approved business taxes on the November 3, 2020 ballot: the Municipal Transportation Fund, the Park, Recreation and Open Space Fund, the Children and Youth Fund, the Library Preservation Fund, the Housing Trust Fund, the Public Education Enrichment Fund, the Dignity Fund, and the Street Tree Maintenance Fund; an Initiative Ordinance to amend the Business and Tax Regulations Code to: 1) reduce the annual Business Registration Fee for businesses with \$1,000,000 or less in San Francisco gross receipts; 2) increase the small business exemption ceiling for the Gross Receipts Tax to \$2,000,000 and increase the annual Business Registration Fee on businesses benefiting from this increased exemption ceiling; 3) modify the Gross Receipts Tax rates; 4) repeal the Payroll Expense Tax; 5) increase the Gross Receipts Tax on certain taxpayers for 20 years if a final judicial decision has the effect of invalidating the Homelessness Gross Receipts Tax Ordinance; 6) impose a new general tax on the gross receipts from the lease of certain commercial space for 20 years if a final judicial decision has the effect of invalidating the Early Care and Education Commercial Rents Tax Ordinance; and 7) make other changes to the City's business taxes; and to increase the City's appropriations limit by the total revenues collected under Articles 12-A-1

and 36 of the Business and Tax Regulations Code for four years from November 3, 2020; at an election to be held on November 3, 2020.

Please review and prepare a financial analysis of the proposed measure prior to the first Rules Committee hearing.

If you have any questions or concerns, please call me at (415) 554-7723 or email: victor.young@sfgov.org. To submit documentation, please email or forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Deputy City Controller
 Peg Stevenson, City Performance Director
 Natasha Mihal, City Services Auditor

1 [Charter Amendment and Initiative Ordinance - Business and Tax Regulations Code -
2 Adjustment of Baseline Funding and Business Tax Changes]

3 **Describing and setting forth a proposal to the voters at an election to be held on**
4 **November 3, 2020, to amend the Charter of the City and County of San Francisco to**
5 **provide that future annual adjustments in baseline funding for the following**
6 **Charter-mandated funds will not take into account certain changes in City revenue**
7 **resulting from voter-approved business taxes on the November 3, 2020 ballot: the**
8 **Municipal Transportation Fund, the Park, Recreation and Open Space Fund, the Children**
9 **and Youth Fund, the Library Preservation Fund, the Housing Trust Fund, the Public**
10 **Education Enrichment Fund, the Dignity Fund, and the Street Tree Maintenance Fund; to**
11 **amend the Business and Tax Regulations Code to: 1) reduce the annual Business**
12 **Registration Fee for businesses with \$1,000,000 or less in San Francisco gross receipts;**
13 **2) increase the small business exemption ceiling for the Gross Receipts Tax to \$2,000,000**
14 **and increase the annual Business Registration Fee on businesses benefiting from this**
15 **increased exemption ceiling; 3) modify the Gross Receipts Tax rates; 4) repeal the Payroll**
16 **Expense Tax; 5) increase the Gross Receipts Tax on certain taxpayers for 20 years if a final**
17 **judicial decision has the effect of invalidating the Homelessness Gross Receipts Tax**
18 **Ordinance; 6) impose a new general tax on the gross receipts from the lease of certain**
19 **commercial space for 20 years if a final judicial decision has the effect of invalidating the**
20 **Early Care and Education Commercial Rents Tax Ordinance; and 7) make other changes**
21 **to the City's business taxes; and to increase the City's appropriations limit by the total**
22 **revenues collected under Articles 12-A-1 and 36 of the Business and Tax Regulations Code**
23 **for four years from November 3, 2020.**

1 NOTE: **Unchanged Charter and Code text and uncodified text** are in plain font.
2 **Additions** are in *single-underline italics Times New Roman font*.
3 **Deletions** are in *strikethrough italics Times New Roman font*.
4 **Asterisks** (* * * *) indicate the omission of unchanged Charter or Code
5 text or parts of tables.

6 Section 1. The Board of Supervisors hereby submits to the qualified voters of the City
7 and County, at an election to be held on November 3, 2020, a proposal to amend the Charter of
8 the City and County by revising Sections 8A.105, 16.107, 16.108, 16.109, 16.110, 16.123-2,
9 16.128-3, and 16.129, to read as follows:

10 **SEC. 8A.105. MUNICIPAL TRANSPORTATION FUND.**

11 (a) There is hereby established a fund to provide a predictable, stable, and adequate level
12 of funding for the Agency, which shall be called the Municipal Transportation Fund. The fund
13 shall be maintained separate and apart from all other City and County funds. Monies therein
14 shall be appropriated, expended, or used by the Agency solely and exclusively for the operation
15 including, without limitation, capital improvements, management, supervision, maintenance,
16 extension, and day-to-day operation of the Agency, including any division subsequently created
17 or incorporated into the Agency and performing transportation-related functions. Monies in the
18 Fund may not be used for any other purposes than those identified in this Section 8A.105.

19 (b) Beginning with the fiscal year 2000-2001 and in each fiscal year thereafter, there is
20 hereby set aside to the Municipal Transportation Fund the following:

21 1. An amount (the “Base Amount”) which shall be no less than the amount of all
22 appropriations from the General Fund, including all supplemental appropriations, for the fiscal
23 year 1998-1999 or the fiscal year 1999-2000, whichever is higher (the “Base Year”), adjusted as
24 provided in subsection (c), below, for (1) the Municipal Railway; and (2) all other City and
25 County commissions, departments and agencies providing services to the Municipal Railway,

1 including the Department of Human Resources and the Purchasing Department, for the provision
2 of those services. The Base Amount for the Department of Parking and Traffic and the Parking
3 Authority shall be established in the same fashion but using fiscal years 2000-2001
4 and 2001-2002 for the services being incorporated into the Agency.

5 2. Subject to the limitations and exclusions in Sections 4.113, the revenues of the
6 Municipal Railway, and, upon their incorporation into the Agency, the revenues of the
7 Department of Parking and Traffic, and the Parking Authority; and

8 3. All other funds received by the City and County from any source, including
9 state and federal sources, for the support of the Agency.

10 (c) The Base Amount shall initially be determined by the Controller. Adjustments to the
11 Base Amount shall be made as follows:

12 1. The Base Amount shall be adjusted for each year after fiscal year 2000-2001
13 by the Controller based on calculations consistent from year to year, by the percentage increase
14 or decrease in aggregate City and County discretionary revenues. In determining aggregate City
15 and County discretionary revenues, the Controller shall only include revenues received by the
16 City which are unrestricted and may be used at the option of the Mayor and the Board of
17 Supervisors for any lawful City purpose. Additionally, in determining aggregate City and
18 County discretionary revenues, the Controller shall not include revenues received by the City
19 under the increased rates in Business and Tax Regulations Code Sections 953.1(g), 953.2(h),
20 953.3(h), 953.4(e), 953.5(d), 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general
21 municipal election on November 3, 2020, and shall not include revenues received by the City
22 under Article 36 of the Business and Tax Regulations Code adopted by the voters at the general
23 municipal election on November 3, 2020. Errors in the Controller's estimate of discretionary
24 revenues for a fiscal year shall be corrected by adjustment in the next year's estimate.

1 2. An adjustment shall also be made for any increases in General Fund
2 appropriations to the Agency in subsequent years to provide continuing services not provided in
3 the Base Year, but excluding additional appropriations for one-time expenditures such as capital
4 expenditures or litigation judgments and settlements.

5 3. Commencing with the fiscal year beginning on July 1, 2015, the Controller
6 shall also adjust the Base Amount annually by the percentage increase in the San Francisco
7 population based on data from the source(s) the Controller, in his or her sole discretion, finds
8 most reliable for the most recent available calendar year. The Controller’s population growth
9 adjustment shall be based on the greater of the increase in daytime or night-time population. For
10 any year in which the Controller determines that neither the daytime nor night-time population
11 has increased, the Controller shall make no adjustment under this subparagraph 3 to the Base
12 Amount. For purposes of the initial adjustment for the year commencing July 1, 2015, the
13 Controller shall adjust the Base Amount based on the increase in City daytime or night-time
14 population for the most recent ten-year period for which data are available instead of the most
15 recent available calendar year. The Agency shall use the amount of any increase in the Base
16 Amount resulting from the adjustment required by this subparagraph 3 exclusively as follows:
17 75 per cent shall be used to make transit system improvements to the Municipal Railway to
18 improve the system’s reliability, frequency of service, capacity, and state of good repair,
19 and 25 per cent shall be used for transportation capital expenditures to improve street safety for
20 all users.

21 * * * *

22
23 **SEC. 16.107. PARK, RECREATION AND OPEN SPACE FUND.**

24 (a) Establishment of Fund. There is hereby established the Park, Recreation and Open
25 Space Fund (“Fund”) to be administered by the Recreation and Park Department (“Department”)

1 as directed by the Recreation and Park Commission (“Commission”). Monies in the Fund shall
2 be expended or used solely by the Department, subject to the budgetary and fiscal provisions of
3 the Charter, to provide park and recreational services and facilities. The Department embraces
4 socio-economic and geographic equity as a guiding principle and commits to expending the
5 funds across its open space and recreational programs to provide park and recreational access to
6 all of San Francisco’s diverse neighborhoods and communities.

7 * * * *

8 (c) Baseline Maintenance of Effort. The annual set-aside shall be used exclusively to
9 increase the aggregate City appropriations to and expenditures by the Recreation and Park
10 Department for Department purposes. To this end, beginning in fiscal year 2016-2017 and
11 thereafter through fiscal year 2045-2046, the City shall not reduce the baseline general fund
12 support amount appropriated to the Department below the amount appropriated in fiscal
13 year 2015-2016, as calculated by the Controller, except that the baseline amount shall be
14 adjusted as follows:

15 (1) Each year in fiscal years 2016-2017 through 2025-2026, the City shall
16 increase the baseline appropriation by \$3 million over the prior year.

17 (2) Each year in fiscal years 2026-2027 through 2045-2046, the City shall adjust
18 the baseline by the percentage increase or decrease in aggregate City discretionary revenues, as
19 determined by the Controller, based on calculations consistent from year to year. In determining
20 aggregate City discretionary revenues, the Controller shall only include revenues received by the
21 City which are unrestricted and may be used at the option of the Mayor and the Board of
22 Supervisors for any lawful City purpose. Additionally, in determining aggregate City
23 discretionary revenues, the Controller shall not include revenues received by the City under the
24 increased rates in Business and Tax Regulations Code Sections 953.1(g), 953.2(h), 953.3(h),
25 953.4(e), 953.5(d), 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general

1 municipal election on November 3, 2020, and shall not include revenues received by the City
2 under Article 36 of the Business and Tax Regulations Code adopted by the voters at the general
3 municipal election on November 3, 2020. The Controller is authorized to increase or reduce
4 budgetary appropriations as required by this subsection (c) to align the baseline amount to the
5 amount required by formula based on actual revenues received during the fiscal year.

6 * * * *

7
8 **SEC. 16.108. CHILDREN AND YOUTH FUND.**

9 * * * *

10 (b) **Fund for Children and Youth Services.** Operative July 1, 2001, there is hereby
11 established a fund to expand children’s services, which shall be called the Children and Youth
12 Fund (“Fund”). Monies in the Fund shall be expended or used only to provide services for
13 children and youth as provided in this ~~§~~Section 16.108.

14 * * * *

15 (h) **Baseline.** The Fund shall be used exclusively to increase the aggregate City
16 appropriations and expenditures for those services for children and Disconnected
17 Transitional-Aged Youth that are eligible to be paid from the Fund (exclusive of expenditures
18 mandated by state or federal law). To this end, the City shall not reduce the amount of such City
19 appropriations for eligible services (not including appropriations from the Fund and exclusive of
20 expenditures mandated by state or federal law) under this section below the amount so
21 appropriated for the fiscal year 2000-2001 (“the base year”) as set forth in the Controller’s
22 baseline budget, as adjusted (“the base amount”).

23 The Controller shall calculate City appropriations made in fiscal year 2013-2014 for
24 services for Disconnected Transitional-Aged Youth aged 18 through 24 years. Beginning with
25 fiscal year 2014-2015, that amount shall be added to the base amount and adjusted as provided

1 below. The City shall not reduce the amount of such City appropriations for services for
2 Disconnected Transitional-Aged Youth (not including appropriations from the Fund and
3 exclusive of expenditures mandated by state or federal law) under this section below the amount
4 so appropriated for fiscal year 2013-2014, as adjusted.

5 The base amount shall be adjusted for each year after the base year by the Controller
6 based on calculations consistent from year to year by the percentage increase or decrease in
7 aggregate City and County discretionary revenues. In determining aggregate City and County
8 discretionary revenues, the Controller shall only include revenues received by the City and
9 County that are unrestricted and may be used at the option of the Mayor and the Board of
10 Supervisors for any lawful City purpose. Additionally, in determining aggregate City and
11 County discretionary revenues, the Controller shall not include revenues received by the City
12 under the increased rates in Business and Tax Regulations Code Sections 953.1(g), 953.2(h),
13 953.3(h), 953.4(e), 953.5(d), 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general
14 municipal election on November 3, 2020, and shall not include revenues received by the City
15 under Article 36 of the Business and Tax Regulations Code adopted by the voters at the general
16 municipal election on November 3, 2020. ~~The method used by the Controller to determine~~
17 ~~discretionary revenues shall be consistent with method used by the Controller to determine the~~
18 ~~Library and Children's Baseline Calculations dated June 20, 2000, which the Controller shall~~
19 ~~place on file with the Clerk of the Board in File No. 000952.~~ Errors in the Controller's estimate
20 of discretionary revenues for a fiscal year shall be corrected by an adjustment in the next year's
21 estimate. Within 90 days following the end of each fiscal year through Fiscal Year 2040-2041,
22 the Controller shall calculate and publish the actual amount of City appropriations for services
23 for children and Disconnected Transitional-Aged Youth that would have been eligible to be paid
24 from the Fund but are paid from other sources, separately identifying expenditures mandated by
25 state or federal law.

1 * * * *

2
3 **SEC. 16.109. LIBRARY PRESERVATION FUND.**

4 (a) Establishment of Fund. There is hereby established the Library Preservation Fund
5 (“the Fund”) to be administered by the Library Department as directed by the Library
6 Commission. Monies therein shall be expended or used solely by the Library Department,
7 subject to the budgetary and fiscal provisions of the Charter, to provide library services and to
8 construct, maintain and operate library facilities.

9 * * * *

10 (c) Baseline — Maintenance of Effort. The Annual Set-Aside shall be used exclusively
11 to increase the aggregate City appropriations and expenditures for services, materials, facilities
12 and equipment that will be operated by the Library for Library purposes. To this end, in any of
13 the fifteen years during which funds are required to be set aside under this Section 16.109, the
14 City shall not reduce the Baseline for the Library Department below the fiscal year 2006-2007
15 Required Baseline Amount (as calculated by the Controller), except that the Baseline shall be
16 adjusted as provided below.

17 The Baseline shall be adjusted for each year after fiscal year 2006-2007 by the Controller
18 based on calculations consistent from year to year, by the percentage increase or decrease in
19 aggregate City and County discretionary revenues. In determining aggregate City and County
20 discretionary revenues, the Controller shall only include revenues received by the City which are
21 unrestricted and may be used at the option of the Mayor and the Board of Supervisors for any
22 lawful City purpose. Additionally, in determining aggregate City and County discretionary
23 revenues, the Controller shall not include revenues received by the City under the increased
24 rates in Business and Tax Regulations Code Sections 953.1(g), 953.2(h), 953.3(h), 953.4(e),
25 953.5(d), 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general municipal election

1 on November 3, 2020, and shall not include revenues received by the City under Article 36 of the
2 Business and Tax Regulations Code adopted by the voters at the general municipal election on
3 November 3, 2020. Errors in the Controller’s estimate of discretionary revenues for a fiscal year
4 shall be corrected by adjustment in the next year’s estimate. For purposes of this subsection (c),
5 (i) aggregate City appropriations shall not include funds granted to the City by private agencies
6 or appropriated by other public agencies and received by the City, and (ii) Library Department
7 appropriations shall not include funds appropriated to the Library Department to pay for services
8 of other City departments or agencies, except for departments or agencies for whose specific
9 services the Library Department was appropriated funds in fiscal year 2006-2007. Within
10 180 days following the end of each fiscal year through fiscal year 2023-2024, the Controller shall
11 calculate and publish the actual amount of City appropriations for the Library Department.

12 * * * *

13
14 **SEC. 16.110. HOUSING TRUST FUND.**

15 (a) **Creation of Fund.** There is hereby established a Housing Trust Fund to support
16 creating, acquiring and rehabilitating affordable housing and promoting affordable home
17 ownership programs in the City, as provided in this Section 16.110.

18 * * * *

19 (c) **Funding.**

20 (1) In the Fiscal Year 2013-2014 budget, the City shall appropriate to the
21 Housing Trust Fund \$20 million.

22 (2) For the next 11 fiscal years, in each of the annual budgets for Fiscal
23 Year 2014-2015 through Fiscal Year 2024-2025, the City shall appropriate to the Housing Trust
24 Fund an amount increasing by \$2.8 million per year, until the Fiscal Year 2024-2025 budget.

1 (3) In the annual budgets for Fiscal Year 2025-2026 through Fiscal
2 Year 2042-43, the City shall appropriate to the Housing Trust Fund an amount equal to the prior
3 year's appropriation, adjusted by the percentage increase or decrease in General Fund
4 Discretionary Revenues budgeted for the year compared to the prior year's original budgeted
5 amount of General Fund Discretionary Revenues.

6 (4) Should the City adopt a fixed two-year budget under Charter Section 9.101,
7 the adjustment for the Housing Trust Fund appropriation for the two years of the two-year
8 budget shall be based on the amount of General Fund Discretionary Revenues estimated for the
9 two-year period included in the budget.

10 (5) During Fiscal Years 2025-2026 through 2042-2043, if the Controller submits
11 a revised estimate of General Fund Discretionary Revenues for a given Fiscal Year or two-year
12 budget period that is lower than the amount originally budgeted for that period, then the Board
13 may, by ordinance, reduce the appropriation to the Housing Trust Fund for that budget period in
14 an amount that does not exceed the amount proportionate to the percentage shortfall in the
15 discretionary revenue projection.

16 (6) The Controller's method of calculating the amount of and changes in General
17 Fund Discretionary Revenues shall be consistent from fiscal year to fiscal year and with the
18 Controller's method for calculating those figures under Charter Sections 8A.105, 16.108,
19 and 16.109. The Controller shall treat General Fund appropriations to the Housing Trust Fund as
20 reductions in General Fund Discretionary Revenues when calculating other funding allocations
21 that are tied to General Fund Discretionary Revenues, including funding allocations under
22 Charter Sections 8A.105, 16.108, and 16.109. Additionally, in determining General Fund
23 Discretionary Revenues, the Controller shall not include revenues received by the City under the
24 increased rates in Business and Tax Regulations Code Sections 953.1(g), 953.2(h), 953.3(h),
25 953.4(e), 953.5(d), 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general

1 municipal election on November 3, 2020, and shall not include revenues received by the City
2 under Article 36 of the Business and Tax Regulations Code adopted by the voters at the general
3 municipal election on November 3, 2020. The Controller shall correct errors in the estimate of
4 discretionary revenues for a fiscal year through an adjustment to the next fiscal year’s estimate.

5 * * * *

6
7 **SEC. 16.123-2. PUBLIC EDUCATION ENRICHMENT FUND.**

8 (a) **Creating the Fund.** There shall be a Public Education Enrichment Fund. The City
9 shall each year appropriate monies to the Public Education Enrichment Fund according to
10 subsections (b), (c), and (d), below.

11 (b) **Baseline Appropriations.** The Fund shall be used exclusively to increase the
12 aggregate City appropriations to and expenditures for the San Francisco Unified School District.
13 To this end, the City shall not reduce the amount of such City appropriations (not including
14 appropriations from the Fund and exclusive of expenditures mandated by state or federal law) in
15 any year during which funds are required to be set aside under this Section 16.123-2 below the
16 amount so appropriated for Fiscal Year 2002-2003 (“the base year”). These baseline
17 appropriations shall be separate from the City’s annual contributions to the Public Education
18 Enrichment Fund under subsection (c), and shall be appropriated by the City to the School
19 District each year through and including Fiscal Year 2040-2041.

20 The amount of the City’s baseline appropriations to the School District shall be adjusted
21 for each year after the base year by the Controller based on calculations consistent from year to
22 year by the percentage increase or decrease in City and County discretionary General Fund
23 revenues. In determining City and County discretionary General Fund revenues, the Controller
24 shall only include revenues received by the City and County that are unrestricted and may be
25 used at the option of the Mayor and the Board of Supervisors for any lawful City purpose.

1 Additionally, in determining aggregate City and County discretionary General Fund revenues,
2 the Controller shall not include revenues received by the City under the increased rates in
3 Business and Tax Regulations Code Sections 953.1(g), 953.2(h), 953.3(h), 953.4(e), 953.5(d),
4 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general municipal election on
5 November 3, 2020, and shall not include revenues received by the City under Article 36 of the
6 Business and Tax Regulations Code adopted by the voters at the general municipal election on
7 November 3, 2020. Errors in the Controller’s estimate of discretionary revenues for a fiscal year
8 shall be corrected by an adjustment in the next year’s estimate. Using audited financial results for
9 the prior fiscal year, the Controller shall calculate and publish the actual amount of City
10 appropriations that would have been required under this baseline for the School District.

11 (c) **Annual Contributions to the Fund FY 2005-2006 through FY 2009-2010.** In
12 addition to the annual baseline appropriation provided above, the City shall, for years two
13 through six of this measure, contribute the following amounts to the Public Education
14 Enrichment Fund:

15 Fiscal Year 2005-06 \$10 million

16 Fiscal Year 2006-07 \$20 million

17 Fiscal Year 2007-08 \$30 million

18 Fiscal Year 2008-09 \$45 million

19 Fiscal Year 2009-10 \$60 million

20 (d) **Annual Contributions to the Fund – FY 2010-11 and Thereafter.** For Fiscal
21 Years 2010-11 and thereafter, the City’s annual contribution to the Public Education Enrichment
22 Fund shall equal its total contribution for the prior year, beginning with Fiscal Year 2009-2010,
23 adjusted for the estimated increase or decrease in discretionary General Fund revenues for the
24 year. In determining the increase or decrease in discretionary General Fund revenues, the
25 Controller shall not include revenues received by the City under the increased rates in Business

1 and Tax Regulations Code Sections 953.1(g), 953.2(h), 953.3(h), 953.4(e), 953.5(d), 953.6(f),
2 953.7(d), and 953.8(i) adopted by the voters at the general municipal election on
3 November 3, 2020, and shall not include revenues received by the City under Article 36 of the
4 Business and Tax Regulations Code adopted by the voters at the general municipal election on
5 November 3, 2020.

6 * * * *

7

8 **SEC. 16.128-3. ANNUAL CONTRIBUTIONS TO THE FUND.**

9 (a) Annual Baseline Contributions to the Fund. Each year during the term of Charter
10 Section 16.128-1 et seq., the City shall make an annual baseline contribution to the Fund in the
11 amount of \$38 million, representing the amount the City spent in fiscal year 2016-2017 to
12 provide eligible services as identified in Section 16.128-4 to Seniors and Adults with
13 Disabilities.

14 (b) Additional Contributions for FY 2017-2018 through FY 2026-2027. For fiscal year
15 2017-2018, the City shall increase its contribution to the Fund over the baseline amount in
16 subsection (a) by \$6 million. For each fiscal year from 2018-2019 through 2026-2027, the City
17 shall increase its additional contribution to the Fund under this subsection (b) by \$3 million over
18 the prior year.

19 * * * *

20 (d) Additional Contributions for FY 2027-2028 through FY 2036-2037. For fiscal
21 years 2027-28 through 2036-2037, the City's annual contribution to the Fund shall equal its total
22 contribution, including the baseline amount under subsection (a), for the prior year, beginning
23 with Fiscal Year 2026-2027, adjusted by the percentage increase or decrease in aggregate City
24 discretionary revenues, as determined by the Controller, based on calculations consistent from
25 year to year. In determining aggregate City discretionary revenues, the Controller shall not

1 include revenues received by the City under the increased rates in Business and Tax Regulations
2 Code Sections 953.1(g), 953.2(h), 953.3(h), 953.4(e), 953.5(d), 953.6(f), 953.7(d), and 953.8(i)
3 adopted by the voters at the general municipal election on November 3, 2020, and shall not
4 include revenues received by the City under Article 36 of the Business and Tax Regulations Code
5 adopted by the voters at the general municipal election on November 3, 2020. For purposes of
6 this subsection (d), the “additional contribution” for these years shall mean the amount in excess
7 of the baseline amount.

8 * * * *

9

10 **SEC. 16.129. STREET TREE MAINTENANCE.**

11 * * * *

12 (f) Creating the Street Tree Maintenance Fund; Annual City Contributions. There shall
13 be a Street Tree Maintenance Fund (the “Fund”). Each fiscal year, beginning in fiscal
14 year 2017-2018, the City shall contribute \$19 million to the Fund. The Fund shall also include
15 any other monies appropriated or allocated to the Fund. Beginning in fiscal year 2018-2019, the
16 Controller shall adjust the amount of the City’s annual \$19 million contribution to the Fund
17 under this subsection (f) by the percentage increase or decrease in aggregate City discretionary
18 revenues, as determined by the Controller, based on calculations consistent from year to year. In
19 determining aggregate City discretionary revenues, the Controller shall only include revenues
20 received by the City that are unrestricted and may be used at the option of the Mayor and the
21 Board of Supervisors for any lawful City purpose. Additionally, in determining aggregate City
22 discretionary revenues, the Controller shall not include revenues received by the City under the
23 increased rates in Business and Tax Regulations Code Sections 953.1(g), 953.2(h), 953.3(h),
24 953.4(e), 953.5(d), 953.6(f), 953.7(d), and 953.8(i) adopted by the voters at the general
25 municipal election on November 3, 2020, and shall not include revenues received by the City

1 under Article 36 of the Business and Tax Regulations Code adopted by the voters at the general
2 municipal election on November 3, 2020.~~The method used by the Controller to determine~~
3 ~~discretionary revenues shall be the same as the method used by the Controller to determine the~~
4 ~~Library and Children's Fund Baseline calculations, as provided in Charter Section 16.108(h).~~

5 The change in aggregate discretionary revenues will be adjusted following the end of the fiscal
6 year when final revenues are known. The Controller is authorized to increase or reduce
7 budgetary appropriations as required under this subsection (f) to reflect changes in aggregate
8 discretionary revenues following the end of the fiscal year when final revenues are known. The
9 Controller shall set aside and maintain the above amounts, together with any interest earned
10 thereon, in the Fund, which shall be subject to appropriation. Any amount unspent or
11 uncommitted at the end of the fiscal year shall be deemed to have been devoted exclusively to a
12 specified purpose within the meaning of Charter Section 9.113(a), shall be carried forward to the
13 next fiscal year, and, subject to the budgetary and fiscal limitations of this Charter, shall be
14 appropriated then or thereafter for the purposes set forth in this Section 16.129.

15 * * * *

16
17 Section 2. The Board of Supervisors hereby submits to the qualified voters of the City
18 and County, at an election to be held on November 3, 2020, a proposal to amend the Business
19 and Tax Regulations Code of the City and County by revising Section 6.9-3 of Article 6, to read
20 as follows:

21
22 **SEC. 6.9-3. DETERMINATIONS, RETURNS AND PAYMENTS; REMITTANCES.**

23 (a) **Remittances.** Notwithstanding the due dates otherwise provided in Section 6.9-1,
24 taxpayers shall make remittances of taxes and third-party taxes to the Tax Collector as follows:

25 * * * *

1 (3) **Payroll Expense Tax, Gross Receipts Tax, Early Care and Education**
2 **Commercial Rents Tax, Homelessness Gross Receipts Tax, and Cannabis Business Tax:**

3 **Estimated Tax Payments.** Except as provided in Section 6.9-3(a)(3)(G) with respect to
4 estimated tax payments of the gross receipts tax, every person or combined group liable for
5 payment of the payroll expense tax (Article 12-A), the gross receipts tax (Article 12-A-1)
6 (including the tax on administrative office business activities imposed under Section 953.8 of
7 Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the
8 Homelessness Gross Receipts Tax (Article 28) (including the homelessness administrative office
9 tax imposed under Section 2804(d) of Article 28), or the Cannabis Business Tax (Article 30)
10 shall make three estimated tax payments, in addition to the annual payments in
11 Section 6.9-3(a)(4), as follows:

12 * * * *

13 (C) **Gross Receipts Tax Estimated Tax Payments.** For purposes of this
14 Section 6.9-3, a person or combined group’s estimated tax payments of gross receipts tax,
15 including the tax on administrative office business activities imposed under Section 953.8 of
16 Article 12-A-1, for ~~any~~ tax years commencing on or after January 1, 2021 shall each equal the
17 lesser of:

18 (i) 25% of the gross receipts tax liability (including any liability
19 for the tax on administrative office business activities imposed under Section 953.8 of
20 Article 12-A-1) shown on the person or combined group’s return for the tax year (or, if no return
21 is filed, 25% of the person or combined group’s actual gross receipts tax liability for the tax
22 year); or

23 (ii) 25% of the gross receipts tax liability (including any liability
24 for the tax on administrative office business activities imposed under Section 953.8 of
25 Article 12-A-1) as determined by applying the applicable gross receipts tax rates and small

1 business exemption in Section 954.1 of Article 12-A-1 for the current tax year to the taxable
2 gross receipts shown on the person or combined group’s return for the preceding tax year (or, if
3 subject to the tax on administrative office business activities imposed under Section 953.8 of
4 Article 12-A-1 for the preceding tax year, by applying the applicable administrative office tax
5 rate for the current tax year to the total payroll expense attributable to the City shown on the
6 person or combined group’s return for the preceding tax year). If the person or combined group
7 did not file a return for the preceding tax year, the person or combined group shall owe ~~be~~
8 ~~deemed to have filed a return showing no liability for purposes of this Section 6.9-3(a)(3)(C)(ii);~~
9 ~~and~~ no estimated tax payments of gross receipts taxes (or estimated tax payments of the tax on
10 administrative office business activities imposed under Section 953.8 of Article 12-A-1) shall be
11 ~~due~~ for the current tax year. For purposes of this Section 6.9-3(a)(3)(C)(ii), “taxable gross
12 receipts” means a person or combined group’s gross receipts, not excluded under Section 954 of
13 Article 12-A-1, attributable to the City.

14 * * * *

15
16 Section 3. The Board of Supervisors hereby submits to the qualified voters of the City
17 and County, at an election to be held on November 3, 2020, a proposal to amend the Business
18 and Tax Regulations Code of the City and County by revising Sections 855 and 856 of
19 Article 12, to read as follows:

20
21 **SEC. 855. REGISTRATION CERTIFICATE – FEE.**

22 ~~(a) Fee for registration years ending on or after June 30, 2004, but ending on or~~
23 ~~before June 30, 2014. Except as otherwise provided in this Section and Section 856 of this~~
24 ~~Article, the annual fee for obtaining a registration certificate for registration years ending on or~~
25

1 after June 30, 2004, but ending on or before June 30, 2014, payable in advance, shall be as
 2 follows:

<i>San Francisco Payroll Expense Tax for the Immediately Preceding Tax Year</i>	<i>Annual Registration Fee</i>
<i>Less than \$1</i>	<i>\$25</i>
<i>\$1 to \$10,000</i>	<i>\$150</i>
<i>\$10,000.01 to \$50,000</i>	<i>\$250</i>
<i>More than \$50,000</i>	<i>\$500</i>

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 9 (b) In the event that an applicant for a registration certificate, for registration years
 10 ending on or after June 30, 2004, but ending on or before June 30, 2014, has not filed a tax
 11 return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax
 12 Collector shall determine the amount of the registration fee required based on the applicant's
 13 estimated tax liability under Article 12-A (Payroll Expense Tax Ordinance) for the period
 14 covered by the registration certificate.

15 (c) ~~Fee for Registration Year Commencing July 1, 2014 and Ending June 30, 2015.~~
 16 ~~Except as otherwise provided in this Section and Section 856 of this Article, the annual fee for~~
 17 ~~obtaining a registration certificate, for the registration year commencing July 1, 2014 and~~
 18 ~~ending June 30, 2015, payable in advance, shall be as follows:~~

<i>San Francisco Payroll Expense for the Immediately Preceding Tax Year</i>	<i>Annual Registration Fee</i>
<i>\$0 to \$66.66</i>	<i>\$75</i>
<i>\$66.67 to \$75,000</i>	<i>\$150</i>
<i>\$75,001 to \$100,000</i>	<i>\$250</i>
<i>\$100,001 to \$150,000</i>	<i>\$500</i>
<i>\$150,001 to \$200,000</i>	<i>\$700</i>
<i>\$200,001 to \$250,000</i>	<i>\$800</i>

\$250,001 to \$1,000,000	\$300
\$1,000,001 to \$2,500,000	\$800
\$2,500,001 to \$5,000,000	\$5,000
\$5,000,001 to \$10,000,000	\$15,000
\$10,000,001 to \$25,000,000	\$25,000
\$25,000,001 to \$40,000,000	\$30,000
\$40,000,001 or more	\$35,000

(d) In the event that an applicant for a registration certificate, for registration year commencing July 1, 2014 and ending June 30, 2015, has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's payroll expense under Article 12-A (Payroll Expense Tax Ordinance) for the period covered by the registration certificate.

(ae) Fee for Registration Years Ending After June 30, 2015, but On or Before June 30, 2021.

(1) **General Rule.** Except as otherwise provided in this Section 855 and Section 856 of this Article 12, the annual fee for obtaining a registration certificate, for the registration years ending after June 30, 2015, but on or before June 30, 2021, payable in advance, shall be as follows:

<i>San Francisco Gross Receipts for the Immediately Preceding Tax Year</i>	<i>Annual Registration Fee</i>
\$0 to \$100,000	\$90
\$100,001 to \$250,000	\$150
\$250,001 to \$500,000	\$250
\$500,001 to \$750,000	\$500
\$750,001 to \$1,000,000	\$700
\$1,000,001 to \$2,500,000	\$300

\$2,500,001 to \$7,500,000	\$500
\$7,500,001 to \$15,000,000	\$1,500
\$15,000,001 to \$25,000,000	\$5,000
\$25,000,001 to \$50,000,000	\$12,500
\$50,000,001 to \$100,000,000	\$22,500
\$100,000,001 to \$200,000,000	\$30,000
\$200,000,001 and over	\$35,000

(2) **Fee for Retail Trade, Wholesale Trade, and Certain Services.** Except as otherwise provided in this Section 855 and Section 856 of this Article 12, for registration years ending after June 30, 2015, *but on or before June 30, 2021*, the annual fee for obtaining a registration certificate, payable in advance, for a business that was required to report all of its gross receipts pursuant to Article 12-A-1, Section 953.1 for the preceding tax year, shall be as follows:

<i>San Francisco Gross Receipts for the Immediately Preceding Tax Year</i>	<i>Annual Registration Fee</i>
\$0 to \$100,000	\$75
\$100,001 to \$250,000	\$125
\$250,001 to \$500,000	\$200
\$500,001 to \$750,000	\$400
\$750,001 to \$1,000,000	\$600
\$1,000,001 to \$2,500,000	\$200
\$2,500,001 to \$7,500,000	\$400
\$7,500,001 to \$15,000,000	\$1,125
\$15,000,001 to \$25,000,000	\$3,750
\$25,000,001 to \$50,000,000	\$7,500
\$50,000,001 to \$100,000,000	\$15,000
\$100,000,001 to \$200,000,000	\$20,000
\$200,000,001 and over	\$30,000

1 **(b) Fee for Registration Years Beginning On or After July 1, 2021.**

2 **(1) General Rule.** *Except as otherwise provided in this Section 855 and*
3 *Section 856 of this Article 12, the annual fee for obtaining a registration certificate, for the*
4 *registration years beginning on or after July 1, 2021, payable in advance, shall be as follows:*

5

<u>San Francisco Gross Receipts for the</u> <u>Immediately Preceding Tax Year</u>	<u>Annual Registration Fee</u>
<u>\$0 to \$100,000</u>	<u>\$52</u>
<u>\$100,000.01 to \$250,000</u>	<u>\$86</u>
<u>\$250,000.01 to \$500,000</u>	<u>\$144</u>
<u>\$500,000.01 to \$750,000</u>	<u>\$288</u>
<u>\$750,000.01 to \$1,000,000</u>	<u>\$403</u>
<u>\$1,000,000.01 to \$1,500,000</u>	<u>\$575</u>
<u>\$1,500,000.01 to \$2,000,000</u>	<u>\$805</u>
<u>\$2,000,000.01 to \$2,500,000</u>	<u>\$345</u>
<u>\$2,500,000.01 to \$7,500,000</u>	<u>\$575</u>
<u>\$7,500,000.01 to \$15,000,000</u>	<u>\$1,725</u>
<u>\$15,000,000.01 to \$25,000,000</u>	<u>\$5,751</u>
<u>\$25,000,000.01 to \$50,000,000</u>	<u>\$14,379</u>
<u>\$50,000,000.01 to \$100,000,000</u>	<u>\$25,882</u>
<u>\$100,000,000.01 to \$200,000,000</u>	<u>\$34,510</u>
<u>\$200,000,000.01 and over</u>	<u>\$40,261</u>

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20 **(2) Fee for Retail Trade, Wholesale Trade, and Certain Services.** *Except as*
21 *otherwise provided in this Section 855 and Section 856 of this Article 12, for registration years*
22 *beginning on or after July 1, 2021, the annual fee for obtaining a registration certificate,*
23 *payable in advance, for a person or combined group that was required to report all of its gross*
24 *receipts pursuant to Section 953.1 of Article 12-A-1 for the preceding tax year, shall be as*
25 *follows:*

<u><i>San Francisco Gross Receipts for the Immediately Preceding Tax Year</i></u>	<u><i>Annual Registration Fee</i></u>
<u><i>\$0 to \$100,000</i></u>	<u><i>\$43</i></u>
<u><i>\$100,000.01 to \$250,000</i></u>	<u><i>\$72</i></u>
<u><i>\$250,000.01 to \$500,000</i></u>	<u><i>\$115</i></u>
<u><i>\$500,000.01 to \$750,000</i></u>	<u><i>\$230</i></u>
<u><i>\$750,000.01 to \$1,000,000</i></u>	<u><i>\$345</i></u>
<u><i>\$1,000,000.01 to \$1,500,000</i></u>	<u><i>\$475</i></u>
<u><i>\$1,500,000.01 to \$2,000,000</i></u>	<u><i>\$665</i></u>
<u><i>\$2,000,000.01 to \$2,500,000</i></u>	<u><i>\$230</i></u>
<u><i>\$2,500,000.01 to \$7,500,000</i></u>	<u><i>\$460</i></u>
<u><i>\$7,500,000.01 to \$15,000,000</i></u>	<u><i>\$1,294</i></u>
<u><i>\$15,000,000.01 to \$25,000,000</i></u>	<u><i>\$4,313</i></u>
<u><i>\$25,000,000.01 to \$50,000,000</i></u>	<u><i>\$8,627</i></u>
<u><i>\$50,000,000.01 to \$100,000,000</i></u>	<u><i>\$17,255</i></u>
<u><i>\$100,000,000.01 to \$200,000,000</i></u>	<u><i>\$23,006</i></u>
<u><i>\$200,000,000.01 and over</i></u>	<u><i>\$34,510</i></u>

(cf) Except as provided in subsection (dg) (*Fee for Persons Subject to Administrative Office ~~Tax~~Business Activities*), in the event that an applicant for a registration certificate, for a registration year ending after June 30, 2015, has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's estimated gross receipts under Article 12-A-1 (Gross Receipts Tax Ordinance) for the period covered by the registration certificate.

(dg) **Fee for Persons Subject to Administrative Office ~~Tax~~Business Activities**. Except as otherwise provided in this Section 855 and Section 856 of this Article 12, the annual fee for obtaining a registration certificate, *payable in advance*, for *a person or combined group that was*

1 ~~required to pay the Administrative Office Tax~~ ~~Administrative Office Business Activities~~ under
 2 Section 953.8 of Article 12-A-1 ~~for the preceding tax year, for the registration years ending~~
 3 ~~after June 30, 2015, payable in advance,~~ shall be as follows:

<i>San Francisco Payroll Expense for the Immediately Preceding Tax Year</i>	<i>Annual Registration Fee</i>
\$0 to \$2,500,000	\$15,000
\$2,500,000. <u>01</u> to \$25,000,000	\$25,000
\$25,000,000. <u>01</u> or more	\$35,000

9 (eh) In the event that an applicant for a registration certificate ~~that was required to pay~~
 10 ~~the for~~ Administrative Office ~~Tax~~ ~~Business Activities~~ under Section 953.8 of Article 12-A-1 ~~for~~
 11 ~~the preceding tax year, for a registration year ending after June 30, 2015,~~ has not filed a tax
 12 return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax
 13 Collector shall determine the amount of the registration fee required based on the applicant's
 14 estimated payroll expense under Article 12-A-1 for the period covered by the registration
 15 certificate.

16 (fi) The amount of annual registration fee under subsections (ae) and (dg) of this
 17 Section 855, for all registration years ending after June 30, 2016, shall be adjusted annually in
 18 accordance with the increase in the Consumer Price Index: All Urban Consumers for the
 19 San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of
 20 Labor Statistics, or any successor to that index, as of December 31st of the preceding year,
 21 beginning July 1, 2016.

22 (g) The amount of annual registration fee under subsection (b) of this Section 855, for all
 23 registration years ending after June 30, 2022, shall be adjusted annually in accordance with the
 24 increase in the Consumer Price Index: All Urban Consumers for the
 25 San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of

1 Labor Statistics, or any successor to that index, as of December 31 of the preceding year,
2 beginning July 1, 2022.

3 (hj) Any organization that is exempt from income taxation by Chapter 4 (commencing
4 with Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or
5 Subchapter F (commencing with ~~having a formally recognized exemption from income taxation~~
6 ~~pursuant to~~ Section 501(e), 501(d) or 401(a) of Chapter 1 of Subtitle A of the Internal Revenue
7 Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of the Internal
8 Revenue Code of 1986, as amended, shall ~~not~~ be exempt from ~~the~~ required to pay a registration
9 fee under this Article 12, only so long as those exemptions continue to exist under state or
10 federal law unless the organization is also engaged within the City in an unrelated trade or
11 business within the meaning of Section 906 of Article 12-A or Section 954 of Article 12-A-1.

12 (ik) A person shall be exempt from paying the registration fee required by this
13 Section 855 if and to the extent that, and only so long as, federal or state law prohibits the
14 imposition of the registration fee upon such person.

15 (jl) The business registration fee is a tax imposed for general governmental purposes and
16 may not be extended or increased without a vote of the people, as provided in Article XIII C of
17 the California Constitution. This tax may be collected in any manner legally permitted to the
18 City.

19
20 **SEC. 856. REGISTRATION CERTIFICATE – APPLICATION AND ISSUANCE.**

21 (a) Each person engaging in business within the City shall apply to the Tax Collector for
22 a registration certificate, using the form prescribed by the Tax Collector. The application shall
23 be accompanied by the person’s registration fee as determined under this Article 12, except for
24 the initial application filed for a person that is part of a combined group (as described in
25 Section 956.3 of Article 12-A-1) where the combined group has already paid the fee on a

1 combined basis. A combined group as described in Section 956.3 of Article 12-A-1 shall apply
2 for a separate certificate for each person in the combined group that is engaging in business
3 within the City, but shall calculate and remit its fee on a combined basis and shall file only one
4 application for renewal for all entities in the combined group.

5 (b) A person shall have 15 days after commencing business within the City to apply for a
6 registration certificate. The registration fee for newly-established businesses shall be prorated as
7 follows:

8 (1) ~~For the registration year commencing on or after July 1, 2014 and ending~~
9 ~~June 30, 2015, the fee for obtaining a registration certificate for a newly established business~~
10 ~~shall be determined pursuant to Section 855(c) of this Article using the applicant's estimated~~
11 ~~payroll expense under Article 12-A (Payroll Expense Tax Ordinance) for the tax year in which~~
12 ~~the person commences such business within the City.~~ For registration years commencing on or
13 after July 1, 2015, but ending on or before June 30, 2021, the fee for obtaining a registration
14 certificate for a newly established business shall be determined pursuant to Section 855(~~ae~~) of
15 this Article 12 using the applicant's estimated gross receipts under Article 12-A-1 (Gross
16 Receipts Tax Ordinance) for the tax year in which the person commences such business within
17 the City. For registration years commencing on or after July 1, 2021, the fee for obtaining a
18 registration certificate for a newly established business shall be determined pursuant to
19 Section 855(b) of this Article using the applicant's estimated gross receipts under Article 12-A-1
20 (Gross Receipts Tax Ordinance) for the tax year in which the person commences such business
21 within the City. The registration fee shall be prorated as follows: For persons commencing
22 business between January 1~~st~~ and March 31~~st~~, the registration fee shall be 50%~~percent~~ of the
23 annual fee; for persons commencing business between April 1~~st~~ and June 30~~th~~, the registration
24 fee shall be 25%~~percent~~ of the annual fee; for persons commencing business between July 1~~st~~
25 and September 30~~th~~, the registration fee shall be 100%~~percent~~ of the annual fee; and for persons

1 commencing business between October 1~~st~~ and December 31~~st~~, the registration fee shall be 75%
2 ~~percent~~ of the annual fee. Where a registration certificate is issued for a period other than for a
3 registration year, the Tax Collector shall have discretion to prorate the registration fee in
4 accordance with this model.

5 (2) Notwithstanding any other provision of this Article 12, no person obtaining a
6 registration certificate for a newly established business that qualifies for the minimum
7 registration fee set forth in Section 855 of this Article shall be entitled to prorate the registration
8 fee under this Section 856, but instead shall pay the minimum registration fee.

9 * * * *

10
11 Section 4. The Board of Supervisors hereby submits to the qualified voters of the City
12 and County, at an election to be held on November 3, 2020, a proposal to amend the Business
13 and Tax Regulations Code of the City and County by deleting Article 12-A, consisting of
14 Sections 901, 902, 902.1, 902.2, 903, 903.1, 904, 905-A, 906, 906A, 906.1, 906.2, 906.3,
15 906.3-1, 907, 908, and 909, as follows:

16
17 **~~ARTICLE 12-A: PAYROLL EXPENSE TAX ORDINANCE~~**

18
19 **~~SEC. 901. SHORT TITLE.~~**

20 ~~*This ordinance shall be known as the “Payroll Expense Tax Ordinance” and the tax*~~
21 ~~*imposed herein shall be known as the “Payroll Expense Tax.”*~~

22
23 **~~SEC. 902. OPERATION OF DEFINITIONS.~~**

24 ~~*Except where the context otherwise requires, terms not defined in this Article that are*~~
25 ~~*defined in Article 6 shall have the same meaning as given to them in Article 6.*~~

1 **SEC. 902.1. PAYROLL EXPENSE.**

2 ~~(a) The term “Payroll Expense” means the compensation paid to, on behalf of, or for the~~
3 ~~benefit of an individual, including shareholders of a professional corporation or a Limited~~
4 ~~Liability Company (“LLC”), including salaries, wages, bonuses, commissions, property issued~~
5 ~~or transferred in exchange for the performance of services (including but not limited to stock~~
6 ~~options), compensation for services to owners of pass-through entities, and any other form of~~
7 ~~compensation, who during any tax year, perform work or render services, in whole or in part in~~
8 ~~the City; and if more than one individual or shareholders of a professional corporation or~~
9 ~~members of an LLC, during any tax year performs work or renders services in whole or in part~~
10 ~~in the City, the term “Payroll Expense” means the total compensation paid including salaries,~~
11 ~~wages, bonuses, commissions, property issued or transferred in exchange for the performance of~~
12 ~~services (including but not limited to stock options), in addition to any compensation for services~~
13 ~~to owners of pass-through entities, and any other form of compensation for services, to all such~~
14 ~~individuals and shareholders of a professional corporation or members of an LLC.~~

15 ~~(b) Any person that grants a service provider a right to acquire an ownership interest in~~
16 ~~such person in exchange for the performance of services shall include in its payroll expense for~~
17 ~~the tax year in which such right is exercised an amount equal to the excess of (i) the fair market~~
18 ~~value of such ownership interest on the date such right is exercised over (ii) the price paid for~~
19 ~~such interest.~~

20 ~~(c) Any individual compensated in his or her capacity as a real estate salesperson or~~
21 ~~mortgage processor shall be deemed an employee of the real estate broker or mortgage broker~~
22 ~~for or under whom such individual performs services, and any compensation received by such~~
23 ~~individual, including compensation by way of commissions, shall be included in the payroll~~
24 ~~expense of such broker. For purposes of this Section, “real estate broker” and “mortgage~~
25 ~~broker” refer to any individual licensed as such under the laws of the State of California who~~

1 ~~engages the services of salespersons or a salesperson, or of mortgage processors or a mortgage~~
2 ~~processor, to perform services in the business which such broker conducts under the authority of~~
3 ~~his or her license; a “salesperson” is an individual who is engaged by a real estate broker to~~
4 ~~perform services, which may be continuous in nature, as a real estate salesperson under an~~
5 ~~agreement with a real estate broker, regardless of whether the individual is licensed as a real~~
6 ~~estate broker under the laws of the State of California; a “mortgage processor” is an individual~~
7 ~~who is engaged by a real estate broker or mortgage broker to perform services which may be~~
8 ~~continuous in nature, as a mortgage processor under an agreement with such real estate broker~~
9 ~~or mortgage broker, regardless of whether the mortgage processor is also licensed as a~~
10 ~~mortgage broker under the laws of the State of California.~~

11 ~~(d) All compensation, including all pass-through compensation for services paid to, on~~
12 ~~behalf of, or for the benefit of owners of a pass-through entity, shall be included in the~~
13 ~~calculation of such entity’s payroll expense tax base for purposes of determining such entity’s~~
14 ~~tax liability under this Article. For purposes of this section, the “pass-through compensation for~~
15 ~~services” of a pass-through entity shall be the aggregate compensation paid by such entity for~~
16 ~~personal services rendered by all such owners, and shall not include any return on capital~~
17 ~~investment. The taxpayer may calculate the amount of compensation to owners of the entity~~
18 ~~subject to the Payroll Expense Tax, or the taxpayer may presume that, in addition to amounts~~
19 ~~reported on a W-2 form, the amount subject to the payroll expense tax is, for each owner, an~~
20 ~~amount that is two hundred percent (200%) of the average annual compensation paid to, on~~
21 ~~behalf of, or for the benefit of the employees of the pass-through entity whose compensation is in~~
22 ~~the top quartile (i.e., 25%) of the entity’s employees who are based in the City; provided, the~~
23 ~~total number of employees of the entity based in the City is not less than four.~~

1 **~~SEC. 902.2. PASS-THROUGH ENTITY.~~**

2 ~~The term “pass-through entity” includes a trust, partnership, corporation described in~~
3 ~~Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability company,~~
4 ~~limited liability partnership, professional corporation, and any other person or entity (other than~~
5 ~~a disregarded entity for federal income tax purposes) which is not subject to the income tax~~
6 ~~imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended, or which is~~
7 ~~allowed a deduction in computing such tax for distributions to the owners or beneficiaries of~~
8 ~~such person or entity. Any person exempt from payment of the Payroll Expense Tax under~~
9 ~~Section 905-A or 906 of this Article shall not be disqualified from or denied such exemption as~~
10 ~~result of being a “pass-through entity” under this Section.~~

11
12 **~~SEC. 903. IMPOSITION OF PAYROLL EXPENSE TAX.~~**

13 ~~(a) A tax for general governmental purposes is hereby imposed upon every person~~
14 ~~engaging in business within the City as defined in Section 6.2-12 of Article 6; provided, that such~~
15 ~~tax shall be levied only upon that portion of the person’s payroll expense that is attributable to~~
16 ~~the City as set forth in Section 904.~~

17 ~~(b) The Payroll Expense Tax is imposed for general governmental purposes and in order~~
18 ~~to require commerce and the business community to carry a fair share of the costs of local~~
19 ~~government in return for the benefits, opportunities and protections afforded by the City.~~
20 ~~Proceeds from the tax shall be deposited in the City’s general fund and may be expended for any~~
21 ~~purposes of the City.~~

22
23 **~~SEC. 903.1. RATE OF PAYROLL EXPENSE TAX.~~**

24 ~~(a) Except as provided in subsection (b), the rate of the payroll expense tax shall be~~
25 ~~1½ percent. The amount of a person’s liability for the payroll expense tax shall be the product of~~

1 ~~such person's taxable payroll expense multiplied by the rate of the payroll expense tax expressed~~
2 ~~as a decimal (e.g., for a payroll expense tax rate of 1½ percent, 0.015). The amount of such tax~~
3 ~~for Associations shall be the sum of the payroll expense of such Association and the total~~
4 ~~distributions made by such Association by way of salary to those having an ownership interest in~~
5 ~~such Association, multiplied by the rate of the payroll expense tax expressed as a decimal~~
6 ~~(e.g., for a payroll expense tax rate of 1½ percent, 0.015). Amounts paid or credited to those~~
7 ~~having an ownership interest in such Association prior and in addition to the distribution of~~
8 ~~ownership profit or loss shall be presumed to be distributions "by way of salary" and for~~
9 ~~personal services rendered, unless the taxpayer proves otherwise by clear and convincing~~
10 ~~evidence.~~

11 ~~(b) Commencing on the operative date of the Gross Receipts Tax Ordinance, the rate of~~
12 ~~the payroll expense tax shall be computed by the Controller in accordance with subsections (c)~~
13 ~~and (d). The Controller shall certify and publish such rate on or before September 1 of each~~
14 ~~year.~~

15 ~~(c) Commencing on the operative date of the Gross Receipts Tax Ordinance:~~

16 ~~(1) For any tax year in which the payroll expense tax rate, computed in~~
17 ~~accordance with subsection (d), is less than zero, then the payroll expense tax rate for that year~~
18 ~~and all subsequent years shall be zero. The Controller shall certify and publish such rate on or~~
19 ~~before September 1 of that year.~~

20 ~~(2) Notwithstanding any other provision of this Article or Article 12-A-1, the~~
21 ~~payroll expense tax rate for 2019 and all future years shall be the rate in effect in tax year 2018.~~
22 ~~The Controller shall certify and publish such rate on or before September 1, 2019, at which time~~
23 ~~the Controller's duty to compute, certify and publish the payroll expense tax rate shall cease.~~

24 ~~(3) Notwithstanding any other provision of this Article or Article 12-A-1, in no~~
25 ~~event shall the payroll expense tax rate for any year exceed 1½ percent.~~

1 (d) ~~Payroll Expense Tax Rate Computation.~~ The Controller shall compute the payroll
 2 expense tax rate for each tax year according to the following table and formulas:

3 (1) ~~Payroll Expense Tax Rate Computation Table~~

4

Tax Year	Payroll Expense Tax Rate (PAYRATE _{year})
2014	$PAYRATE_{14} = 1.350\%$
2015	$PAYRATE_{15} = 1.125\% + PADJ_{15}$
2016	$PAYRATE_{16} = 0.750\% + PADJ_{16}$
2017	$PAYRATE_{17} = 0.375\% + PADJ_{17}$
2018	$PAYRATE_{18} = 0\% + PADJ_{18}$

5
6
7
8
9
10 Where: “PADJ_{year}” is the payroll expense tax rate adjustment factor expressed as a percentage
 11 and computed in accordance with subsection (d)(2).

12 (2) ~~Payroll Expense Tax Rate Adjustment Factor Computation.~~ Unless the prior
 13 year’s payroll expense tax rate is zero, in which case the payroll expense tax adjustment factor
 14 does not apply, the Controller shall compute the payroll expense tax rate adjustment factor
 15 (PADJ_{year}) according to the following table and formulas:

16 ~~Payroll Expense Tax Rate Adjustment Factor Computation Table~~

17

Tax Year	Payroll Expense Tax Rate Adjustment (PADJ _{year})
2015	$PADJ_{15} = MR_{15} / (PAYTAX_{14} / PAYRATE_{14})$
2016	$PADJ_{16} = MR_{16} / (PAYTAX_{15} / PAYRATE_{15})$
2017	$PADJ_{17} = MR_{17} / (PAYTAX_{16} / PAYRATE_{16})$
2018	$PADJ_{18} = MR_{18} / (PAYTAX_{17} / PAYRATE_{17})$

1 ~~Where:~~

2 ~~(A) “PAYTAX_{year}” = is, for any year, the actual payroll expense tax~~
3 ~~revenue (not including penalties, interest, or administrative fees) due for that year and collected~~
4 ~~on or before June 30 of the following year;~~

5 ~~(B) “PAYRATE_{year}” = is, for any year, the payroll expense tax rate in~~
6 ~~effect for that year; and~~

7 ~~(C) “MR_{year}” is computed in accordance with subsection (d)(3).~~

8 ~~(3) Missing Revenue Factor Computation. The Missing Revenue Factor~~
9 ~~(MR_{year}) is, for any year, the amount by which the combined revenue actually collected from the~~
10 ~~payroll expense tax, gross receipts tax, and business registration fee for the previous year differs~~
11 ~~from the sum of expected payroll tax revenue, business registration fees, and administrative costs~~
12 ~~for the previous year. Unless the prior year’s payroll expense tax rate is zero, in which case the~~
13 ~~missing revenue factor does not apply, the Controller shall compute the missing revenue factor~~
14 ~~(MR_{year}) according to the following table and formulas:~~

15 *Missing Revenue Factor Computation Table*

<i>Tax Year</i>	<i>Missing Revenue (MR_{year})</i>
2015	$MR_{15} = ADM_{14} + \$37,216,000 + ER_{14} - (1.125\%/1.350\%) \times$ $PAYTAX_{14} - (25\%/10\%) \times GRTAX_{14} - REG_{14}$
2016	$MR_{16} = ADM_{15} + \$38,071,000 + ER_{15} - (0.750\%/PAYRATE_{15}) \times$ $\times PAYTAX_{15} - (50\%/25\%) \times GRTAX_{15} - REG_{15}$
2017	$MR_{17} = ADM_{16} + \$38,951,650 + ER_{16} - (0.375\%/PAYRATE_{16}) \times$ $PAYTAX_{16} - (75\%/50\%) \times GRTAX_{16} - REG_{16}$
2018	$MR_{18} = ADM_{17} + \$39,858,720 + ER_{17} - (100\%/75\%) \times$ $GRTAX_{17} - REG_{17}$

1 ~~Where:~~

2 ~~(A) “GRTAX_{year}” is, for any year, the actual gross receipts tax revenue~~
3 ~~(not including penalties, interest, or administrative fees) due for that year and collected on or~~
4 ~~before June 30 of the following year;~~

5 ~~(B) “REG_{year}” is, for any year, the business registration fee revenue for~~
6 ~~the fiscal year beginning in that year and collected on or before June 30 of that year;~~

7 ~~(C) “ER_{year}” is the computed in accordance with subsection (d)(4);~~

8 ~~(D) “\$37,216,000,” “\$38,071,000,” “38,951,650,” and “39,858,720” are~~
9 ~~the amounts of total business registration fee revenue expected for the year prior to the year for~~
10 ~~which MR_{year} is being computed; and~~

11 ~~(E) “ADM_{year}” is an estimate of the additional expense incurred by the~~
12 ~~Tax Collector in administering the tax. It shall be established annually by the Controller and~~
13 ~~shall not exceed 2 percent of the sum of the actual payroll expense tax revenue and gross~~
14 ~~receipts tax revenue for the prior year.~~

15 ~~(4) Expected Revenue Factor Computation. The Expected Review Factor~~
16 ~~(ER_{year}) is, for any year, an estimate of the amount of payroll expense tax that would have been~~
17 ~~collected had a 1½ percent payroll expense tax rate been in effect based on the actual amount of~~
18 ~~payroll expense tax collected in the previous year, the previous year’s payroll expense tax rate,~~
19 ~~and an assumed growth of 3 percent in the tax base. Unless the prior year’s payroll expense tax~~
20 ~~rate is zero, the Controller shall compute the expected revenue factor (ER_{year}) according to the~~
21 ~~following table and formulas:~~

22 *Expected Revenue Factor Computation Table*

<i>Tax Year</i>	<i>Expected Revenue (ER_{year})</i>
2014	$ER_{14} = PAYTAX_{13} \times 1.03$

2015	$ER_{15} = (1.500\%/1.350\%) \times PAYTAX_{14} \times 1.03$
2016	$ER_{16} = (1.500\%/PAYRATE_{15}) \times PAYTAX_{15} \times 1.03$
2017	$ER_{17} = (1.500\%/PAYRATE_{16}) \times PAYTAX_{16} \times 1.03$

~~SEC. 904. APPORTIONMENT OF PAYROLL EXPENSE.~~

~~Where payroll expense is incurred by reason of work performed or services rendered by an individual wholly within the City, all of the payroll expense for such individual shall be attributable to the City and subject to tax hereunder. Where payroll expense is incurred by reason of work performed or services rendered by an individual partly within and partly without the City, the portion of such payroll expense attributable to the City (and subject to tax hereunder) shall be determined as follows:~~

~~(a) Except as otherwise provided in this section, the portion of such payroll expense attributable to the City shall be the portion of such payroll expense which the total number of working hours employed within the City bears to the total number of working hours within and without the City.~~

~~(b) If the amount of such payroll expense depends on the volume of business transacted by such individual, then the portion of such payroll expense attributable to the City shall be the portion of such payroll expense which the volume of business transacted by such individual in the City bears to the volume of business transacted by such individual within and without the City.~~

~~(c) If it is impracticable, unreasonable or improper to apportion such payroll expenses as aforesaid either because of the particular nature of the services of such individual, or on account of the unusual basis of compensation, or for any other reason, then the amount of such payroll earnings reasonably attributable to work performed or services rendered in the City shall be determined on the basis of all relevant facts and circumstances of the particular case, in~~

1 *accordance with any rulings or regulations issued or promulgated by the Tax Collector for the*
2 *purpose.*

3 *(d) If the Tax Collector determines that the percentage of payroll expenses attributable*
4 *to the City, for any one or more persons, is a relatively stable percentage, the Tax Collector may*
5 *establish that percentage as a prima facie evidence of payroll expense attributable to the City;*
6 *provided, that the Tax Collector shall condition the establishment of such fixed percentage upon*
7 *the obligation of the taxpayer to report immediately to the Tax Collector any significant change*
8 *in the taxpayer's mode of business which may impact the portion of the person's payroll expense*
9 *which is attributable to the City; and, provided further, that the Tax Collector may rescind any*
10 *such fixed percentage at any time by providing written notice to the taxpayer of such rescission.*

11
12 **~~SEC. 905-A. SMALL BUSINESS TAX EXEMPTION.~~**

13 *(a) Notwithstanding any other provisions of this Article 12-A, a "small business*
14 *enterprise" as hereinafter defined, shall be exempt from payment of the payroll expense tax;*
15 *provided, however, that a small business enterprise shall pay the annual registration fee*
16 *pursuant to Section 855 of Article 12.*

17 *(b) The term "small business enterprise" shall mean and include any person whose*
18 *taxable payroll expense does not exceed \$250,000.*

19 *(c) For the 2011 tax year, and each second succeeding tax year the Tax Collector shall*
20 *increase the ceiling for the small business tax exemption (rounded to the nearest \$10,000*
21 *increment) to reflect increases in the United States Department of Labor's Bureau of Labor*
22 *Statistics consumer price index for all urban customers for the San Francisco-Oakland-San Jose*
23 *area for each of the preceding two tax years.*

1 **SEC. 906. EXEMPTION PROVISIONS.**

2 ~~(a) Except as provided in Subsection (b) of this Section, an organization having a~~
3 ~~formally recognized exemption from income tax pursuant to Sections 501(c) or 501(d) or 401(a)~~
4 ~~of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503 and 504 of~~
5 ~~the Internal Revenue Code of 1986, as amended, shall be exempt from taxation under this~~
6 ~~Article.~~

7 ~~(b) Except for an organization described in Section 501(c)(3) of the Internal Revenue~~
8 ~~Code of 1986, as amended, an organization otherwise exempt from taxation under Subsection (a)~~
9 ~~of this Section that is directly engaged within the City in an unrelated trade or business within~~
10 ~~the meaning of Section 513(a) of the Internal Revenue Code of 1986, as amended, and has, from~~
11 ~~its own operations, unrelated business taxable income within the meaning of Section 512(a)(1) of~~
12 ~~the Internal Revenue Code of 1986, as amended, shall pay the Payroll Expense Tax equal to the~~
13 ~~amount calculated by multiplying the tax which would have been due under this Article if the~~
14 ~~organization were not an exempt organization by the percentage which its unrelated business~~
15 ~~receipts bear to its total receipts. If it is impracticable, unreasonable or improper to allocate~~
16 ~~such organization's payroll expense as aforesaid either because of the particular nature of the~~
17 ~~organization's unrelated trade or business or the particular nature of the services provided to~~
18 ~~the organization in connection therewith by its employees, or on account of the unusual basis of~~
19 ~~compensation, or for any other reason, then the amount of such payroll expense reasonably~~
20 ~~attributable to work performed or services rendered in the City shall be determined on the basis~~
21 ~~of all relevant facts and circumstances of the particular case, in accordance with any rulings or~~
22 ~~regulations issued or promulgated by the Tax Collector for the purpose.~~

23 ~~(c) Blind persons licensed under the provisions of Chapter 6A of Title 12 of the United~~
24 ~~States Code ("Vending Stands for Blind in Federal Buildings") and Article 5 of Chapter 6 of~~
25 ~~Part 2 of Division 10 of the Welfare and Institutions Code of the State of California ("Business~~

1 *Enterprises for the Blind”)* need not include in the computation of payroll expense the first
2 *\$15,000 of payroll expense in any one year which is attributable to their licensed operations*
3 *within the City.*

4 *(d) Skilled Nursing Facilities licensed under the provisions of Title 22, California*
5 *Administrative Code, Division 5 (“Licensing and Certification of Health Facilities and Referral*
6 *Agencies”) Chapter 3 (“Skilled Nursing Facilities”), shall be exempt from taxation under this*
7 *Article.*

8 *(e) For only so long as and to the extent that the City is prohibited from imposing the tax*
9 *under this Article, the following persons shall be exempt from the Payroll Expense Tax:*

10 *(1) Banks and financial corporations exempt from local taxation under*
11 *Article XIII, Section 27 of the California Constitution and Revenue and Taxation Code*
12 *Section 23182;*

13 *(2) Insurance companies exempt from local taxation under Article XIII,*
14 *Section 28 of the California Constitution;*

15 *(3) Persons engaging in business as a for-hire motor carrier of property under*
16 *Revenue and Taxation Code Section 7233;*

17 *(4) Persons engaging in intercity transportation as a household goods carrier*
18 *under Public Utilities Code Section 5327;*

19 *(5) Charter party carriers operating limousines that are neither domiciled nor*
20 *maintain a business office with the City under Public Utilities Code Section 5371.4;*

21 *(6) Any person upon whom the City is prohibited under the Constitution or*
22 *statute of the state of California from imposing the Payroll Expense Tax.*

23 *(f) To the extent that any taxpayer has paid a substantially similar tax to any other*
24 *taxing jurisdiction on any payroll expense taxed under this Article, the tax paid to such taxing*
25 *jurisdiction shall be credited against the tax due under this Article.*

1 ~~(g) Nothing in this Article shall be construed as requiring the payment of any tax for~~
2 ~~engaging in a business or the doing of an act when such payment would be in violation of the~~
3 ~~Constitution or a statute of the United States or of the Constitution or a statute of the State of~~
4 ~~California.~~

5
6 **~~SEC. 906A. ENTERPRISE ZONE TAX CREDIT.~~**

7 ~~(a) A credit against this tax shall be allowed for each person who maintains a fixed~~
8 ~~place of business within the San Francisco Enterprise Zone and who, between January 1, 1992~~
9 ~~and the effective date of this legislation, creates one or more new jobs and hires employees who~~
10 ~~qualify under Subsection (b) of this Section; provided, however, that in no event shall the tax~~
11 ~~credit reduce a person's tax liability to less than zero. Moreover, the tax credits shall only serve~~
12 ~~as an offset against the additional tax that would be paid as a result of additional hiring by a~~
13 ~~business within the zone. Each person claiming this credit shall file with the Tax Collector, on a~~
14 ~~form prescribed by the Tax Collector, an affidavit attesting to facts establishing his or her~~
15 ~~entitlement to the tax credit; said affidavit shall be supported by state tax credit forms (EDD,~~
16 ~~DSS, and PIC).~~

17 ~~(b) An employee is a "qualified employee" for purposes of computing this tax credit if he~~
18 ~~or she is newly hired by the taxpayer on or after January 1, 1992 and either (1) is receiving~~
19 ~~subsidized employment training or services under the terms of the Federal Job Training~~
20 ~~Partnership Act (JTPA); or (2) is registered in the Greater Avenues for Independence (GAIN)~~
21 ~~Program; or (3) is certified by the Employment Development Department as eligible for the~~
22 ~~federal Work Opportunity Credit Program; or (4) is receiving General Assistance.~~

23 ~~(c) The tax credit, for each qualified employee, shall be a varying percentage of the~~
24 ~~additional tax that would be incurred as a result of additional wages paid for work performed~~
25 ~~within the Enterprise Zone, and the dollar amount of such tax credit shall depend both upon the~~

1 ~~duration of employment as of the date payroll taxes are due, and the eligible wages paid, as~~
2 ~~follows:~~

3 ~~(1) The eligible wages to which the percentage is applied shall be limited to~~
4 ~~wages paid for work performed by the qualified employee while physically present within~~
5 ~~San Francisco.~~

6 ~~(2) The percentage to be applied to eligible wages shall depend upon the~~
7 ~~employee's duration of employment as follows:~~

<i>Duration of Employment</i>	<i>Credit Allowed on Payroll Tax Liability</i>
<i>First 24 months</i>	<i>100%</i>
<i>Second 24 months</i>	<i>50%</i>
<i>Third 24 months</i>	<i>25%</i>
<i>Fourth 24 months</i>	<i>15%</i>
<i>Fifth 24 months</i>	<i>10%</i>

14 ~~(d) On or after the effective date of this legislation a credit against this tax shall be~~
15 ~~allowed for each person who maintains a fixed place of business within the San Francisco~~
16 ~~Enterprise Zone and who hires new employees who qualify under Subsection (f) of this Section;~~
17 ~~provided, however, that in no event shall the tax credit reduce a person's tax liability to less than~~
18 ~~zero. Moreover, the tax credits shall only serve as an offset against the tax that would be paid as~~
19 ~~a result of hiring by a business within the zone. Each person claiming this credit shall file with~~
20 ~~the Tax Collector, on a form prescribed by the Tax Collector, an affidavit attesting to facts~~
21 ~~establishing his or her entitlement to the tax credit; said affidavit shall be supported by~~
22 ~~applicable State tax credit forms (EDD, DSS) and an approved state enterprise zone voucher.~~

23 ~~(e) "Enterprise zone" means the area within the City and County of San Francisco~~
24 ~~designated as an enterprise zone by the State Department of Housing and Community~~

1 ~~Development pursuant to Chapter 12.8 (commencing with Section 7070) of Division 7 of Title 1~~
2 ~~of the Government Code.~~

3 ~~(f) “Qualified employee” means a San Francisco resident who meets all of the following~~
4 ~~requirements:~~

5 ~~(1) At least 90 percent of whose services for the taxpayer during the taxable year~~
6 ~~are directly related to the conduct of the taxpayer’s trade or business located in an enterprise~~
7 ~~zone.~~

8 ~~(2) Performs at least 50 percent of his or her services for the taxpayer during the~~
9 ~~taxable year in an enterprise zone.~~

10 ~~(3) Is hired by the taxpayer after the date of original designation of the area in~~
11 ~~which services were performed as an enterprise zone.~~

12 ~~(4) Is any of the following:~~

13 ~~(i) Immediately preceding the qualified employee’s commencement of~~
14 ~~employment with the taxpayer, was a person eligible for services under the Federal Job Training~~
15 ~~Partnership Act (29 U.S.C. Sec. 1501 et seq.), or its successor, who is receiving, subsidized~~
16 ~~employment, training, or services funded by the Federal Job Training Partnership Act, or its~~
17 ~~successor.~~

18 ~~(ii) Immediately preceding the qualified employee’s commencement of~~
19 ~~employment with the taxpayer, was a person eligible to be a voluntary or mandatory registrant~~
20 ~~under the Greater Avenues for Independence Act of 1985 (GAIN) provided for pursuant to~~
21 ~~Article 3.2 (commencing with Section 11320) of Chapter 2 of Part 3 of Division 9 of the Welfare~~
22 ~~and Institutions Code, or its successor.~~

23 ~~(iii) Immediately preceding the qualified employee’s commencement of~~
24 ~~employment with the taxpayer, was an economically disadvantaged individual 14 years of age or~~
25 ~~older.~~

1 ~~(gg) Is a seasonal or migrant worker who experiences chronic~~
2 ~~seasonal unemployment and underemployment in the agriculture industry, aggravated by~~
3 ~~continual advancements in technology and mechanization.~~

4 ~~(hh) Has been terminated or laid off or has received a notice of~~
5 ~~termination or layoff, as a consequence of compliance with the Clean Air Act.~~

6 ~~(v) Immediately preceding the qualified employee's commencement of~~
7 ~~employment with the taxpayer, was a disabled individual who is eligible for or enrolled in, or~~
8 ~~has completed a state rehabilitation plan or is a service-connected disabled veteran, veteran of~~
9 ~~the Vietnam era, or veteran who is recently separated from military service.~~

10 ~~(vi) Immediately preceding the qualified employee's commencement of~~
11 ~~employment with the taxpayer, was an ex-offender. An individual shall be treated as convicted if~~
12 ~~he or she was placed on probation by a state court without a finding of guilt.~~

13 ~~(vii) Immediately preceding the qualified employee's commencement of~~
14 ~~employment with the taxpayer, was a person eligible for or a recipient of any of the following:~~

15 ~~(aa) Federal Supplemental Security Income benefits.~~

16 ~~(bb) Aid to Families with Dependent Children.~~

17 ~~(cc) Food stamps.~~

18 ~~(dd) State and local general assistance.~~

19 ~~(viii) Immediately preceding the qualified employee's commencement of~~
20 ~~employment with the taxpayer, was a member of a federally recognized Indian tribe, band, or~~
21 ~~other group of Native American descent.~~

22 ~~(ix) Immediately preceding the qualified employee's commencement of~~
23 ~~employment with the taxpayer, was a member of a targeted group, as defined in Section 51(d) of~~
24 ~~the Internal Revenue Code, or its successor.~~

1 ~~(g) The tax credit, for each qualified employee, shall be a varying percentage of the tax~~
2 ~~that would be incurred as a result of wages paid for work performed within the Enterprise Zone,~~
3 ~~and the dollar amount of such tax credit shall depend both upon the duration of employment as~~
4 ~~of the date payroll taxes are due, and the eligible wages paid, as follows:~~

5 ~~(1) The eligible wages to which the percentage is applied shall be limited to~~
6 ~~wages paid for work performed by the qualified employee while physically present within~~
7 ~~San Francisco.~~

8 ~~(2) The percentage to be applied to eligible wages shall depend upon the~~
9 ~~employee's duration of employment as follows:~~

<i>Duration of Employment</i>	<i>Credit Allowed on Payroll Tax Liability</i>
<i>First 24 months</i>	<i>100%</i>
<i>Second 24 months</i>	<i>50%</i>
<i>Third 24 months</i>	<i>25%</i>
<i>Fourth 24 months</i>	<i>15%</i>
<i>Fifth 24 months</i>	<i>10%</i>

15
16 ~~(h) This Section 906A shall expire by operation of law on December 31, 2021, unless~~
17 ~~extended by the Board of Supervisors or the voters, and the City Attorney shall cause it to be~~
18 ~~removed from future editions of the Business and Tax Regulations Code.~~

19
20 **~~SEC. 906.1. BIOTECHNOLOGY EXCLUSION.~~**

21 ~~(a) Any person engaging in biotechnology business within the city may exclude from~~
22 ~~their payroll expense all compensation paid to, on behalf of or for the benefit of all employees of~~
23 ~~that person, and all distributions by an Association by way of salary to those having an~~
24 ~~ownership interest in such Association, who or that perform substantially all work or render~~
25 ~~substantially all services in direct support of such person's biotechnology business, subject to the~~

1 ~~conditions and limitations set forth in this Section. For purposes of this Section, outside~~
2 ~~contractors shall not be considered employees of the biotechnology business. For purposes of~~
3 ~~this Section, “biotechnology business” means conducting biotechnology research and~~
4 ~~experimental development, and operating laboratories for biotechnology research and~~
5 ~~experimental development, using DNA, cells, and/or bioprocessing techniques, as well as the~~
6 ~~application thereof to the development of therapeutics, diagnostic products and/or devices to~~
7 ~~improve human health, animal health, and agriculture.~~

8 ~~(b) For purposes of this section, “DNA” is a nucleic acid sequence, or fragment thereof,~~
9 ~~that contains the genetic information for cell growth, division, and function. Examples of DNA~~
10 ~~include recombinant DNA, RNA, mRNA, antisense, RNAi, genes and ESTs.~~

11 ~~(c) For purposes of this section, “cells” are membrane bound structures containing~~
12 ~~biomolecules, such as nucleic acids, proteins, and polysaccharides. This definition includes both~~
13 ~~prokaryotic (bacterial) and eukaryotic (animal or plant) cells. Examples include primary cells,~~
14 ~~transformed or cultured cells, stem cells, iPS, ESCs, fused cells and cell lines.~~

15 ~~(d) For purposes of this section, “bioprocessing” is the use of microbial, plant, or~~
16 ~~animal cells or portions thereof, for the production of therapeutics or diagnostics.~~
17 ~~Bioprocessing includes the extraction of compounds from biomaterials; reaction of biomaterials,~~
18 ~~such as microbial fermentation, cell culture, cell fusion or biotransformation by enzymes; and~~
19 ~~separation of product from biomaterials using filtration, purification, precipitation,~~
20 ~~centrifugation, solvents, chromatography or other means.~~

21 ~~(e) The biotechnology exclusion authorized under this Section shall be available to and~~
22 ~~may be taken by each person engaging in the biotechnology business in the City for a period of~~
23 ~~seven and one-half years from the effective date of this Section or the commencement of the~~
24 ~~person’s biotechnology business in the City, whichever is later. The date the Director of Public~~
25 ~~Health or his or her designee received the person’s application for a business registration~~

1 ~~certificate for the person's biotechnology business shall be presumed to be the date of~~
2 ~~commencement of such business unless the person establishes a different commencement date to~~
3 ~~the satisfaction of the Tax Collector.~~

4 ~~(f) In order to be eligible for the payroll expense tax exclusion authorized under this~~
5 ~~Section, persons wishing to claim the exclusion must:~~

6 ~~(1) Complete and submit an initial application to the Director of the Department~~
7 ~~of Public Health or his or her designee for review and evaluation. The Director of the~~
8 ~~Department of Public Health, or his or her designee shall have authority to develop eligibility~~
9 ~~criteria for the biotechnology exclusion, which shall include participation in the City's First~~
10 ~~Source Hiring Program as defined in Section 83.4 of the Administrative Code.~~

11 ~~(2) After approval, file an annual affidavit with the Department of Public Health~~
12 ~~affirming that they continue to meet the eligibility criteria as determined by the Department of~~
13 ~~Public Health. The affidavit must be filed with the Department of Public Health on or before~~
14 ~~January 31 of every year after the year the application is first approved.~~

15 ~~(3) Maintain a reasonable method of documentation that can be reviewed or~~
16 ~~verified objectively that tracks how employees whose compensation qualifies for the payroll~~
17 ~~expense tax exclusion spend their time at work, and provide such documentation to the Tax~~
18 ~~Collector upon request.~~

19 ~~(4) File an annual Payroll Expense Tax Return with the Tax Collector regardless~~
20 ~~of the amount of tax liability shown on the return after claiming the exclusion provided for in this~~
21 ~~Section.~~

22 ~~(5) File annual affidavits with the Office of Economic and Workforce~~
23 ~~Development detailing the total number of individuals hired, the number of individuals hired~~
24 ~~who were referred by the San Francisco Workforce Development System, and the duration of~~
25 ~~employment for each individual hired. The affidavits must be filed with the Office of Economic~~

1 *and Workforce Development on or before January 31 of every year after the year the application*
2 *is first approved.*

3 ~~(g) The biotechnology exclusion authorized under this Section shall expire on the tenth~~
4 ~~anniversary date of the effective date of this Section. Unless exempted under Sections 906 of this~~
5 ~~Article, every person engaging in the biotechnology business in the City shall pay the tax~~
6 ~~imposed under this Article on the full amount of the person's payroll expense attributable to the~~
7 ~~City from and after the expiration of this Section.~~

8 ~~(h) If a person's taxable payroll for any year does not exceed the small business~~
9 ~~exemption amount as defined in Section 905-A, the person shall be exempt from payment of the~~
10 ~~Payroll Expense Tax for that year.~~

11 ~~(i) The Tax Collector shall submit an annual report to the Board of Supervisors for each~~
12 ~~year for which the biotechnology exclusion authorized under this Section is available that sets~~
13 ~~forth aggregate information on the dollar value of the biotechnology exclusions taken each year,~~
14 ~~the number of businesses taking the exclusion, the change in the number of biotechnology~~
15 ~~businesses engaging in business in the City, and any increase or decrease in the number of jobs~~
16 ~~in the biotechnology business sector compared to the number of jobs in the biotechnology~~
17 ~~business sector for the immediately preceding calendar year.~~

18 ~~(j) The Assessor-Recorder and the Tax Collector shall jointly prepare and submit an~~
19 ~~annual report to the Board of Supervisors for each year for which the biotechnology exclusion~~
20 ~~authorized under this Section is available that sets forth any increases in property taxes resulting~~
21 ~~from biotechnology businesses location, relocation or expansion to or within the City.~~

22 ~~(k) The Mayor's Office of Economic Development shall coordinate community~~
23 ~~educational workshops on the biotechnology industry.~~

24 ~~(l) The Controller, after five years from the enactment of this Ordinance, shall perform~~
25 ~~an assessment and review of the effect of the biotechnology tax exclusion. Based on such~~

1 ~~assessment and review the Controller shall prepare and submit an analysis to the Board of~~
2 ~~Supervisors. The analysis shall be based on criteria deemed relevant by the Controller, and may~~
3 ~~include but is not limited to, data contained in the annual reports to the Board of Supervisors as~~
4 ~~required by subsections (i) and (j) of this Section.~~

5
6 **~~SEC. 906.2. CLEAN TECHNOLOGY BUSINESS EXCLUSION.~~**

7 ~~(a) Any person that employs a full-time staff of not more than one hundred employees~~
8 ~~and is engaging in a clean technology business may exclude from the person's payroll expense~~
9 ~~all compensation paid to, on behalf of or for the benefit of the person's employees, and all~~
10 ~~distributions by an association by way of salary to those having an ownership interest in such~~
11 ~~association, who or that perform substantially all work or render substantially all services in~~
12 ~~direct support of such person's clean technology business activities, subject to the conditions and~~
13 ~~limitations set forth in this Section. For purposes of this Section, outside independent~~
14 ~~contractors shall not be considered employees of the clean technology business.~~

15 ~~(b) For purposes of this section, the following terms shall have the meanings set forth~~
16 ~~below:~~

17 ~~(1) The term "person" includes the combination of all domestic subsidiaries,~~
18 ~~affiliates and other business entities related by ownership including but not limited to~~
19 ~~partnerships, joint ventures, limited liability companies, corporations and other business~~
20 ~~organizations of whatever form. Any beneficial ownership of the stock of publicly traded~~
21 ~~corporations shall not be considered for purposes of this definition.~~

22 ~~(2) The term "business" is as defined in Section 6.2-5 of Article 6 of the~~
23 ~~San Francisco Business and Tax Regulations Code.~~

24 ~~(3) The term "association" is as defined in Section 6.2-4 of Article 6 of the~~
25 ~~San Francisco Business and Tax Regulations Code.~~

1 ~~(4) “Clean energy” means energy utilizing energy produced by wind, solar~~
2 ~~energy, landfill gas, geothermal resources, ocean thermal energy conversion, quantifiable~~
3 ~~energy conservation measures, tidal energy, wave energy, biomass, biofuels, or hydrogen fuels~~
4 ~~derived from renewable sources, excluding (A) any fossil fuel based energy production,~~
5 ~~including but not limited to, clean coal, clean diesel, natural gas and hydrogen from natural gas,~~
6 ~~(B) any nuclear based energy production, (C) waste to energy via combustion or incineration,~~
7 ~~or/and (D) other technologies that are detrimental to human health.~~

8 ~~(5) “Clean technology business” means a business in which at least seventy-five~~
9 ~~percent of all business activities carried on during the tax year are directly related to one or~~
10 ~~more of the following activities:~~

11 ~~(A) research and development and/or associated manufacturing applying~~
12 ~~scientific advances to the production, distribution or storage of clean energy;~~

13 ~~(B) research and development and/or associated manufacturing applying~~
14 ~~scientific advances to prototype or commercially viable materials and products powered by~~
15 ~~clean energy, including but not limited to single passenger vehicles and fueling infrastructure;~~

16 ~~(C) research and development and/or associated manufacturing applying~~
17 ~~scientific advances to prototype or commercially viable techniques, materials and products that~~
18 ~~materially improve energy efficiency, water conservation or air quality;~~

19 ~~(D) research and development, manufacture and/or installation of solar~~
20 ~~panels; or~~

21 ~~(e) In order to be eligible for the payroll expense tax exclusion authorized under this~~
22 ~~Section, persons wishing to claim the exclusion must:~~

23 ~~(1) Complete and submit an initial application to the Director of the Department~~
24 ~~of the Environment for review and evaluation.~~

1 ~~(2) After approval, file an annual affidavit with the Department of the~~
2 ~~Environment affirming that they continue to meet the eligibility criteria set forth in regulations~~
3 ~~adopted by the Department of the Environment. The affidavit must be filed with the Department~~
4 ~~of the Environment on or before January 31 of every year after the year the application is first~~
5 ~~approved.~~

6 ~~(3) Maintain a reasonable method of documentation that can be reviewed or~~
7 ~~verified objectively that tracks how employees whose compensation qualifies for the payroll~~
8 ~~expense tax exclusion spend their time at work, and provide such documentation to the Tax~~
9 ~~Collector upon request.~~

10 ~~(4) File an annual Payroll Expense Tax Return with the Tax Collector regardless~~
11 ~~of the amount of tax liability shown on the return after claiming the exclusion provided for in this~~
12 ~~Section.~~

13 ~~(5) For clean technology businesses in business sectors eligible for Green~~
14 ~~Business recognition from the City under Chapter 15 of the Environment Code and implementing~~
15 ~~regulations, qualify as a Green Business, and (2) complete and submit all required applications~~
16 ~~for Green Business recognition at least ninety days prior to the close of the tax year for which~~
17 ~~the payroll tax exemption is requested.~~

18 ~~(d) The Director of the Department of the Environment shall:~~

19 ~~(1) No later than the effective date of this ordinance, after a public hearing,~~
20 ~~adopt rules, regulations and forms regarding eligibility and the application process for the~~
21 ~~payroll tax expense exclusion. The Director of the Department of the Environment may amend~~
22 ~~such rules, regulations and forms from time to time as necessary.~~

23 ~~(2) Review all applications for completeness and if an application is approved~~
24 ~~issue a certificate of eligibility to the applicant. The Director's decision on the application shall~~
25 ~~be final.~~

1 ~~(3) Provide the Tax Collector with a list of persons eligible to claim the tax~~
2 ~~exclusion authorized under this Section for the preceding tax year by March 1 of each year. The~~
3 ~~Tax Collector shall grant or deny the tax exclusion on the basis of the Department of the~~
4 ~~Environment's determination along with the review, at the Tax Collector's option, of the~~
5 ~~documentation maintained by the employer under Subsection (c)(3) of this Section.~~

6 ~~(e) The clean technology exclusion authorized under this Section shall be available to~~
7 ~~and may be taken by a person for each tax year that person holds a valid certificate of eligibility~~
8 ~~for a period of ten years from the effective date of this Section or the commencement of the~~
9 ~~person's clean technology business in the City, whichever is later. The date the Tax Collector~~
10 ~~first received the person's application for a business registration certificate for the person's~~
11 ~~clean technology business shall be presumed to be the date of commencement of such business~~
12 ~~unless the person establishes a different commencement date to the satisfaction of the Tax~~
13 ~~Collector.~~

14 ~~(f) The clean technology exclusion authorized under this Section shall expire on the~~
15 ~~fifteenth anniversary date of the effective date of this Section. A person may not use or claim any~~
16 ~~unused portion of the ten year clean technology exclusion after the expiration date of this~~
17 ~~Section. Unless exempted under Sections 906 of this Article, every person engaging in a clean~~
18 ~~technology business in the City shall pay the tax imposed under this Article on the full amount of~~
19 ~~the person's payroll expense attributable to the City from and after the expiration of this Section.~~

20 ~~(g) If a person's calculated liability for the Payroll Expense Tax does not exceed the~~
21 ~~ceiling specified in Section 905-A for the tax year after applying the clean technology exclusion~~
22 ~~under this Section, the person shall be exempt from payment of the Payroll Expense Tax for that~~
23 ~~tax year as provided in Section 905-A.~~

1 ~~(h) The effective date of this Section 906.2 shall be January 1, 2006 except that the~~
2 ~~amendments to Section 906.2 made by Ordinance 313-08 do not apply to tax years beginning~~
3 ~~before January 1, 2009.~~

4 ~~(i) The Tax Collector shall submit an annual report to the Board of Supervisors for each~~
5 ~~year for which the clean technology exclusion authorized under this Section is available that sets~~
6 ~~forth aggregate information on the dollar value of the clean technology exclusions taken each~~
7 ~~year, the number of businesses taking the exclusion, the change in the number of clean~~
8 ~~technology businesses engaging in business in the City, and any identifiable increase or decrease~~
9 ~~in the number of jobs in the clean technology business sector compared to the number of jobs in~~
10 ~~the clean technology business sector for the immediately preceding calendar year.~~

11 ~~(j) The Assessor-Recorder shall submit an annual report to the Board of Supervisors for~~
12 ~~each year for which the clean technology exclusion authorized under this Section is available~~
13 ~~that sets forth any identifiable increases in property taxes resulting from clean technology~~
14 ~~businesses location, relocation or expansion to or within the City.~~

15 ~~(k) The Controller, after three years from the enactment of this Ordinance, shall perform~~
16 ~~an assessment and review of the effect of the clean technology tax exclusion. Based on such~~
17 ~~assessment and review the Controller shall prepare and submit an analysis to the Board of~~
18 ~~Supervisors. The analysis shall be based on criteria deemed relevant by the Controller, and may~~
19 ~~include but is not limited to, data contained in the annual reports to the Board of Supervisors as~~
20 ~~required by subsections (i) and (j) of this Section.~~

21 ~~(l) A misrepresentation or misstatement by any person regarding eligibility for the clean~~
22 ~~technology payroll expense tax exclusion authorized by this section that results in the~~
23 ~~underpayment or underreporting of the payroll expense tax shall be subject to penalties as~~
24 ~~provided in Section 6.17-2 of Article 6 of the San Francisco Business and Tax Administrative~~
25 ~~Code.~~

1 **~~SEC. 906.3. CENTRAL MARKET STREET AND TENDERLOIN AREA PAYROLL~~**
2 **~~EXPENSE TAX EXCLUSION.~~**

3 ~~(a) An exclusion from the payroll expense tax shall be allowed for each person who~~
4 ~~maintains a fixed place of business within the Central Market Street and Tenderloin Area for~~
5 ~~payroll expense attributable to that fixed location; provided, however, that in no event shall the~~
6 ~~tax exclusion reduce a person's tax liability to less than the person's Base Year payroll expense~~
7 ~~tax liability.~~

8 ~~(b) For purposes of this Section, the following terms shall have the meanings set forth~~
9 ~~below:~~

10 ~~(1) "Central Market Street and Tenderloin Area" means the area located in~~
11 ~~downtown San Francisco, generally including: parcels fronting the south side of Market Street~~
12 ~~from Eleventh Street to Sixth Street; a portion of the parcels fronting the south side of Market~~
13 ~~Street from Sixth Street to Fifth Street (odd numbered addresses from 999 to 933 Market Street);~~
14 ~~parcels fronting the north side of Market Street from Van Ness Avenue to Eighth Street;~~
15 ~~875 Stevenson Street; and parcels in the area bordered by: Ellis Street from Polk Street to~~
16 ~~Mason Street (south side only); Mason Street, from Ellis Street to Market Street (west side only);~~
17 ~~Market Street, from Mason Street to Charles J. Brenham Place (north side only); Charles J.~~
18 ~~Brenham Place, from Market Street to McAllister Street (east side only); McAllister Street, from~~
19 ~~Charles J. Brenham Place to Larkin Street (north side only); Larkin Street, from McAllister~~
20 ~~Street to Eddy Street (east side only); Eddy Street, from Larkin Street to Polk Street (north side~~
21 ~~only); and Polk Street, from Eddy Street to Ellis Street (east side only). The exclusion applies~~
22 ~~exclusively to the following Assessor's Lots: the entirety of Blocks 0331, 0332, 0333, 0334,~~
23 ~~0335, 0336, 0337, 0338, 0339, 0340, 0342, 0343, 0344, 0345, 0346, 0347, 0348, 0349, 0350, and~~
24 ~~0740; Block 0813, Lots 7, 8, 9 and 10; Block 0835, Lots 1, 2 and 3; Block 3701, Lots 50 and 59;~~
25 ~~Block 3702, Lots 1, 45, 46, 47, 48, 48A, and 53; Block 3703, Lots 1, 56, 58, 59, 60, 61, 62, 63,~~

1 64, 65, 66, 67, 68, 70, 74, 75, 76, 78 and 88; Block 3704, Lots 70, 69, 68, 67 and 78; Block 3507,
2 Lots 39 and 41; Block 3508, Lots 1 and 39; Block 0355, Lots 3, 4, 5, 6, 7, 8, 9, 10 and 15; and
3 Block 0351, Lots 1, 22, 39, 41, 46, 47, 49 and 51.

4 (2) ~~“Base Year” means the 2010 tax year for a person who maintains a fixed~~
5 ~~place of business in the Central Market Street and Tenderloin Area on the effective date of this~~
6 ~~ordinance, provided that the person maintained a fixed place of business in the Area for the~~
7 ~~entirety of such tax year. If the person did not maintain a fixed place of business in the Area for~~
8 ~~the entirety of 2010, then the first full tax year that person maintains a fixed place of business in~~
9 ~~the Area shall be the Base Year. For a person who moves a business to the Central Market~~
10 ~~Street and Tenderloin Area from another part of San Francisco, Base Year means that person’s~~
11 ~~full tax year for the year prior to entering into a lease agreement or buying real property in the~~
12 ~~Area, provided that person was doing business in San Francisco for the entirety of such tax year.~~
13 ~~For a person who commences to maintain a fixed place of business in San Francisco after the~~
14 ~~effective date of this ordinance, Base Year means that person’s first full tax year in the Area.~~

15 (c) ~~In order to be eligible for the payroll expense tax exclusion authorized under this~~
16 ~~Section, persons wishing to claim the exclusion must:~~

17 (1) ~~Complete and submit an initial application to the Office of Economic and~~
18 ~~Workforce Development for review and evaluation. The Office of Economic and Workforce~~
19 ~~Development will use this application to verify that applicants claiming the payroll expense tax~~
20 ~~exclusion under this Section meet the eligibility requirements outlined in this subsection (c). The~~
21 ~~Office of Economic and Workforce Development and the Office of the Treasurer and Tax~~
22 ~~Collector shall prescribe the form of the application and, consistent with this ordinance, the~~
23 ~~rules and regulations regarding eligibility for the Central Market Street and Tenderloin Area~~
24 ~~payroll expense tax exclusion, which shall include participation in the City’s First Source Hiring~~
25 ~~Program as defined in Section 83.4 of the Administrative Code.~~

1 (2) ~~File an annual affidavit with the Office of Economic and Workforce~~
2 ~~Development affirming that they continue to meet the eligibility criteria as determined by the~~
3 ~~Office of Economic and Workforce Development. The annual affidavit should detail the total~~
4 ~~number of individuals hired during the year, the number of individuals who were referred by the~~
5 ~~San Francisco Workforce Development System during the year, and the duration of employment~~
6 ~~for each individual hired during the year. The affidavit must be filed with the Office of Economic~~
7 ~~and Workforce Development on or before December 31 of each year subsequent to the Office of~~
8 ~~Economic and Workforce Development's initial approval of the application.~~

9 (3) ~~Maintain records and documents in a manner acceptable to the Tax~~
10 ~~Collector. Such records and documents must objectively substantiate any exclusion claimed~~
11 ~~under this Section and be provided to the Tax Collector upon request.~~

12 (4) ~~File a timely annual Payroll Expense Tax Return and affidavit with the Tax~~
13 ~~Collector regardless of the amount of tax liability, if any, shown on the return after claiming the~~
14 ~~exclusion provided for in this Section.~~

15 (5) ~~Any person whose annual payroll expense exceeds one million dollars~~
16 ~~(\$1,000,000) shall enter into a binding Community Benefit Agreement with the City~~
17 ~~Administrator in order to be eligible for the payroll expense tax exclusion under this Section.~~
18 ~~Such Community Benefit Agreement may include commitments to engage in community activities~~
19 ~~in the Central Market Street and Tenderloin Area as well as participation in workforce~~
20 ~~development opportunities.~~

21 (d) ~~The Office of Economic and Workforce Development shall:~~

22 (1) ~~Together with the Office of the Treasurer and Tax Collector, adopt rules,~~
23 ~~regulations and forms regarding eligibility and the application process for the Central Market~~
24 ~~Street and Tenderloin Area payroll expense tax exclusion. The rules, regulations and forms may~~
25 ~~be amended from time to time as necessary.~~

1 ~~(2) Review all applications for completeness and upon approval, issue a~~
2 ~~certificate of eligibility to the applicant. The decision of the Office of Economic and Workforce~~
3 ~~Development regarding eligibility for the exclusion may not be appealed by an applicant.~~

4 ~~(3) Provide the Tax Collector with a list of persons eligible to claim the tax~~
5 ~~exclusion authorized under this Section for the preceding tax year by March 1 of each year.~~

6 ~~(e) The Tax Collector shall verify that any exclusion claimed pursuant to this Section is~~
7 ~~appropriate.~~

8 ~~(f) The Central Market Street and Tenderloin Area exclusion authorized under this~~
9 ~~Section shall be available to and may be taken by each person for each tax year that person~~
10 ~~holds a valid certificate of eligibility for a period not to exceed six years from the effective date~~
11 ~~of this ordinance or the commencement of the person's business in the Central Market Street and~~
12 ~~Tenderloin Area, whichever is later. The date the Tax Collector first received the person's~~
13 ~~application for a business registration certificate for the person's Central Market Street and~~
14 ~~Tenderloin Area business shall be presumed to be the date of commencement of such business~~
15 ~~unless the person establishes a different commencement date to the satisfaction of the Tax~~
16 ~~Collector.~~

17 ~~(g) The Central Market Street and Tenderloin Area exclusion authorized under this~~
18 ~~Section shall expire on the eighth anniversary date of the effective date of this Section. A person~~
19 ~~may not use or claim any unused portion of the Central Market Street and Tenderloin Area~~
20 ~~exclusion after the expiration date of this Section. Unless exempted under Section 906 of this~~
21 ~~Article, every person engaging in a business in the Central Market Street and Tenderloin Area in~~
22 ~~the City shall pay the tax imposed under this Article on the full amount of the person's payroll~~
23 ~~expense attributable to the City from and after the expiration of this Section.~~

24 ~~(h) If a person's calculated liability for the payroll expense tax does not exceed the~~
25 ~~ceiling specified in Section 905-A for the tax year after applying the Central Market Street and~~

1 ~~Tenderloin Area exclusion under this Section, the person shall be exempt from payment of the~~
2 ~~payroll expense tax for that tax year as provided in Section 905-A.~~

3 ~~(i) The Tax Collector shall submit an annual report to the Board of Supervisors for each~~
4 ~~year for which the Central Market Street and Tenderloin Area exclusion authorized under this~~
5 ~~Section is available that sets forth aggregate information on the dollar value of the Central~~
6 ~~Market Street and Tenderloin Area exclusions taken each year, the number of businesses taking~~
7 ~~the exclusion and the change in the number of businesses located in the Central Market Street~~
8 ~~and Tenderloin Area of the City.~~

9 ~~(j) The Office of the City Administrator shall submit an annual report to the Board of~~
10 ~~Supervisors for each year for which the Central Market Street and Tenderloin Area exclusion~~
11 ~~authorized under this Section is available that sets forth any and all Community Benefit~~
12 ~~Agreements that have been entered into with the Office of the City Administrator during that~~
13 ~~year.~~

14 ~~(k) The Assessor-Recorder shall submit an annual report to the Board of Supervisors for~~
15 ~~each year for which the Central Market Street and Tenderloin Area exclusion authorized under~~
16 ~~this Section is available that sets forth any identifiable increases in property value resulting from~~
17 ~~businesses' location, relocation or expansion to or within the Central Market Street and~~
18 ~~Tenderloin Area.~~

19 ~~(l) The Controller, not later than three years after the effective date of this ordinance,~~
20 ~~shall perform an assessment and review of the effect of the Central Market Street and Tenderloin~~
21 ~~Area payroll expense tax exclusion on the Central Market Street and Tenderloin Area. Based on~~
22 ~~such assessment and review the Controller shall prepare and submit an analysis to the Board of~~
23 ~~Supervisors. The analysis shall be based on factors that the Controller deems relevant, and may~~
24 ~~include, but shall not be limited to, data contained in the annual reports to the Board of~~
25 ~~Supervisors as required by subsections (i), (j) and (k) of this Section.~~

1 ~~(m) The Central Market Street and Tenderloin Area payroll expense tax exclusion set~~
2 ~~forth in this Section may not be claimed concurrently with any other payroll expense tax~~
3 ~~exclusion.~~

4 ~~(n) A misrepresentation or misstatement by any person regarding eligibility for the~~
5 ~~Central Market Street and Tenderloin Area payroll expense tax exclusion authorized by this~~
6 ~~Section that results in the underpayment or underreporting of the payroll expense tax shall be~~
7 ~~subject to penalties.~~

8
9 **~~SEC. 906.3-1. CENTRAL MARKET STREET AND TENDERLOIN AREA CITIZEN'S~~**
10 **~~ADVISORY COMMITTEE.~~**

11 ~~(a) There shall be a Central Market Street and Tenderloin Area Citizen's Advisory~~
12 ~~Committee (the "Citizen's Advisory Committee").~~

13 ~~(b) The Citizen's Advisory Committee shall be an advisory body whose purpose is to~~
14 ~~make recommendations to the Mayor, Board of Supervisors, City Administrator, and Office of~~
15 ~~Economic and Workforce Development on policies and programs that mitigate the effects of~~
16 ~~development, bolster economic development, local employment, and community sustainability,~~
17 ~~and seek to stabilize and protect existing tenants, community based organizations, and small~~
18 ~~businesses in and around the Central Market Street and Tenderloin Area.~~

19 ~~(c) Duties of the Citizen's Advisory Committee shall include:~~

20 ~~(1) Advise the City Administrator of community issues in order to better align the~~
21 ~~Community Benefit Agreements called for under the Central Market Street and Tenderloin Area~~
22 ~~Payroll Expense Tax Exclusion in Section 906.3 of this Code, with the community needs.~~

23 ~~(2) Make recommendations to the City Administrator about terms and conditions~~
24 ~~in the Community Benefit Agreements called for under the Central Market Street and Tenderloin~~
25 ~~Area Payroll Expense Tax Exclusion.~~

1 (3) ~~Provide a report in March and October of each year to the Board of~~
2 ~~Supervisors regarding the implementation and execution of the Community Benefit Agreements~~
3 ~~called for under the Central Market Street and Tenderloin Area Payroll Expense Tax Exclusion.~~
4 ~~The report shall include, at minimum, a summary of the Citizen's Advisory Committee's~~
5 ~~recommendations and votes regarding proposed Community Benefit Agreements, a summary of~~
6 ~~actions taken by the City Administrator in response to the Citizen's Advisory Committee's~~
7 ~~recommendations, and a list of vacant seats on the Citizen's Advisory Committee.~~

8 (4) ~~Make recommendations to the Board of Supervisors and the Office of~~
9 ~~Economic and Workforce Development on policies, initiatives, and programs that bolster~~
10 ~~economic development, local employment, and community sustainability and seek to stabilize~~
11 ~~and protect existing tenants, community based organizations, and small businesses in and~~
12 ~~around the Central Market Street and Tenderloin Area.~~

13 (5) ~~Advise the Mayor, Board of Supervisors, and City Administrator on the~~
14 ~~creation of a community development fund that may support workforce development, community~~
15 ~~infrastructure and programs to mitigate potential displacement of small businesses, community~~
16 ~~based organizations, and tenants.~~

17 (6) ~~Help facilitate partnerships between persons claiming the Central Market~~
18 ~~Street and Tenderloin Area Payroll Expense Tax Exclusion and community organizations, local~~
19 ~~schools, and small businesses.~~

20 (7) ~~Hold public hearings regarding Community Benefit Agreements as set forth~~
21 ~~in subsection 906.3-1(i).~~

1 ~~(d) The Citizen’s Advisory Committee shall be composed of five members appointed by~~
2 ~~the Board of Supervisors:~~

3 ~~(1) Seat 1 shall be held either by a person with expertise in job creation or~~
4 ~~workforce development or by a person who is a resident of the Central Market Street and~~
5 ~~Tenderloin Area or Adjacent Area.~~

6 ~~(2) Seat 2 shall be held either by a person who represents a community-based~~
7 ~~organization or provides direct services to the Central Market Street and Tenderloin Area or~~
8 ~~Adjacent Area or by a person who is a resident of the Central Market Street and Tenderloin Area~~
9 ~~or Adjacent Area.~~

10 ~~(3) Seat 3 shall be held either by a person with expertise on homelessness,~~
11 ~~transitional age youth, or supportive housing, and familiarity with the Central Market Street and~~
12 ~~Tenderloin Area or Adjacent Area or by a person who is a resident of the Central Market Street~~
13 ~~and Tenderloin Area or Adjacent Area.~~

14 ~~(4) Seats 4 and 5 shall be held by residents of the Central Market Street and~~
15 ~~Tenderloin Area or Adjacent Area with expertise or life experience involving homelessness or~~
16 ~~affordable housing.~~

17 ~~(e) For purposes of this Section 906.3-1, “Adjacent Area” shall mean the area in~~
18 ~~District 6, bounded on the southern side by 13th Street and Townsend Street.~~

19 ~~(f) The terms of members of the Citizen’s Advisory Committee in office on the effective~~
20 ~~date of the ordinance in Board of Supervisors File No. 170741 and whose seats were not~~
21 ~~eliminated by that ordinance shall continue; provided that the terms then in effect for members~~
22 ~~in renumbered Seats 1 and 3 shall end at noon on November 2, 2017; and the terms then in effect~~
23 ~~for members in renumbered Seats 2, 4, and 5 shall end at noon on November 2, 2019. The~~
24 ~~Board of Supervisors shall appoint members to new terms, which shall commence on the~~
25 ~~expiration of the previous terms. All of the new terms shall end on January 31, 2021. All~~

1 ~~members shall serve at the pleasure of the Board of Supervisors and may be removed by the~~
2 ~~Board of Supervisors at any time.~~

3 ~~(g) Once each year, the Citizen's Advisory Committee members shall select such officer~~
4 ~~or officers as deemed necessary by the Citizen's Advisory Committee. The Citizen's Advisory~~
5 ~~Committee shall promulgate such rules and regulations as are necessary for the conduct of its~~
6 ~~business under this Section 906.3-1. In the event a vacancy occurs, a successor shall be~~
7 ~~appointed to fill the vacancy consistent with the process and requirements to appoint the~~
8 ~~previous appointee. When a vacancy occurs for a reason other than the expiration of a term of~~
9 ~~office, the appointee to fill such vacancy shall hold office for the unexpired term of his or her~~
10 ~~predecessor. Any member who misses four meetings within a twelve-month period, without the~~
11 ~~approval of the Citizen's Advisory Committee at or before each missed meeting, shall be deemed~~
12 ~~to have resigned from the Citizen's Advisory Committee ten days after the fourth unapproved~~
13 ~~absence. The City Administrator shall inform the Clerk of the Board of any such resignation.~~

14 ~~(h) The Citizen's Advisory Committee shall comply with all applicable public records~~
15 ~~and meetings laws and shall be subject to all applicable conflict-of-interest provisions in State~~
16 ~~and local law.~~

17 ~~(i) Duties of the City Administrator.~~

18 ~~(1) The City Administrator shall provide administrative support for the Citizen's~~
19 ~~Advisory Committee, and shall arrange for the Citizen's Advisory Committee to meet no less~~
20 ~~than four times each calendar year.~~

21 ~~(2) At least 15 days before entering into negotiations regarding the terms of a~~
22 ~~Community Benefit Agreement, the City Administrator shall inform the members of the Citizen's~~
23 ~~Advisory Committee in writing about the initiation of negotiations. After receiving the written~~
24 ~~notice, the Citizen's Advisory Committee may submit written recommendations to the City~~
25 ~~Administrator regarding the possible terms of the Community Benefit Agreement.~~

1 (3) ~~Within five days of reaching tentative agreement regarding the terms of a~~
2 ~~Community Benefit Agreement, the City Administrator shall transmit copies of the proposed~~
3 ~~agreement to the Citizen's Advisory Committee, and shall coordinate with the members of the~~
4 ~~Citizen's Advisory Committee to convene a meeting to review the agreement. At any such~~
5 ~~meeting, the Citizen's Advisory Committee may recommend that the City Administrator execute~~
6 ~~the Community Benefit Agreement, recommend that the City Administrator not execute the~~
7 ~~Community Benefit Agreement, or make no recommendation. If the Citizen's Advisory~~
8 ~~Committee does not recommend that the City Administrator execute the Community Benefit~~
9 ~~Agreement, the Committee shall state the reasons therefor. The City Administrator shall not~~
10 ~~execute any Community Benefit Agreement until after the Citizen's Advisory Committee has held~~
11 ~~at least one meeting to review and provide recommendations regarding the agreement; provided~~
12 ~~that the City Administrator may execute the agreement if the Citizen's Advisory Committee fails~~
13 ~~to meet within 45 days after the transmission of the proposed agreement to the Citizen's~~
14 ~~Advisory Committee. Within five days after executing the agreement, the City Administrator~~
15 ~~shall transmit the agreement to the Citizen's Advisory Committee with a report describing the~~
16 ~~City Administrator's response to each of the Citizen's Advisory Committee's recommendations,~~
17 ~~if any.~~

18 (4) ~~If the Citizen's Advisory Committee fails to provide a biannual report to the~~
19 ~~Board of Supervisors in March or October as required in subsection 906.3-1(c)(3), the City~~
20 ~~Administrator shall prepare and submit a report to the Board of Supervisors providing the same~~
21 ~~information by April 15 or November 15, respectively.~~

22 (j) ~~Unless the Board of Supervisors by ordinance extends the term of the Citizen's~~
23 ~~Advisory Committee, this Section 906.3-1 shall expire by operation of law, and the Citizen's~~
24 ~~Advisory Committee shall terminate, on January 31, 2021. In that event, after that date, the City~~
25

1 *Attorney shall cause this Section 906.3-1 to be removed from the Business and Tax Regulations*
2 *Code.*

3
4 **~~SEC. 907. PAYMENTS, RETURNS, INSTALLMENT PAYMENTS AND EXTENSIONS.~~**

5 *(a) Payments, returns, installment payments and extensions for persons subject to this*
6 *Article shall be as prescribed in the common administrative provisions set forth in Article 6.*

7 *(b) For tax years commencing after December 31, 2013, a combined group as described*
8 *in Section 956.3 of Article 12-A-1 must file a single payroll expense tax return; the combined*
9 *group must choose a single person to file the return on its behalf. Each person within the*
10 *combined group engaging in business in the City must provide a power of attorney to the person*
11 *filing the return, authorizing the person filing the return to file said return and to act on behalf of*
12 *each person with respect to payments, refunds, audits, resolutions, and any other items related to*
13 *the tax liability reflected in the return. The power of attorney shall be substantially in a form*
14 *prescribed or approved by the Tax Collector. Each return filed by a combined group constitutes*
15 *a combined return under this Article and Article 6. The person filing any combined return shall*
16 *pay the tax liability reflected on the return and any liability determined on audit at the time and*
17 *in the manner set forth for returns and liabilities in Article 6. The payroll expense tax liability of*
18 *each person within a combined group, including any applicable exemptions or exclusions, shall*
19 *be computed as if that person was filing its own separate return. The total liability on the*
20 *combined return shall be the sum of the liabilities of each person within the combined group.*

21
22 **~~SEC. 908. SAVINGS CLAUSE.~~**

23 *No section, clause, part or provision of this Article shall be construed as requiring the*
24 *payment of any tax for engaging in a business or the doing of an act when such payment or act*
25 *would constitute an unlawful burden upon or an unlawful interference with interstate or foreign*

1 ~~commerce, or which payment or act would be in violation of the United States Constitution or a~~
2 ~~statute of the United States or of the California Constitution or a statute of the State of~~
3 ~~California. If any section, clause, part or provision of this Article, or the application thereof to~~
4 ~~any person or circumstance, is held invalid or unconstitutional, the remainder of this Article,~~
5 ~~including the application of such part or provision to other persons or circumstances, shall not~~
6 ~~be affected thereby and shall continue in full force and effect. To this end, the provisions of this~~
7 ~~Article are severable.~~

8
9 **~~SEC. 909. AMENDMENT OF ORDINANCE.~~**

10 ~~The Board of Supervisors may amend or repeal Article 12-A of the Business and Tax~~
11 ~~Regulations Code without a vote of the people except as limited by Article XIII C of the~~
12 ~~California Constitution.~~

13
14 Section 5. The Board of Supervisors hereby submits to the qualified voters of the City
15 and County, at an election to be held on November 3, 2020, a proposal to amend the Business
16 and Tax Regulations Code of the City and County by deleting Sections 959 and 961, adding
17 Section 953.10, and revising Sections 952, 953, 953.1, 953.2, 953.3, 953.4, 953.5, 953.6, 953.7,
18 953.8, 953.9, 954, 954.1, 956.2, 960, and 965 of Article 12-A-1, to read as follows:

19
20 **SEC. 952. DEFINITIONS.**

21 Except where the context otherwise requires, the terms used in this Article 12-A-1 shall
22 have the meanings given to them in Sections 6.2-1 et seq. of Article 6 ~~and in Article 12-A.~~ For
23 purposes of this Article 12-A-1, "pass-through entity" includes a trust, partnership, corporation
24 described in Subchapter S of the Internal Revenue Code of 1986, as amended, limited liability
25 company, limited liability partnership, professional corporation, and any other person or entity

1 (other than a disregarded entity for federal income tax purposes) which is not subject to the
2 income tax imposed by Subtitle A, Chapter 1 of the Internal Revenue Code of 1986, as amended,
3 or which is allowed a deduction in computing such tax for distributions to the owners or
4 beneficiaries of such person or entity.

5
6 **SEC. 953. IMPOSITION OF GROSS RECEIPTS TAX.**

7 (a) Except as otherwise provided under this Article 12-A-1, the City imposes and every
8 person engaging in business within the City shall pay an annual gross receipts tax measured by
9 the person's gross receipts from all taxable business activities attributable to the City. A
10 person's liability for the gross receipts tax shall be calculated according to Sections 953.1
11 through 953.7.

12 (b) The gross receipts tax is a privilege tax imposed upon persons engaging in business
13 within the City for the privilege of engaging in a business or occupation in the City. The gross
14 receipts tax is imposed for general governmental purposes. Proceeds from the tax shall be
15 deposited in the City's general fund and may be expended for any purposes of the City.

16 (c) The voters intend by adopting this measure to authorize application of the gross
17 receipts tax in the broadest manner consistent with the provisions of this Article 12-A-1 and the
18 requirements of the California Constitution, the United States Constitution, and any other
19 applicable provision of federal and state law.

20 ~~(d) The gross receipts tax imposed under this Article is in addition to the payroll expense~~
21 ~~tax imposed under Article 12-A. Persons not otherwise exempt from the gross receipts tax or~~
22 ~~payroll expense tax shall pay both taxes. Persons exempt from either the gross receipts tax or~~
23 ~~payroll expense tax, but not both, shall pay the tax from which they are not exempt.~~

1 ~~(de) Except for subsection (d) of this Section, t~~The tax on Administrative Office Business
2 Activities imposed by Section 953.8 is intended as a complementary tax to the gross receipts tax,
3 and shall be considered a gross receipts tax for purposes of this Article 12-A-1.

4 ~~(f) For a five year period beginning in 2015, the Treasurer, Controller, and Chief~~
5 ~~Economist shall jointly prepare an annual report to the Mayor and Board of Supervisors on the~~
6 ~~implementation of the measure. The report shall include projections of collections of the gross~~
7 ~~receipts tax, compare these projections to those anticipated in preparation of the measure, and~~
8 ~~outline impacts of the measure on San Francisco's economy and business community. The~~
9 ~~report may recommend policy, administrative, or technical changes for the consideration of the~~
10 ~~Mayor and Board of Supervisors that further the goals established in the measure.~~

11
12 **SEC. 953.1. GROSS RECEIPTS TAX APPLICABLE TO RETAIL TRADE;**
13 **WHOLESALE TRADE; AND CERTAIN SERVICES.**

14 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to the business
15 activities of retail trade, wholesale trade, and certain services. ~~Commencing on the operative~~
16 ~~date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in~~
17 ~~accordance with Section 959, but the base tax rate provided by this Section is~~are:

18 (1) For tax years beginning on or after January 1, 2018 and ending on or before
19 December 31, 2020:

- 20 0.075% (e.g., \$0.75 per \$1,000) for gross receipts between \$0 and \$1,000,000
- 21 0.100% (e.g., \$1 per \$1,000) for gross receipts between \$1,000,001 and \$2,500,000
- 22 0.135% (e.g., \$1.35 per \$1,000) for gross receipts between \$2,500,001 and \$25,000,000
- 23 0.160% (e.g., \$1.60 per \$1,000) for gross receipts over \$25,000,000

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

2 (A) For tax years 2021 and 2022:

3 0.053% (e.g., \$0.53 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

4 0.07% (e.g., \$0.70 per \$1,000) for taxable gross receipts between \$1,000,000.01 and

5 \$2,500,000

6 0.095% (e.g., \$0.95 per \$1,000) for taxable gross receipts between \$2,500,000.01 and

7 \$25,000,000

8 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

9 (B) For tax year 2023:

10 0.079% (e.g., \$0.79 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

11 0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$1,000,000.01 and

12 \$2,500,000

13 0.142% (e.g., \$1.42 per \$1,000) for taxable gross receipts between \$2,500,000.01 and

14 \$25,000,000

15 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

16 (C) For tax years beginning on or after January 1, 2024:

17 0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

18 0.14% (e.g., \$1.40 per \$1,000) for taxable gross receipts between \$1,000,000.01 and

19 \$2,500,000

20 0.189% (e.g., \$1.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and

21 \$25,000,000

22 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

23 (3) For the business activity of wholesale trade for tax years beginning on or

24 after January 1, 2021:

25 0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

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

3 0.189% (e.g., \$1.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
4 \$25,000,000

5 0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

6 * * * *

7 (g) If the final judicial decision in San Francisco Superior Court Case No.
8 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
9 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
10 specified business taxes to fund specified homeless services in San Francisco, and all matters
11 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
12 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
13 after January 1 of the tax year following the date on which such court decision becomes final,
14 the phrase “over \$25,000,000” in Sections 953.1(a)(2) and (3), as applicable, shall be replaced
15 with the phrase “between \$25,000,000.01 and \$50,000,000” and there shall be added to each of
16 the rate tiers in each of those Sections an additional rate tier for taxable gross receipts over
17 \$50,000,000 with a rate of 0.175% plus the applicable rate for taxable gross receipts between
18 \$25,000,000.01 and \$50,000,000. These additional rate tiers shall continue in effect for 20 tax
19 years, after which the rate tiers shall return to what the rate tiers would have been absent the
20 increase in this Section 953.1(g).

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

4 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to the business
5 activities of manufacturing, transportation and warehousing, information, biotechnology, clean
6 technology, and food services. ~~Commencing on the operative date of the Gross Receipts Tax~~
7 ~~Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the~~
8 ~~base tax rate provided by this Section is~~are:

9 (1) For tax years beginning on or after January 1, 2018 and ending on or before
10 December 31, 2020:

- 11 0.125% (e.g., \$1.25 per \$1,000) for gross receipts between \$0 and \$1,000,000
- 12 0.205% (e.g., \$2.05 per \$1,000) for gross receipts between \$1,000,001 and \$2,500,000
- 13 0.370% (e.g., \$3.70 per \$1,000) for gross receipts between \$2,500,001 and \$25,000,000
- 14 0.475% (e.g., \$4.75 per \$1,000) for gross receipts over \$25,000,000

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

16 (A) For tax years 2021 and 2022:

- 17 0.088% (e.g., \$0.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000
- 18 0.144% (e.g., \$1.44 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
19 \$2,500,000
- 20 0.259% (e.g., \$2.59 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
21 \$25,000,000
- 22 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

23 (B) For tax year 2023:

- 24 0.131% (e.g., \$1.31 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

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

3 0.389% (e.g., \$3.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
4 \$25,000,000

5 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

6 (C) For tax years beginning on or after January 1, 2024:

7 0.175% (e.g., \$1.75 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

8 0.287% (e.g., \$2.87 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
9 \$2,500,000

10 0.518% (e.g., \$5.18 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
11 \$25,000,000

12 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

13 (3) For the business activities of transportation and warehousing and clean
14 technology for tax years beginning on or after January 1, 2021:

15 0.175% (e.g., \$1.75 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

16 0.287% (e.g., \$2.87 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
17 \$2,500,000

18 0.518% (e.g., \$5.18 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
19 \$25,000,000

20 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

21 (4) For the business activity of biotechnology:

22 (A) For tax year 2021:

23 0.175% (e.g., \$1.75 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

24 0.287% (e.g., \$2.87 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
25 \$2,500,000

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

3 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

4 (B) For tax year 2022 and, if the Controller does not certify under
5 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax
6 year 2023:

7 0.181% (e.g., \$1.81 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

8 0.297% (e.g., \$2.97 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
9 \$2,500,000

10 0.537% (e.g., \$5.37 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
11 \$25,000,000

12 0.689% (e.g., \$6.89 per \$1,000) for taxable gross receipts over \$25,000,000

13 (C) For tax year 2023 if the Controller certifies under Section 953.10 that
14 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
15 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
16 met for tax year 2024:

17 0.188% (e.g., \$1.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

18 0.308% (e.g., \$3.08 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
19 \$2,500,000

20 0.555% (e.g., \$5.55 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
21 \$25,000,000

22 0.713% (e.g., \$7.13 per \$1,000) for taxable gross receipts over \$25,000,000

1 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
2 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
3 or after January 1, 2025:

4 0.194% (e.g., \$1.94 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

5 0.318% (e.g., \$3.18 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
6 \$2,500,000

7 0.574% (e.g., \$5.74 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
8 \$25,000,000

9 0.736% (e.g., \$7.36 per \$1,000) for taxable gross receipts over \$25,000,000

10 (5) For the business activity of information:

11 (A) For tax year 2021:

12 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

13 0.644% (e.g., \$6.44 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
14 \$2,500,000

15 0.714% (e.g., \$7.14 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
16 \$25,000,000

17 0.784% (e.g., \$7.84 per \$1,000) for taxable gross receipts over \$25,000,000

18 (B) For tax year 2022 and, if the Controller does not certify under
19 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax
20 year 2023:

21 0.573% (e.g., \$5.73 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

22 0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
23 \$2,500,000

24 0.751% (e.g., \$7.51 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
25 \$25,000,000

1 0.832% (e.g., \$8.32 per \$1,000) for taxable gross receipts over \$25,000,000

2 (C) For tax year 2023 if the Controller certifies under Section 953.10 that
3 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
4 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
5 met for tax year 2024:

6 0.579% (e.g., \$5.79 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

7 0.675% (e.g., \$6.75 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
8 \$2,500,000

9 0.77% (e.g., \$7.70 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
10 \$25,000,000

11 0.855% (e.g., \$8.55 per \$1,000) for taxable gross receipts over \$25,000,000

12 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
13 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
14 or after January 1, 2025:

15 0.585% (e.g., \$5.85 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

16 0.685% (e.g., \$6.85 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
17 \$2,500,000

18 0.788% (e.g., \$7.88 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
19 \$25,000,000

20 0.879% (e.g., \$8.79 per \$1,000) for taxable gross receipts over \$25,000,000

21 * * * *

22 (e) For purposes of this Article 12-A-1:-

23 (1) ~~b~~Biotechnology includes the activity of conducting biotechnology research
24 and experimental development, and operating laboratories for biotechnology research and
25 experimental development, using DNA, cells, and/or bioprocessing techniques, as well as the

1 application thereof to the development of therapeutics, diagnostic products and/or devices to
2 improve human health, animal health, and agriculture. For purposes of this Section 953.2(e)(1):

3 (A) “DNA” is a nucleic acid sequence, or fragment thereof, that contains
4 the genetic information for cell growth, division, and function. Examples of DNA include
5 recombinant DNA, RNA, mRNA, antisense, RNAi, genes and ESTs.

6 (B) “Cells” are membrane bound structures containing biomolecules,
7 such as nucleic acids, proteins, and polysaccharides. This definition includes both prokaryotic
8 (bacterial) and eukaryotic (animal or plant) cells. Examples include primary cells, transformed
9 or cultured cells, stem cells, iPS, ESCs, fused cells and cell lines.

10 (C) “Bioprocessing” is the use of microbial, plant, or animal cells or
11 portions thereof, for the production of therapeutics or diagnostics. Bioprocessing includes the
12 extraction of compounds from biomaterials; reaction of biomaterials, such as microbial
13 fermentation, cell culture, cell fusion or biotransformation by enzymes; and separation of
14 product from biomaterials using filtration, purification, precipitation, centrifugation, solvents,
15 chromatography or other means.

16 (2) ~~biotechnology business as defined in Section 906.1 of Article 12-A, and~~
17 ~~clean technology includes the activity of clean technology business as defined in Section 906.2~~
18 ~~of Article 12-A a business, as defined in Section 6.2-5 of Article 6 of the Business and Tax~~
19 ~~Regulations Code, in which at least 75% of all business activities carried on during the tax year~~
20 ~~are directly related to one or more of the following activities:~~

21 (A) Research and development and/or associated manufacturing applying
22 scientific advances to the production, distribution or storage of clean energy.

23 (B) Research and development and/or associated manufacturing applying
24 scientific advances to prototype or commercially viable materials and products powered by
25 clean energy, including but not limited to single passenger vehicles and fueling infrastructure.

1 (C) Research and development and/or associated manufacturing applying
2 scientific advances to prototype or commercially viable techniques, materials and products that
3 materially improve energy efficiency, water conservation or air quality.

4 (D) Research and development, manufacture and/or installation of solar
5 panels.

6 (3) For purposes of Section 953.2(e)(2), “clean energy” means energy utilizing
7 energy produced by wind, solar energy, landfill gas, geothermal resources, ocean thermal
8 energy conversion, quantifiable energy conservation measures, tidal energy, wave energy,
9 biomass, biofuels, or hydrogen fuels derived from renewable sources, excluding:

10 (A) any fossil fuel based energy production, including but not limited to,
11 clean coal, clean diesel, natural gas and hydrogen from natural gas;

12 (B) any nuclear based energy production;

13 (C) waste to energy via combustion or incineration; or/and

14 (D) other technologies that are detrimental to human health.

15 * * * *

16 (h) If the final judicial decision in San Francisco Superior Court Case No.
17 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
18 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
19 specified business taxes to fund specified homeless services in San Francisco, and all matters
20 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
21 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
22 after January 1 of the tax year following the date on which such court decision becomes final,
23 the phrase “over \$25,000,000” in Sections 953.2(a)(2) through (5), inclusive, as applicable,
24 shall be replaced with the phrase “between \$25,000,000.01 and \$50,000,000” and there shall be
25 added to each of the rate tiers in each of those Sections an additional rate tier for taxable gross

1 receipts over \$50,000,000 with a rate of 0.5% plus the applicable rate for taxable gross receipts
2 between \$25,000,000.01 and \$50,000,000. These additional rate tiers shall continue in effect for
3 20 tax years, after which the rate tiers shall return to what the rate tiers would have been absent
4 the increase in this Section 953.2(h).

5
6 **SEC. 953.3. GROSS RECEIPTS TAX APPLICABLE TO ACCOMMODATIONS;**
7 **UTILITIES; AND ARTS, ENTERTAINMENT AND RECREATION.**

8 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to ~~each~~ of the
9 ~~following~~ business activities: ~~of~~ accommodations; utilities; and arts, entertainment and
10 recreation. ~~Commencing on the operative date of the Gross Receipts Tax Ordinance, the~~
11 ~~Controller shall compute the tax rate in accordance with Section 959, but the base tax rate~~
12 ~~provided by this Section is~~are:

13 (1) For tax years beginning on or after January 1, 2018 and ending on or before
14 December 31, 2020:

- 15 0.300% (e.g., \$3 per \$1,000) for gross receipts between \$0 and \$1,000,000
- 16 0.325% (e.g., \$3.25 per \$1,000) for gross receipts between \$1,000,001 and \$2,500,000
- 17 0.325% (e.g., \$3.25 per \$1,000) for gross receipts between \$2,500,001 and \$25,000,000
- 18 0.400% (e.g., \$4 per \$1,000) for gross receipts over \$25,000,000

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

- 21 (A) For tax years 2021 and 2022:
- 22 0.21% (e.g., \$2.10 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000
- 23 0.228% (e.g., \$2.28 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
24 \$2,500,000

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

3 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

4 (B) For tax year 2023:

5 0.315% (e.g., \$3.15 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

6 0.341% (e.g., \$3.41 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
7 \$2,500,000

8 0.341% (e.g., \$3.41 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
9 \$25,000,000

10 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

11 (C) For tax years beginning on or after January 1, 2024:

12 0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

13 0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
14 \$2,500,000

15 0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
16 \$25,000,000

17 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

18 (3) For the business activity of utilities:

19 (A) For tax year 2021:

20 0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

21 0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
22 \$2,500,000

23 0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
24 \$25,000,000

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

1 (B) For tax year 2022 and, if the Controller does not certify under
2 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax
3 year 2023:

4 0.435% (e.g., \$4.35 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

5 0.471% (e.g., \$4.71 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
6 \$2,500,000

7 0.471% (e.g., \$4.71 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
8 \$25,000,000

9 0.58% (e.g., \$5.80 per \$1,000) for taxable gross receipts over \$25,000,000

10 (C) For tax year 2023 if the Controller certifies under Section 953.10 that
11 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
12 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
13 met for tax year 2024:

14 0.45% (e.g., \$4.50 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

15 0.488% (e.g., \$4.88 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
16 \$2,500,000

17 0.488% (e.g., \$4.88 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
18 \$25,000,000

19 0.6% (e.g., \$6 per \$1,000) for taxable gross receipts over \$25,000,000

20 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
21 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
22 or after January 1, 2025:

23 0.465% (e.g., \$4.65 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

24 0.504% (e.g., \$5.04 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
25 \$2,500,000

1 0.504% (e.g., \$5.04 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
2 \$25,000,000

3 0.62% (e.g., \$6.20 per \$1,000) for taxable gross receipts over \$25,000,000

4 * * * *

5 (h) If the final judicial decision in San Francisco Superior Court Case No.
6 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
7 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
8 specified business taxes to fund specified homeless services in San Francisco, and all matters
9 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
10 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
11 after January 1 of the tax year following the date on which such court decision becomes final,
12 the phrase “over \$25,000,000” in Sections 953.3(a)(2) and (3), as applicable, shall be replaced
13 with the phrase “between \$25,000,000.01 and \$50,000,000” and there shall be added to each of
14 the rate tiers in each of those Sections an additional rate tier for taxable gross receipts over
15 \$50,000,000 with a rate of 0.425% plus the applicable rate for taxable gross receipts between
16 \$25,000,000.01 and \$50,000,000. These additional rate tiers shall continue in effect for 20 tax
17 years, after which the rate tiers shall return to what the rate tiers would have been absent the
18 increase in this Section 953.3(h).

19
20 **SEC. 953.4. GROSS RECEIPTS TAX APPLICABLE TO PRIVATE EDUCATION AND**
21 **HEALTH SERVICES; ADMINISTRATIVE AND SUPPORT SERVICES; AND**
22 **MISCELLANEOUS BUSINESS ACTIVITIES.**

23 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to the business
24 activities of private education and health services, ~~and~~ administrative and support services. ~~This~~
25 ~~rate also applies to~~ and all business activities not otherwise exempt and not elsewhere subjected

1 to a gross receipts tax rate or an administrative office tax by this Article 12-A-1. ~~Commencing on~~
2 ~~the operative date of the Gross Receipts Tax Ordinance, the Controller shall compute the tax~~
3 ~~rate in accordance with Section 959, but the base tax rate provided by this Section is~~are:

4 (1) For tax years beginning on or after January 1, 2018 and ending on or before
5 December 31, 2020:

- 6 0.525% (e.g., \$5.25 per \$1,000) for gross receipts between \$0 and \$1,000,000
- 7 0.550% (e.g., \$5.50 per \$1,000) for gross receipts between \$1,000,001 and \$2,500,000
- 8 0.600% (e.g., \$6 per \$1,000) for gross receipts between \$2,500,001 and \$25,000,000
- 9 0.650% (e.g., \$6.50 per \$1,000) for gross receipts over \$25,000,000

10 (2) For the business activities of private education and health services and
11 administrative and support services:

- 12 (A) For tax year 2021:
- 13 0.735% (e.g., \$7.35 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000
- 14 0.77% (e.g., \$7.70 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
15 \$2,500,000
- 16 0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
17 \$25,000,000
- 18 0.91% (e.g., \$9.10 per \$1,000) for taxable gross receipts over \$25,000,000

19 (B) For tax year 2022 and, if the Controller does not certify under
20 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax
21 year 2023:

- 22 0.761% (e.g., \$7.61 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000
- 23 0.798% (e.g., \$7.98 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
24 \$2,500,000

1 0.87% (e.g., \$8.70 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
2 \$25,000,000

3 0.943% (e.g., \$9.43 per \$1,000) for taxable gross receipts over \$25,000,000

4 (C) For tax year 2023 if the Controller certifies under Section 953.10 that
5 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
6 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
7 met for tax year 2024:

8 0.788% (e.g., \$7.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

9 0.825% (e.g., \$8.25 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
10 \$2,500,000

11 0.9% (e.g., \$9 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
12 \$25,000,000

13 0.975% (e.g., \$9.75 per \$1,000) for taxable gross receipts over \$25,000,000

14 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
15 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
16 or after January 1, 2025:

17 0.814% (e.g., \$8.14 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

18 0.853% (e.g., \$8.53 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
19 \$2,500,000

20 0.93% (e.g., \$9.30 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
21 \$25,000,000

22 1.008% (e.g., \$10.08 per \$1,000) for taxable gross receipts over \$25,000,000

1 (3) For all business activities not otherwise exempt and not elsewhere subjected
2 to a gross receipts tax rate or an administrative office tax by this Article 12-A-1:

3 (A) For tax year 2021:

4 0.735% (e.g., \$7.35 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

5 0.77% (e.g., \$7.70 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
6 \$2,500,000

7 0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
8 \$25,000,000

9 0.91% (e.g., \$9.10 per \$1,000) for taxable gross receipts over \$25,000,000

10 (B) For tax year 2022 and, if the Controller does not certify under
11 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax
12 year 2023:

13 0.788% (e.g., \$7.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

14 0.825% (e.g., \$8.25 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
15 \$2,500,000

16 0.9% (e.g., \$9 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
17 \$25,000,000

18 0.975% (e.g., \$9.75 per \$1,000) for taxable gross receipts over \$25,000,000

19 (C) For tax year 2023 if the Controller certifies under Section 953.10 that
20 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
21 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
22 met for tax year 2024:

23 0.814% (e.g., \$8.14 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

24 0.853% (e.g., \$8.53 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
25 \$2,500,000

1 0.93% (e.g., \$9.30 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
2 \$25,000,000

3 1.008% (e.g., \$10.08 per \$1,000) for taxable gross receipts over \$25,000,000

4 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
5 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
6 or after January 1, 2025:

7 0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

8 0.88% (e.g., \$8.80 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
9 \$2,500,000

10 0.96% (e.g., \$9.60 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
11 \$25,000,000

12 1.04% (e.g., \$10.40 per \$1,000) for taxable gross receipts over \$25,000,000

13 * * * *

14 (e) If the final judicial decision in San Francisco Superior Court Case No.
15 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
16 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
17 specified business taxes to fund specified homeless services in San Francisco, and all matters
18 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
19 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
20 after January 1 of the tax year following the date on which such court decision becomes final,
21 the phrase “over \$25,000,000” in Sections 953.4(a)(2) and (3), as applicable, shall be replaced
22 with the phrase “between \$25,000,000.01 and \$50,000,000” and there shall be added to each of
23 the rate tiers in each of those Sections an additional rate tier for taxable gross receipts over
24 \$50,000,000 with a rate of 0.69% plus the applicable rate for taxable gross receipts between
25 \$25,000,000.01 and \$50,000,000. These additional rate tiers shall continue in effect for 20 tax

1 years, after which the rate tiers shall return to what the rate tiers would have been absent the
2 increase in this Section 953.4(e).

3
4 **SEC. 953.5. GROSS RECEIPTS TAX APPLICABLE TO CONSTRUCTION.**

5 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to the business
6 activity of construction. ~~Commencing on the operative date of the Gross Receipts Tax~~
7 ~~Ordinance, the Controller shall compute the tax rate in accordance with Section 959, but the~~
8 ~~base tax rate provided by this Section is~~are:

9 (1) For tax years beginning on or after January 1, 2018 and ending on or before
10 December 31, 2020:

- 11 0.300% (e.g., \$3 per \$1,000) for gross receipts between \$0 and \$1,000,000
- 12 0.350% (e.g., \$3.50 per \$1,000) for gross receipts between \$1,000,001 and \$2,500,000
- 13 0.400% (e.g., \$4 per \$1,000) for gross receipts between \$2,500,001 and \$25,000,000
- 14 0.450% (e.g., \$4.50 per \$1,000) for gross receipts over \$25,000,000

15 (2) For tax years beginning on or after January 1, 2021:
16 0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000
17 0.49% (e.g., \$4.90 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
18 \$2,500,000
19 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
20 \$25,000,000
21 0.63% (e.g., \$6.30 per \$1,000) for taxable gross receipts over \$25,000,000

22 * * * *

23 (d) If the final judicial decision in San Francisco Superior Court Case No.
24 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
25 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in

1 specified business taxes to fund specified homeless services in San Francisco, and all matters
2 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
3 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
4 after January 1 of the tax year following the date on which such court decision becomes final,
5 the phrase “over \$25,000,000” in Section 953.5(a)(2) shall be replaced with the phrase
6 “between \$25,000,000.01 and \$50,000,000” and there shall be added to the rate tiers in that
7 Section an additional rate tier for taxable gross receipts over \$50,000,000 with a rate of 1.105%.
8 This additional rate tier shall continue in effect for 20 tax years, after which the rate tiers shall
9 return to what the rate tiers would have been absent the increase in this Section 953.5(d).

10
11 **SEC. 953.6. GROSS RECEIPTS TAX APPLICABLE TO FINANCIAL SERVICES;**
12 **INSURANCE; AND PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES.**

13 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to the business
14 activities of financial services; insurance; and professional, scientific and technical services.
15 ~~Commencing on the operative date of the Gross Receipts Tax Ordinance, the Controller shall~~
16 ~~compute the tax rate in accordance with Section 959, but the base tax rate provided by this~~
17 ~~Section is~~are:

18 (1) For tax years beginning on or after January 1, 2018 and ending on or before
19 December 31, 2020:

- 20 0.400% (e.g., \$4 per \$1,000) for gross receipts between \$0 and \$1,000,000
- 21 0.460% (e.g., \$4.60 per \$1,000) for gross receipts between \$1,000,001 and \$2,500,000
- 22 0.510% (e.g., \$5.10 per \$1,000) for gross receipts between \$2,500,001 and \$25,000,000
- 23 0.560% (e.g., \$5.60 per \$1,000) for gross receipts over \$25,000,000

1 (2) For the business activity of insurance:

2 (A) For tax year 2021:

3 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

4 0.644% (e.g., \$6.44 per \$1,000) for taxable gross receipts between \$1,000,000.01 and

5 \$2,500,000

6 0.714% (e.g., \$7.14 per \$1,000) for taxable gross receipts between \$2,500,000.01 and

7 \$25,000,000

8 0.784% (e.g., \$7.84 per \$1,000) for taxable gross receipts over \$25,000,000

9 (B) For tax year 2022 and, if the Controller does not certify under

10 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax

11 year 2023:

12 0.58% (e.g., \$5.80 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

13 0.667% (e.g., \$6.67 per \$1,000) for taxable gross receipts between \$1,000,000.01 and

14 \$2,500,000

15 0.74% (e.g., \$7.40 per \$1,000) for taxable gross receipts between \$2,500,000.01 and

16 \$25,000,000

17 0.812% (e.g., \$8.12 per \$1,000) for taxable gross receipts over \$25,000,000

18 (C) For tax year 2023 if the Controller certifies under Section 953.10 that

19 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the

20 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been

21 met for tax year 2024:

22 0.6% (e.g., \$6 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

23 0.69% (e.g., \$6.90 per \$1,000) for taxable gross receipts between \$1,000,000.01 and

24 \$2,500,000

1 0.765% (e.g., \$7.65 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
2 \$25,000,000

3 0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts over \$25,000,000

4 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
5 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
6 or after January 1, 2025:

7 0.62% (e.g., \$6.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

8 0.713% (e.g., \$7.13 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
9 \$2,500,000

10 0.791% (e.g., \$7.91 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
11 \$25,000,000

12 0.868% (e.g., \$8.68 per \$1,000) for taxable gross receipts over \$25,000,000

13 (3) For the business activities of financial services and professional, scientific
14 and technical services:

15 (A) For tax year 2021:

16 0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

17 0.644% (e.g., \$6.44 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
18 \$2,500,000

19 0.714% (e.g., \$7.14 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
20 \$25,000,000

21 0.784% (e.g., \$7.84 per \$1,000) for taxable gross receipts over \$25,000,000

22 (B) For tax year 2022 and, if the Controller does not certify under
23 Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax
24 year 2023:

25 0.6% (e.g., \$6 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

1 0.69% (e.g., \$6.90 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
2 \$2,500,000

3 0.765% (e.g., \$7.65 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
4 \$25,000,000

5 0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts over \$25,000,000

6 (C) For tax year 2023 if the Controller certifies under Section 953.10 that
7 the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
8 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
9 met for tax year 2024:

10 0.62% (e.g., \$6.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

11 0.713% (e.g., \$7.13 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
12 \$2,500,000

13 0.791% (e.g., \$7.91 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
14 \$25,000,000

15 0.868% (e.g., \$8.68 per \$1,000) for taxable gross receipts over \$25,000,000

16 (D) For tax year 2024 if the Controller certifies under Section 953.10 that
17 the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on
18 or after January 1, 2025:

19 0.64% (e.g., \$6.40 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

20 0.736% (e.g., \$7.36 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
21 \$2,500,000

22 0.816% (e.g., \$8.16 per \$1,000) for taxable gross receipts between \$2,500,000.01 and
23 \$25,000,000

24 0.896% (e.g., \$8.96 per \$1,000) for taxable gross receipts over \$25,000,000

25 * * * *

1 (f) If the final judicial decision in San Francisco Superior Court Case No.
2 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
3 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
4 specified business taxes to fund specified homeless services in San Francisco, and all matters
5 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
6 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
7 after January 1 of the tax year following the date on which such court decision becomes final,
8 the phrase “over \$25,000,000” in Sections 953.6(a)(2) and (3), as applicable, shall be replaced
9 with the phrase “between \$25,000,000.01 and \$50,000,000” and there shall be added to each of
10 the rate tiers in each of those Sections an additional rate tier for taxable gross receipts over
11 \$50,000,000 with a rate of 0.6% plus the applicable rate for taxable gross receipts between
12 \$25,000,000.01 and \$50,000,000. These additional rate tiers shall continue in effect for 20 tax
13 years, after which the rate tiers shall return to what the rate tiers would have been absent the
14 increase in this Section 953.6(f).

15
16 **SEC. 953.7. GROSS RECEIPTS TAX APPLICABLE TO REAL ESTATE AND RENTAL**
17 **AND LEASING SERVICES.**

18 (a) The ~~base~~ gross receipts tax rates ~~provided by this Section is~~ applicable to the business
19 activities of real estate and rental and leasing services. ~~Commencing on the operative date of the~~
20 ~~Gross Receipts Tax Ordinance, the Controller shall compute the tax rate in accordance with~~
21 ~~Section 959, but the base tax rate provided by this Section is~~ are:

22 (1) For tax years beginning on or after January 1, 2018 and ending on or before
23 December 31, 2020:

24 0.285% (e.g., \$2.85 per \$1,000) for gross receipts between \$0 and \$1,000,000

25 0.285% (e.g., \$2.85 per \$1,000) for gross receipts between \$1,000,001 and \$5,000,000

1 0.300% (e.g., \$3.00 per \$1,000) for gross receipts between \$5,000,001 and \$25,000,000

2 0.300% (e.g., \$3.00 per \$1,000) for gross receipts over \$25,000,000

3 (2) For tax year 2021:

4 0.399% (e.g., \$3.99 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

5 0.399% (e.g., \$3.99 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
6 \$5,000,000

7 0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$5,000,000.01 and
8 \$25,000,000

9 0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts over \$25,000,000

10 (3) For tax year 2022 and, if the Controller does not certify under Section 953.10
11 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:

12 0.413% (e.g., \$4.13 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

13 0.413% (e.g., \$4.13 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
14 \$5,000,000

15 0.435% (e.g., \$4.35 per \$1,000) for taxable gross receipts between \$5,000,000.01 and
16 \$25,000,000

17 0.435% (e.g., \$4.35 per \$1,000) for taxable gross receipts over \$25,000,000

18 (4) For tax year 2023 if the Controller certifies under Section 953.10 that the
19 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
20 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
21 met for tax year 2024:

22 0.428% (e.g., \$4.28 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

23 0.428% (e.g., \$4.28 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
24 \$5,000,000

1 0.45% (e.g., \$4.50 per \$1,000) for taxable gross receipts between \$5,000,000.01 and
2 \$25,000,000

3 0.45% (e.g., \$4.50 per \$1,000) for taxable gross receipts over \$25,000,000

4 (5) For tax year 2024 if the Controller certifies under Section 953.10 that the
5 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or
6 after January 1, 2025:

7 0.442% (e.g., \$4.42 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

8 0.442% (e.g., \$4.42 per \$1,000) for taxable gross receipts between \$1,000,000.01 and
9 \$5,000,000

10 0.465% (e.g., \$4.65 per \$1,000) for taxable gross receipts between \$5,000,000.01 and
11 \$25,000,000

12 0.465% (e.g., \$4.65 per \$1,000) for taxable gross receipts over \$25,000,000

13 * * * *

14 (d) If the final judicial decision in San Francisco Superior Court Case No.
15 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
16 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
17 specified business taxes to fund specified homeless services in San Francisco, and all matters
18 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
19 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
20 after January 1 of the tax year following the date on which such court decision becomes final,
21 the phrase “over \$25,000,000” in Sections 953.7(a)(2) through (5), inclusive, as applicable,
22 shall be replaced with the phrase “between \$25,000,000.01 and \$50,000,000” and there shall be
23 added to the rate tiers in each of those Sections an additional rate tier for taxable gross receipts
24 over \$50,000,000 with a rate of 0.325% plus the applicable rate for taxable gross receipts
25 between \$25,000,000.01 and \$50,000,000. This additional rate tier shall continue in effect for

1 20 tax years, after which the rate tiers shall return to what the rate tiers would have been absent
2 the increase in this Section 953.7(d).

3
4 **SEC. 953.8. TAX ON ADMINISTRATIVE OFFICE BUSINESS ACTIVITIES.**

5 (a) Except as provided in this Section 953.8, notwithstanding any other provision of this
6 Article 12-A-1 and in lieu of the other taxes provided by this Article ~~and Article 12-A~~ for any
7 person or combined group, ~~commencing on the Operative Date of the Gross Receipts' Tax~~
8 ~~Ordinance~~, every person engaging in business within the City as an administrative office, as
9 defined below, shall pay an annual administrative office tax measured by its total payroll expense
10 that is attributable to the City. If a person is a member of a combined group, then its tax shall be
11 measured by the total payroll expense of the combined group attributable to the City. Such
12 combined group shall pay only the administrative office tax. The administrative office tax rate
13 ~~for each tax year is: 1.400 percent.~~

14 (1) For tax years beginning on or after January 1, 2014 and ending on or before
15 December 31, 2021: 1.4%.

16 (2) For tax year 2022 and, if the Controller does not certify under Section 953.10
17 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023: 1.47%.

18 (3) For tax year 2023 if the Controller certifies under Section 953.10 that the
19 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the
20 Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been
21 met for tax year 2024: 1.54%.

22 (4) For tax year 2024 if the Controller certifies under Section 953.10 that the
23 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or
24 after January 1, 2025: 1.61%

25 * * * *

1 (f) "Payroll expense" for purposes of this Section 953.8 means the compensation paid to,
2 on behalf of, or for the benefit of an individual, including shareholders of a professional
3 corporation or a Limited Liability Company ("LLC"), including salaries, wages, bonuses,
4 commissions, property issued or transferred in exchange for the performance of services
5 (including but not limited to stock options), compensation for services to owners of pass-through
6 entities, and any other form of compensation, who during any tax year, perform work or render
7 services, in whole or in part in the City; and if more than one individual or shareholders of a
8 professional corporation or members of an LLC, during any tax year performs work or renders
9 services in whole or in part in the City, the term "Payroll Expense" means the total
10 compensation paid including salaries, wages, bonuses, commissions, property issued or
11 transferred in exchange for the performance of services (including but not limited to stock
12 options), in addition to any compensation for services to owners of pass-through entities, and
13 any other form of compensation for services, to all such individuals and shareholders of a
14 professional corporation or members of an LLC. For purposes of this definition of payroll
15 expense:

16 (1) Any person that grants a service provider a right to acquire an ownership
17 interest in such person in exchange for the performance of services shall include in its payroll
18 expense for the tax year in which such right is exercised an amount equal to the excess of (A) the
19 fair market value of such ownership interest on the date such right is exercised over (B) the price
20 paid for such interest. This Section 953.8(f)(1) shall not apply for purposes of determining
21 whether a person is engaging in business within the City as an administrative office, but shall
22 apply for all other purposes of this Section 953.8.

23 (2) Any individual compensated in his or her capacity as a real estate
24 salesperson or mortgage processor shall be deemed an employee of the real estate broker or
25 mortgage broker for or under whom such individual performs services, and any compensation

1 received by such individual, including compensation by way of commissions, shall be included in
2 the payroll expense of such broker. For purposes of this Section 953.8(f), “real estate broker”
3 and “mortgage broker” refer to any individual licensed as such under the laws of the State of
4 California who engages the services of salespersons or a salesperson, or of mortgage processors
5 or a mortgage processor, to perform services in the business which such broker conducts under
6 the authority of his or her license; a “salesperson” is an individual who is engaged by a real
7 estate broker to perform services, which may be continuous in nature, as a real estate
8 salesperson under an agreement with a real estate broker, regardless of whether the individual
9 is licensed as a real estate broker under the laws of the State of California; a “mortgage
10 processor” is an individual who is engaged by a real estate broker or mortgage broker to
11 perform services, which may be continuous in nature, as a mortgage processor under an
12 agreement with such real estate broker or mortgage broker, regardless of whether the mortgage
13 processor is also licensed as a mortgage broker under the laws of the State of California.

14 (3) All compensation, including all pass-through compensation for services paid
15 to, on behalf of, or for the benefit of owners of a pass-through entity, shall be included in the
16 calculation of such entity’s payroll expense tax base for purposes of determining such entity’s
17 tax liability under this Section 953.8. For purposes of this Section 953.8(f), the “pass-through
18 compensation for services” of a pass-through entity shall be the aggregate compensation paid by
19 such entity for personal services rendered by all such owners, and shall not include any return
20 on capital investment. The taxpayer may calculate the amount of compensation to owners of the
21 entity subject to the administrative office tax in this Section 953.8, or the taxpayer may presume
22 that, in addition to amounts reported on a W-2 form, the amount subject to the administrative
23 office tax is, for each owner, an amount that is 200% of the average annual compensation paid
24 to, on behalf of, or for the benefit of the employees of the pass-through entity whose
25 compensation is in the top quartile (i.e., 25%) of the entity’s employees who are based in the

1 City; provided, the total number of employees of the entity based in the City is not less than
2 four shall have the meaning given to that term by Sections 902.1 et seq. of Article 12-A, except
3 that Section 902.1(b) of Article 12-A shall not apply for purposes of determining whether a
4 person is engaging in business within the City as an administrative office. Section 902.1(b) shall
5 apply for all other purposes under this Section.

6 (4) The portion of the payroll expense of a person or combined group that is
7 attributable to the City shall be determined as set forth in Section 904 of Article 12-A. Where
8 payroll expense is incurred by reason of work performed or services rendered by an individual
9 wholly within the City, all of the payroll expense for such individual shall be attributable to the
10 City and subject to tax under this Section 953.8. Where payroll expense is incurred by reason of
11 work performed or services rendered by an individual partly within and partly without the City,
12 the portion of such payroll expense attributable to the City (and subject to tax under this Section)
13 shall be determined as follows:

14 (A) Except as otherwise provided in this Section 953.8(f)(4), the portion
15 of such payroll expense attributable to the City shall be the portion of such payroll expense
16 which the total number of working hours employed within the City bears to the total number of
17 working hours within and without the City.

18 (B) If the amount of such payroll expense depends on the volume of
19 business transacted by such individual, then the portion of such payroll expense attributable to
20 the City shall be the portion of such payroll expense which the volume of business transacted by
21 such individual in the City bears to the volume of business transacted by such individual within
22 and without the City.

23 (C) If it is impracticable, unreasonable or improper to apportion such
24 payroll expenses as aforesaid either because of the particular nature of the services of such
25 individual, or on account of the unusual basis of compensation, or for any other reason, then the

1 amount of such payroll earnings reasonably attributable to work performed or services rendered
2 in the City shall be determined on the basis of all relevant facts and circumstances of the
3 particular case, in accordance with any rulings or regulations issued or promulgated by the Tax
4 Collector for the purpose.

5 (D) If the Tax Collector determines that the percentage of payroll
6 expenses attributable to the City, for any one or more persons, is a relatively stable percentage,
7 the Tax Collector may establish that percentage as a prima facie evidence of payroll expense
8 attributable to the City; provided, that the Tax Collector shall condition the establishment of
9 such fixed percentage upon the obligation of the taxpayer to report immediately to the Tax
10 Collector any significant change in the taxpayer's mode of business which may impact the
11 portion of the person's payroll expense which is attributable to the City; and, provided further,
12 that the Tax Collector may rescind any such fixed percentage at any time by providing written
13 notice to the taxpayer of such rescission.

14 * * * *

15 (i) If the final judicial decision in San Francisco Superior Court Case No.
16 CGC-19-573230 (City and County of San Francisco v. All persons interested in the matter of
17 Proposition C on the November 6, 2018 San Francisco ballot, authorizing an increase in
18 specified business taxes to fund specified homeless services in San Francisco, and all matters
19 and proceedings related thereto) has the effect of invalidating the Homelessness Gross Receipts
20 Tax in Article 28 of the Business and Tax Regulations Code, then for tax years beginning on or
21 after January 1 of the tax year following the date on which such court decision becomes final
22 there shall be added to the rates in Sections 953.8(a)(1) through 953.8(a)(4), inclusive, an
23 additional 1.5%. This increased rate shall continue in effect for 20 tax years, after which the
24 rate shall return to what the rate would have been absent the increase in this Section 953.8(i).

1 **SEC. 953.9. PERSONS OR COMBINED GROUPS ENGAGED IN MULTIPLE**
2 **BUSINESS ACTIVITIES.**

3 If a person, or a combined group as described in Section 956.3, engages in business
4 activities described in more than one of Sections 953.1 through 953.7, inclusive, ~~of this Article,~~
5 or engages in business activities listed in more than one of subsections 953.1(a)(2), 953.1(a)(3),
6 953.2(a)(2), 953.2(a)(3), 953.2(a)(4), 953.2(a)(5), 953.3(a)(2), 953.3(a)(3), 953.4(a)(2),
7 953.4(a)(3), 953.6(a)(2), and 953.6(a)(3), the rate or rates of gross receipts tax to be applied to
8 that person or combined group, and the method for determining gross receipts in the City, shall
9 be determined as follows:

10 (a) If more than 80% ~~percent~~ of its gross receipts, determined in accordance with
11 Section 956, are derived from business activities described in only one of Sections 953.1
12 through 953.7, inclusive, then the rules of that applicable Section apply to all of its gross receipts
13 derived from all business activities. If the Section from which the person or combined group
14 derived more than 80% of its gross receipts includes different rates for different business
15 activities described in that Section, then the rates applicable to the gross receipts that are
16 deemed to be from business activities described in that Section shall be the rates that apply to the
17 business activities within that Section from which the person or combined group derived the most
18 taxable gross receipts, or if there is not a single business activity within that Section from which
19 the person or combined group derived the most taxable gross receipts because the person or
20 combined group derived the same amount of taxable gross receipts from one or more business
21 activities within the Section, then the rates applicable to the gross receipts that are deemed to be
22 from business activities described in that Section shall be the highest rates within that Section
23 that apply to business activities from which the person or combined group derived the same
24 amount of taxable gross receipts.

1 (b) If its business activities in the City are described in more than one of Sections 953.1
2 through 953.7, inclusive, or are listed in more than one of subsections 953.1(a)(2), 953.1(a)(3),
3 953.2(a)(2), 953.2(a)(3), 953.2(a)(4), 953.2(a)(5), 953.3(a)(2), 953.3(a)(3), 953.4(a)(2),
4 953.4(a)(3), 953.6(a)(2), and 953.6(a)(3), and, after applying subsection (a) of this
5 Section 953.9, the person or combined group remains subject to the rates in more than one of
6 Sections 953.1 through 953.7, inclusive, or more than one of subsections 953.1(a)(2),
7 953.1(a)(3), 953.2(a)(2), 953.2(a)(3), 953.2(a)(4), 953.2(a)(5), 953.3(a)(2), 953.3(a)(3),
8 953.4(a)(2), 953.4(a)(3), 953.6(a)(2), and 953.6(a)(3)-subsection (a) of this Section does not
9 apply, then such person or combined group shall separately compute the gross receipts tax for
10 each set of business activities as provided in the Section or subsection applicable to that
11 particular set of business activities, modified as follows:

12 (1) if the set of business activities described in any of Sections 953.1
13 through 953.7, inclusive, generates less than ~~20% percent~~ of the total gross receipts of the person
14 or combined group, then the receipts and payroll of any such set of activities may be combined
15 for all purposes related to computing the gross receipts tax with whichever set of that person's or
16 combined group's activities are taxed at the highest rate;

17 (2) the small business exemption provided in Section 954.1 shall apply only if the
18 sum of receipts within the City from all sets of business activities does not exceed ~~\$1,000,000~~the
19 applicable threshold in Section 954.1 in total;

20 (3) the progressive rates described in Sections 953.1 through 953.7, and the
21 subsections within those Sections, apply on an aggregate basis for businesses with multiple sets
22 of activities;

23 (4) the applicable rate for each set of business activities shall be determined in
24 numbered order of the Sections and subsections describing each set of business activities;
25 i.e.e.g., the gross receipts and tax for business activities described in §subsection 953.1(a)(2)

1 should be determined first, §subsection 953.1(a)(3) second, §subsection 953.2(a)(2) third
2 second, and so on;

3 (5) the rate(s) applicable to any set of activities after the first shall be determined
4 by adding together the gross receipts determined for all previous sets of activities and applying
5 the rate scale commencing with the total gross receipts so determined; and

6 (6) the gross receipts tax liability for the person or combined group shall be the
7 sum of the liabilities for each set of business activities.

8
9 **SEC. 953.10. CONTROLLER TO PUBLISH AND CERTIFY TAXABLE GROSS RECEIPTS**
10 **AMOUNTS.**

11 (a) On or before October 3, 2022, for purposes of determining the applicable tax rates
12 for tax year 2023, the Controller shall publish the total amount of taxable gross receipts for tax
13 year 2021 reported by taxpayers as of June 30, 2022, and if that amount is equal to or greater
14 than 90% of taxable gross receipts for tax year 2019 reported by taxpayers as of June 30, 2020,
15 the Controller shall certify that the 90% gross receipts threshold has been met for tax year 2023.

16 (b) On or before October 2, 2023, for purposes of determining the applicable tax rates
17 for tax year 2024, the Controller shall publish the total amount of taxable gross receipts for tax
18 year 2022 reported by taxpayers as of June 30, 2023, and if that amount is equal to or greater
19 than 95% of taxable gross receipts for tax year 2019 reported by taxpayers as of June 30, 2020,
20 the Controller shall certify that the 95% gross receipts threshold has been met for tax year 2024.

21 (c) For purposes of this Section 953.10, “taxable gross receipts” means a person or
22 combined group’s gross receipts, not excluded under Section 954, attributable to the City.

1 **SEC. 954. EXEMPTIONS AND EXCLUSIONS.**

2 (a) ~~Except as provided in subsection (b) of this Section, An~~ organization that is exempt
3 from income taxation by Chapter 4 (commencing with Section 23701) of Part 11 of Division 2 of
4 the California Revenue and Taxation Code or Subchapter F (commencing with Section 501) of
5 Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, as qualified by
6 Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as amended, shall be
7 exempt from taxation under this Article 12-A-1, only so long as those exemptions continue to
8 exist under state or federal law.

9 ~~(b) An organization otherwise exempt from income taxation under subsection (a) that is~~
10 ~~directly engaged within the City in an unrelated trade or business within the meaning of~~
11 ~~Section 513(a) of the Internal Revenue Code of 1986, as amended, and has, from its own~~
12 ~~operations, unrelated business taxable income within the meaning of Section 512(a)(1) of the~~
13 ~~Internal Revenue Code of 1986, as amended, shall pay the gross receipts tax on its gross receipts~~
14 ~~from its unrelated trade or business activities that are attributable to the City. If it is~~
15 ~~impracticable, unreasonable or improper to allocate such organization's gross receipts as~~
16 ~~aforesaid either because of the particular nature of the organization's unrelated trade or~~
17 ~~business or for any other reason, then the amount of gross receipts reasonably attributable to the~~
18 ~~organization's unrelated trade or business in the City shall be determined on the basis of all of~~
19 ~~the relevant facts and circumstances of the particular case, in accordance with any rulings or~~
20 ~~regulations issued or promulgated by the Tax Collector for this purpose.~~

21 ~~(be)~~ Gross receipts as defined in Section 952.3 shall not include receipts from business
22 activities if, and only so long as and to the extent that, the City is prohibited from taxing such
23 receipts under the Constitution or laws of the United States or under the Constitution or laws of
24 the State of California.

1 (~~c~~) Rent Controlled Buildings Exclusion. A person subject to the tax may exclude from
2 gross receipts in any tax year ~~50% percent~~ of the total amount received from the rental of real
3 property to tenants in occupancy at any location in the City, which is subject to limits on rent
4 increases pursuant to the Residential Rent Stabilization and Arbitration Ordinance,
5 ~~San Francisco~~ Administrative Code, Chapter 37, Section 37.1 et seq.

6 (~~d~~) Exclusion of Certain Sales of Real Property. Gross receipts as defined in
7 Section 952.3 shall not include receipts from any sales of real property with respect to which the
8 Real Property Transfer Tax imposed by Article 12-C has been paid to the City.

9 (~~e~~) For only so long as and to the extent that the City is prohibited from imposing the
10 tax under this Article 12-A-1, the following persons shall be exempt from the gross receipts tax:

11 (1) Banks and financial corporations exempt from local taxation under
12 Article XIII, Section 27 of the California Constitution and Revenue and Taxation Code
13 Section 23182;

14 (2) Insurance companies exempt from local taxation under Article XIII,
15 Section 28 of the California Constitution;

16 (3) Persons engaging in business as a for-hire motor carrier of property under
17 Revenue and Taxation Code Section 7233;

18 (4) Persons engaging in intercity transportation as a household goods carrier
19 under Public Utilities Code Section 5327;

20 (5) Charter-party carriers operating limousines that are neither domiciled nor
21 maintain a business office within the City under Public Utilities Code Section 5371.4; and

22 (6) Any person upon whom the City is prohibited under the Constitution or laws
23 of the State of California from imposing the gross receipts tax.

24 (~~g~~) ~~To the extent that any taxpayer has paid a substantially similar tax to any other~~
25 ~~taxing jurisdiction on any gross receipts attributed to the City and taxed under this Article, the~~

1 ~~tax paid to such taxing jurisdiction shall be credited against the tax due under this Article; in no~~
2 ~~event shall this credit reduce the taxpayer's liability to less than zero.~~

3
4 **SEC. 954.1. SMALL BUSINESS EXEMPTION.**

5 (a) Notwithstanding any other provision of this Article 12-A-1, a “small business
6 enterprise,” as hereinafter defined for purposes of this Article, shall be exempt from payment of
7 the gross receipts tax, nevertheless, a small business enterprise shall pay the annual registration
8 fee pursuant to Section 855 of Article 12.

9 (b) For purposes of this Article 12-A-1, the term “small business enterprise” shall mean:
10 ~~and include~~

11 (1) For tax years beginning on or after January 1, 2014 and ending on or before
12 December 31, 2020, any person or combined group, except for a lessor of residential real estate,
13 whose gross receipts within the City ~~for the preceding tax year~~ did not exceed \$1,000,000,
14 adjusted annually in accordance with the increase in the Consumer Price Index: All Urban
15 Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United
16 States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the
17 preceding year, beginning with December 31, 2014.

18 (2) For tax years beginning on or after January 1, 2021, any person or combined
19 group, except for a lessor of residential real estate, whose gross receipts within the City did not
20 exceed \$2,000,000, adjusted annually in accordance with the increase in the Consumer Price
21 Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as
22 reported by the United States Bureau of Labor Statistics, or any successor to that index, as of
23 December 31 of the preceding year, beginning with December 31, 2021.

24 (c) For purposes of this Article 12-A-1, and notwithstanding any other provision of this
25 Section 954.1, a lessor of residential real estate is a “small business enterprise” if and only if the

1 lessor leases fewer than 4 units in any individual building. “Residential real estate” means real
2 property where the primary use of or right to use the property is for the purpose of dwelling,
3 sleeping or lodging other than as part of the business activity of accommodations. For purposes
4 of this Article 12-A-1, ~~Article 12-A~~, and Article 12, a lessor of residential real estate is treated as
5 a separate person with respect to each individual building in which it leases residential real estate
6 units, notwithstanding Section 6.2-15 of Article 6, or Section 956.3 of this Article 12-A-1. The
7 provisions of this subsection (c) apply only to leasing residential real estate units within a
8 building, and not to any business activity related to other space, either within the same building
9 or other buildings, which is not residential real estate. The Tax Collector is authorized to
10 determine what constitutes a separate building and the number of units in a building.

11
12 **SEC. 956.2. APPORTIONMENT OF RECEIPTS BASED ON PAYROLL.**

13 * * * *

14 (e) Compensation paid in the City shall be determined as set forth in
15 Section ~~953.8(f)(4)~~ ~~904 of Article 12-A~~.

16 * * * *

17 (g) The apportionment provided by this Section 956.2 shall not include in either the
18 numerator or the denominator any payroll of persons exempt from tax under subsections (a), ~~(b)~~,
19 or ~~(e)~~ of Section 954.

20
21 **~~SEC. 959. RATE OF GROSS RECEIPTS TAX: CONTROLLER COMPUTATION.~~**

22 ~~(a) Commencing on the operative date of the Gross Receipts Tax Ordinance, the~~
23 ~~Controller shall compute the rate of gross receipts tax for Sections 953.1 through 953.7 in~~
24 ~~accordance with subsection (b) of this Section. The Controller shall certify and publish such~~
25 ~~rates on or before September 1 of each year.~~

1 ~~(b) Gross Receipts Tax Computation. The Controller shall compute the gross receipts~~
 2 ~~tax rates for each tax year by multiplying each base rate in Sections 953.1 through 953.7 by the~~
 3 ~~“Gross Receipts Tax Rate Adjustment Factor,” which shall be determined according to the~~
 4 ~~following table and formulas, but no gross receipts tax rate shall exceed the base rates provided~~
 5 ~~by Sections 953.1 through 953.7.~~

6 *Gross Receipts Tax Rate Adjustment Factor Computation Table*

7

<i>Tax Year</i>	<i>Gross Receipts Tax Rate Adjustment Factor (GADJ_{year})</i>
<i>2014</i>	<i>GADJ₁₄ = 10%</i>
<i>2015</i>	<i>GADJ₁₅ = 25% + EXP₁₅</i>
<i>2016</i>	<i>GADJ₁₆ = 50% + EXP₁₆</i>
<i>2017</i>	<i>GADJ₁₇ = 75% + EXP₁₇</i>
<i>2018</i>	<i>GADJ₁₈ = 100% + EXP₁₈</i>

8

9

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13

14 ~~Where: “EXP_{year}” is the “Excess Payroll Expense Tax Revenue Factor,” a percentage that~~
 15 ~~reduces the gross receipts tax rate adjustment factor for a year in which the payroll expense tax~~
 16 ~~rate determined under Section 903.1 of Article 12-A becomes zero, and which adjusts for excess~~
 17 ~~payroll expense tax revenue collected for that tax year. The Controller shall compute EXP_{year}~~
 18 ~~according to the following table and formulas:~~

19 ~~(1) In any year in which PAYRATE_{year} is greater than zero, where~~
 20 ~~PAYRATE_{year} is determined under Section 903.1 of Article 12-A, EXP_{year} is zero.~~

21 ~~(2) In the first year in which PAYRATE_{year} is zero, where PAYRATE_{year} is~~
 22 ~~determined under Section 903.1 of Article 12-A, EXP_{year} shall be computed according to the~~
 23 ~~following table and formulas. In subsequent years, GADJ_{year} shall be the same value it was in~~
 24 ~~the prior year:~~

Excess Payroll Expense Tax Revenue Factor Computation Table

<i>Tax Year</i>	<i>Excess Payroll Expense Tax Revenue Factor (EXP_{year})</i>
<i>2015</i>	$EXP_{15} = [(1.125\% + PADJ_{15}) \times (PAYTAX_{14}/PAYRATE_{14})] / (GRTAX_{14}/10\%)$
<i>2016</i>	$EXP_{16} = [(0.750\% + PADJ_{16}) \times (PAYTAX_{15}/PAYRATE_{15})] / GRTAX_{15}/25\%$
<i>2017</i>	$EXP_{17} = [(0.375\% + PADJ_{17}) \times (PAYTAX_{16}/PAYRATE_{16})] / GRTAX_{16}/50\%$
<i>2018</i>	$EXP_{18} = [PADJ_{18} \times (PAYTAX_{17}/PAYRATE_{17})] / (GRTAX_{17}/75\%)$

Where: PADJ_{year}, PAYTAX_{year}, and GRTAX_{year} are determined under Section 903.1 of Article 12-A.

~~(c) Notwithstanding any other provision of this Article, in any year in which the payroll expense tax rate determined under Section 903.1 of Article 12-A is zero, the gross receipts tax rates for that year and all future years shall be as the Controller computed for that year, except that for tax year 2021 and all future years, the rate under Section 953.7(a), for gross receipts over \$25,000,000 only, shall be the sum of the rate established under this Section 959(c) and 0.025%. In no event shall the rate established under Section 953.7(a) by the preceding sentence, for gross receipts over \$25,000,000, exceed 0.325%. The Controller shall certify and publish such rates by September 1 of that year.~~

~~(d) Notwithstanding any other provision of this Article, the gross receipts tax rates for 2019 and all future years shall be the rates in effect in tax year 2018, except that for tax year 2021 and all future years, the rate under Section 953.7(a), for gross receipts over \$25,000,000 only, shall be the sum of the rate established under this Section 959(c) and 0.025%. In no event shall the rate established under Section 953.7(a) by the preceding sentence, for gross receipts over \$25,000,000, exceed 0.325%. The Controller shall certify and publish such rates on or before September 1, 2019, at which time the Controller's duty to compute, certify and publish the payroll expense tax rate shall cease.~~

1 **SEC. 960. THE “PAYROLL EXPENSE TAX EXCLUSION” CREDIT.**

2 (a) “Payroll Expense Tax Exclusion Credit” means the dollar amount by which a person
3 would have been able to reduce its payroll expense tax liability pursuant to the Enterprise Zone
4 Tax Credit under Section 906A of former Article 12-A, the Biotechnology Exclusion under
5 Section 906.1 of former Article 12-A, and/or the Clean Technology Business Exclusion under
6 Section 906.2 of former Article 12-A, as if the payroll expense tax were in full force and effect
7 and calculated at a rate of 1.5%½ percent.

8 ~~(b) “Combined Business Tax Liability” means the sum of the gross receipts tax and the~~
9 ~~payroll expense tax a person owes for a tax year.~~

10 ~~(be)~~ For so long as a particular payroll expense tax exclusion listed under subsection (a)
11 ~~is~~ would have been in effect had the payroll expense tax not been repealed, ~~without regard to~~
12 ~~whether the payroll expense tax is otherwise in effect~~, a person may credit against its ~~combined~~
13 ~~business~~ gross receipts tax liability for a tax year the amount of a particular payroll expense tax
14 exclusion credit to which it would have been entitled under the former payroll expense tax;
15 however, in no event shall such credit reduce a person’s ~~combined business~~ gross receipts tax
16 liability to less than zero. Any person who claims the credit under this Section 960 must meet all
17 of the eligibility requirements of the former payroll expense tax exclusion(s) it claims. The
18 credit may be claimed against the tax liability only of the person who would have qualified for
19 the former payroll expense tax exclusion and not against any liability of related entities or other
20 members of that person’s combined group.

21
22 ~~**SEC. 961. CENTRAL MARKET STREET LIMIT.**~~

23 ~~(a) The “Central Market Street Limit” means a person’s payroll expense tax liability for~~
24 ~~a tax year as determined under the Central Market Street and Tenderloin Area Payroll Expense~~
25 ~~Tax Exclusion under Section 906.3 of Article 12-A, calculated at a rate of 1½ percent.~~

1 (b) ~~“Combined Business Tax Liability” means the sum of the gross receipts tax and the~~
2 ~~payroll expense tax a person owes that is attributable to location(s) in the Central Market Street~~
3 ~~and Tenderloin Area as defined in Section 906.3(b) of Article 12-A for a tax year under the rates~~
4 ~~established for that year.~~

5 (c) ~~For so long as the Central Market Street and Tenderloin Area Payroll Expense Tax~~
6 ~~Exclusion is in effect, without regard to whether the payroll expense tax is otherwise in effect, a~~
7 ~~person shall owe the lesser of its combined business tax liability or the amount of its Central~~
8 ~~Market Street limit. Any person who claims the Central Market Street and Tenderloin Area~~
9 ~~Payroll Expense Tax Exclusion must meet all of the eligibility requirements of that exclusion.~~

10
11 **SEC. 965. SAVINGS CLAUSE.**

12 (a) No section, clause, part or provision of this Article 12-A-1 shall be construed as
13 requiring the payment of any tax that would be in violation of the Constitution or laws of the
14 United States or of the Constitution or laws of the State of California. Except as provided in
15 subsection (b) of this Section 965, if any section, clause, part or provision of this Article, or the
16 application thereof to any person or circumstance, is held invalid or unconstitutional, the
17 remainder of this Article, including the application of such part or provision to other persons or
18 circumstances, shall not be affected thereby and shall continue in full force and effect. To this
19 end, the provisions of this Article are severable.

20 (b) If the imposition of the gross receipts tax in Section 953, ~~or any portion of the rate~~
21 ~~computation under Section 959, of this Article~~ is held in its entirety to be facially invalid or
22 unconstitutional in a final court determination, the remainder of this Article 12-A-1 shall be ~~null~~
23 ~~and~~ void and of no force and effect, and the City Attorney shall cause it to be removed from the
24 Business and Tax Regulations Code. ~~For any tax year for which this Article is invalidated~~
25 ~~pursuant to this Section, the payroll expense tax provided by Article 12-A may be assessed~~

1 ~~against any person engaging in business in the City during that tax year as if this Ordinance had~~
2 ~~not been passed, except that such assessment may be made and collected notwithstanding any~~
3 ~~statute of limitations provided by Article 6.~~

4
5 Section 6. The Board of Supervisors hereby submits to the qualified voters of the City
6 and County, at an election to be held on November 3, 2020, a proposal to amend the Business
7 and Tax Regulations Code of the City and County by adding Article 36, consisting of
8 Sections 3601 through 3616, to read as follows:

9
10 **ARTICLE 36: COMMERCIAL RENTS TAX**

11
12 **SEC. 3601. SHORT TITLE.**

13 This Article 36 shall be known as the “Commercial Rents Tax Ordinance,” and the tax it
14 imposes shall be known as the “Commercial Rents Tax.”

15
16 **SEC. 3602. DEFINITIONS.**

17 (a) Unless otherwise defined in this Article 36, the terms used in this Article shall have
18 the meanings given to them in Articles 6 and 12-A-1 of the Business and Tax Regulations Code,
19 as amended from time to time. All references to Sections of the Planning Code are to the text of
20 those Sections as of June 5, 2018.

21 (b) For purposes of this Article 36, the following definitions shall apply:

22 “Commercial Space” means any building or structure, or portion of a building or
23 structure, that is not “residential real estate,” as that term is defined in Section 954.1(c) of
24 Article 12-A-1 of the Business and Tax Regulations Code, as amended from time to time.

1 Notwithstanding the preceding sentence, Commercial Space shall not include any building or
2 structure, or portion of a building or structure, that is used for:

3 (1) Industrial Use as defined in Section 102 of the Planning Code;

4 (2) Arts Activities as defined in Section 102 of the Planning Code; or

5 (3) Retail Sales or Service Activities or Retail Sales or Service Establishments, as
6 defined in Section 303.1(c) of the Planning Code, that are not Formula Retail uses as defined in
7 Section 303.1(b) of the Planning Code.

8 “Warehouse Space” means Commercial Space that is used for Commercial Storage, for
9 Volatile Materials Storage, for Wholesale Storage, or as a Storage Yard, as each of these
10 capitalized terms is defined in Section 102 of the Planning Code.

11
12 **SEC. 3603. IMPOSITION OF TAX.**

13 (a) Except as otherwise provided in this Article 36, for the privilege of engaging in the
14 business of leasing Commercial Space in properties in the City, the City imposes an annual
15 Commercial Rents Tax on each person engaged in business within the City that receives gross
16 receipts from the lease of Commercial Space in properties in the City. For purposes of this
17 Article 36, the term “lease” includes any “sublease.”

18 (b) The Commercial Rents Tax shall be calculated by applying the following percentages
19 to the person or combined group’s gross receipts from the lease of Commercial Space in
20 properties in the City:

21 (1) 1% to the person or combined group’s gross receipts from the lease of
22 Warehouse Space in properties in the City; and

23 (2) 3.5% to the person or combined group’s gross receipts from the lease of all
24 other Commercial Space in properties in the City.

1 **SEC. 3604. OPERATIVE DATES OF TAX.**

2 If the final judicial decision in San Francisco Superior Court Case No. CGC-18-568657
3 (Howard Jarvis Taxpayers Association et al. v. City and County of San Francisco et al.) has the
4 effect of invalidating the Early Care and Education Commercial Rents Tax in Article 21 of the
5 Business and Tax Regulations Code, then the Commercial Rents Tax in this Article 36 shall
6 become operative for tax years beginning on or after January 1 of the tax year following the date
7 on which such court decision becomes final, and shall continue in effect for 20 tax years, after
8 which it shall cease to apply and the City Attorney shall cause this Article 36 to be removed from
9 the Business and Tax Regulations Code.

10
11 **SEC. 3605. EXEMPTIONS AND EXCLUSIONS.**

12 (a) An organization that is exempt from income taxation by Chapter 4 (commencing with
13 Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or
14 Subchapter F (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue
15 Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of the Internal
16 Revenue Code of 1986, as amended, shall be exempt from taxation under this Article 36, only so
17 long as those exemptions continue to exist under state or federal law.

18 (b) For purposes of this Article 36, gross receipts from the lease of Commercial Space
19 shall not include receipts from the leasing of Commercial Space to: (1) organizations described
20 in subsection (a) of this Section 3605; or (2) federal, state, or local governments.

21 (c) For purposes of this Article 36, gross receipts from the lease of Commercial Space
22 shall not include receipts from business activities if, and only so long as and to the extent that,
23 the City is prohibited from taxing such receipts under the Constitution or laws of the United
24 States or under the Constitution or laws of the State of California.

1 (d) For only so long as and to the extent that the City is prohibited from imposing the
2 Commercial Rents Tax, any person upon whom the City is prohibited under the Constitution or
3 laws of the State of California or the Constitution or laws of the United States from imposing the
4 Commercial Rents Tax shall be exempt from the Commercial Rents Tax.

5 (e) For purposes of this Article 36, gross receipts from the lease of Commercial Space
6 shall not include rent that is subject to the tax imposed under Articles 7 or 9 of the Business and
7 Tax Regulations Code, and shall not include rent that would be subject to the tax imposed under
8 Article 7 or Article 9 but for the exemptions from that tax under Section 506 of Article 7 or
9 Section 606 of Article 9.

10
11 **SEC. 3606. SMALL BUSINESS EXEMPTION.**

12 Notwithstanding any other provision of this Article 36, a person or combined group
13 exempt from payment of the gross receipts tax under Section 954.1 of Article 12-A-1, as amended
14 from time to time, shall also be exempt from payment of the Commercial Rents Tax.

15
16 **SEC. 3607. CREDIT FOR CHILD CARE FACILITIES.**

17 (a) Any person subject to the Commercial Rents Tax imposed under this Article 36 that
18 leases or provides Commercial Space in a property in the City for a Qualifying Child Care
19 Facility that operates for more than six months in a tax year shall be allowed a credit against the
20 Commercial Rents Tax for that tax year. If a person entitled to the credit under this
21 Section 3607 is required to file a Commercial Rents Tax return on a combined basis under
22 Section 3608, the credit may be claimed against the Commercial Rents Tax liability required to
23 be reflected on the combined return for that tax year. In no event shall the credit allowed under
24 this Section 3607 reduce a person or combined group's Commercial Rents Tax liability for any
25

1 tax year to less than zero, and no credit shall be allowed as a carryforward to a subsequent tax
2 year.

3 (b) For purposes of this Section 3607, the credit for a tax year shall be based on the total
4 number of Infants, Toddlers, and Preschool-Age Children for which the Qualifying Child Care
5 Facility is licensed by the California Department of Social Services to provide care and shall be
6 in the amount prescribed in the table below.

<u>Number of Infants, Toddlers, and Preschool-Age Children</u>	<u>Amount of Credit</u>
<u>1 to 49</u>	<u>\$7,200</u>
<u>50 to 99</u>	<u>\$16,000</u>
<u>100 or more</u>	<u>\$36,000</u>

7
8
9
10
11 (c) The following definitions shall apply for purposes of this Section 3607.

12 (1) “Qualifying Child Care Facility” means a facility that is licensed by the
13 California Department of Social Services, or any successor agency, to provide non-medical care
14 to Infants, Toddlers, Preschool-Age Children, or any combination thereof in need of personal
15 services, supervision, or assistance essential for sustaining the activities of daily living or for the
16 protection of the individual on less than a 24-hour basis in a group setting.

17 (2) “Infants” means children under two years of age.

18 (3) “Toddlers” means children between the ages of 18 months and 30 months.

19 (4) “Preschool-Age Children” means children who are enrolled in a child day
20 care center licensed by the California Department of Social Services, or any successor agency,
21 and who are not enrolled in a child care center or part of a child care center where less than
22 24-hour per day non-medical care and supervision are provided to Infants or School-Age
23 Children.

1 (5) “School-Age Child” means a child who has entered the first grade or above
2 or who is in a child care program providing care and supervision exclusively to children
3 enrolled in kindergarten and above.

4 (d) To be eligible for the credit authorized under this Section 3607, persons wishing to
5 claim the credit must:

6 (1) Maintain a reasonable method of documentation that can be reviewed or
7 verified objectively that demonstrates that the person is eligible for the credit provided for in this
8 Section 3607, and provide such documentation to the Tax Collector upon request; and

9 (2) File a timely annual Commercial Rents Tax return regardless of the amount
10 of liability, if any, shown on the return after claiming the credit provided for in this Section 3607.

11 (e) The Tax Collector shall verify that any credit claimed pursuant to this Section 3607 is
12 correct. The Office of Early Care and Education, or any successor agency, shall provide to the
13 Tax Collector upon request such information that the Tax Collector may require to verify that a
14 Qualifying Child Care Facility for which the credit is claimed meets the eligibility requirements
15 of this Section 3607, and the Tax Collector may share taxpayer information with the Office of
16 Early Care and Education, or any successor agency, for this purpose. To the extent permitted by
17 law, the Office of Early Care and Education, or any successor agency, shall maintain the
18 confidentiality of any such information that the Tax Collector provides, and shall be subject to
19 Section 6.22-1 of Article 6 of the Business and Tax Regulations Code with respect to such
20 information.

21 (f) The Tax Collector shall submit an annual report to the Board of Supervisors for each
22 year for which the credit authorized under this Section 3607 is available, that sets forth
23 aggregate information on the dollar value of the credits taken each year and the number of
24 persons taking the credit.

1 (g) The credit provided by this Section 3607 shall expire by operation of law on
2 December 31, 2023. No person may use or claim the credit provided for under this Section after
3 the expiration date of this Section.

4
5 **SEC. 3608. FILING; COMBINED RETURNS.**

6 (a) Persons subject to the Commercial Rents Tax shall file returns at the same time and
7 in the same manner as returns filed for the gross receipts tax (Article 12-A-1), including the
8 rules for combined returns under Section 956.3, as amended from time to time.

9 (b) If a person is subject to the Commercial Rents Tax but is not required to file a gross
10 receipts tax return, such person or combined group's Commercial Rents Tax return shall be filed
11 at the same time and in the same manner as if such person or combined group were required to
12 file a gross receipts tax return.

13 (c) For purposes of this Article 36, a lessor of residential real estate is treated as a
14 separate person with respect to each individual building in which it leases residential real estate
15 units, notwithstanding Section 6.2-15 of Article 6, as amended from time to time, or
16 subsection (a) of this Section 3608. This subsection (c) applies only to leasing residential real
17 estate units within a building, and not to any business activity related to other space, either
18 within the same building or other buildings, which is not residential real estate. The Tax
19 Collector is authorized to determine what constitutes a separate building and the number of units
20 in a building.

21
22 **SEC. 3609. TAX COLLECTOR AUTHORIZED TO DETERMINE GROSS RECEIPTS.**

23 The Tax Collector may, in his or her reasonable discretion, independently establish a
24 person or combined group's gross receipts from the lease of Commercial Space in properties in
25 the City and establish or reallocate gross receipts among related entities so as to fairly reflect

1 the gross receipts from the lease of Commercial Space in properties in the City of all persons
2 and combined groups.

3
4 **SEC. 3610. CONSTRUCTION AND SCOPE OF THE COMMERCIAL RENTS TAX**
5 **ORDINANCE.**

6 (a) This Article 36 is intended to authorize application of the Commercial Rents Tax in
7 the broadest manner consistent with its provisions and with the California Constitution, the
8 United States Constitution, and any other applicable provision of federal or state law.

9 (b) The Commercial Rents Tax imposed by this Article 36 is in addition to all other City
10 taxes, including the gross receipts tax imposed by Article 12-A-1 of the Business and Tax
11 Regulations Code, as amended from time to time. Accordingly, by way of example and not
12 limitation, persons subject to both the Commercial Rents Tax and the gross receipts tax shall pay
13 both taxes. Persons exempt from either the gross receipts tax or the Commercial Rents Tax, but
14 not both, shall pay the tax from which they are not exempt.

15
16 **SEC. 3611. ADMINISTRATION OF THE COMMERCIAL RENTS TAX ORDINANCE.**

17 Except as otherwise provided under this Article 36, the Commercial Rents Tax Ordinance
18 shall be administered pursuant to Article 6 of the Business and Tax Regulations Code, as
19 amended from time to time.

20
21 **SEC. 3612. DEPOSIT OF PROCEEDS.**

22 The Commercial Rents Tax is a general tax. Proceeds of the Commercial Rents Tax are
23 to be deposited in the City's general fund and can be spent for any City purposes.

1 **SEC. 3613. AMENDMENT OF ORDINANCE.**

2 *The Board of Supervisors may amend or repeal this Article 36 by ordinance without a*
3 *vote of the people except as limited by Article XIII C of the California Constitution.*

4
5 **SEC. 3614. EFFECT OF STATE AND FEDERAL AUTHORIZATION.**

6 *To the extent that the City's authorization to impose or to collect any tax imposed under*
7 *this Article 36 is expanded or limited as a result of changes in state or federal statutes,*
8 *regulations, or other laws, or judicial interpretations of those laws, no amendment or*
9 *modification of this Article shall be required to conform the taxes to those changes, and the taxes*
10 *are hereby imposed in conformity with those changes, and the Tax Collector shall collect them to*
11 *the full extent of the City's authorization up to the full amount and rate of the taxes imposed*
12 *under this Article.*

13
14 **SEC. 3615. SEVERABILITY.**

15 *(a) Except as provided in Section 3615(b), below, if any section, subsection, sentence,*
16 *clause, phrase, or word of this Article 36, or the application thereof to any person or*
17 *circumstance, is for any reason held to be invalid or unconstitutional by a decision of any court*
18 *of competent jurisdiction, such decision shall not affect the validity of the remaining portions of*
19 *this Article, including the application of such portions to other persons or circumstances. The*
20 *People of the City and County of San Francisco hereby declare that, except as provided in*
21 *Section 3615(b), they would have adopted each section, subsection, sentence, clause, phrase, and*
22 *word of this Article not declared invalid or unconstitutional without regard to whether any other*
23 *portion of this Article would be subsequently declared invalid or unconstitutional.*

24 *(b) If the imposition of the Commercial Rents Tax in Section 3603 of this Article 36 is*
25 *held in its entirety to be facially invalid or unconstitutional in a final judicial decision, the*

1 remainder of this Article 36 shall be void and of no force and effect, and the City Attorney shall
2 cause it to be removed from the Business and Tax Regulations Code.

3
4 **SEC. 3616. SAVINGS CLAUSE.**

5 No section, clause, part, or provision of this Article 36 shall be construed as requiring
6 the payment of any tax that would be in violation of the Constitution or laws of the United States
7 or of the Constitution or laws of the State of California.

8
9 Section 7. Notwithstanding Articles 21 and 28 of the Business and Tax Regulations
10 Code, nothing in this measure shall increase the amount of any tax imposed under Article 21 or
11 Article 28.

12
13 Section. 8. By June 1, 2022, the Controller and Chief Economist, in consultation with the
14 Treasurer, shall prepare and publish an analysis of the implementation of this measure that
15 includes: (a) the measure’s impacts on the City’s economy and City services;
16 (b) recommendations for changes to the taxes imposed by this measure that may be considered
17 for future amendments to such taxes to improve their efficiency, stability, equity, and
18 administration, including but not limited to delaying the tax rate increases scheduled for tax
19 years 2023 and 2024; and (c) other such information as deemed relevant in the Controller’s sole
20 discretion. This analysis may be repeated in future years as the Controller deems necessary or as
21 requested by the Board of Supervisors or the Mayor.

22
23 Section 9. Appropriations Limit Increase. Pursuant to California Constitution
24 Article XIII B and applicable laws, for four years from November 3, 2020, the appropriations
25

1 limit for the City shall be increased by the revenues collected under Articles 12-A-1 and 36 of
2 the Business and Tax Regulations Code.

3
4 Section 10. Scope of Measure. In enacting this measure, the People of the City and
5 County of San Francisco intend to amend only those words, phrases, paragraphs, subsections,
6 sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of
7 the Charter and the Municipal Code that are explicitly shown in this measure as additions or
8 deletions, in accordance with the “Note” that appears under the official title of the measure.

9
10 Section 11. The unchanged code text in Section 2 of this measure assumes that the Board
11 of Supervisors ordinance in Board File No. 200759, amending Section 6.9-3 of the Business and
12 Tax Regulations Code, is enacted before November 3, 2020. If such ordinance has not been
13 enacted by that time, the City Attorney’s Office is directed to make the necessary conforming
14 language changes to Section 6.9-3.

15
16 Section 12. Severability. If any section, subsection, sentence, clause, phrase, or word of
17 this measure, or any application thereof to any person or circumstance, is held to be invalid or
18 unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect
19 the validity of the remaining portions or applications of the measure. The People of the City and
20 County of San Francisco hereby declare that they would have adopted this measure and each and
21 every section, subsection, sentence, clause, phrase, and word not declared invalid or
22 unconstitutional without regard to whether any other portion of this measure or application
23 thereof would be subsequently declared invalid or unconstitutional.

1 Section 13. Effective and Operative Dates.

2 (a) The effective date of this measure shall be the date on which the amendment to the
3 Charter in Section 1 of this measure is accepted and filed by the Secretary of State pursuant to
4 California Government Code Sections 34450 *et seq.* If the effective date occurs after
5 January 1, 2021, Sections 2 through 14 of this measure shall be retroactive to January 1, 2021.

6 (b) The operative date of this measure shall be January 1, 2021, except for the repeal of
7 Business and Tax Regulations Code Section 906.3-1 in Section 4 of this measure, which shall be
8 operative on February 1, 2021.

9
10 Section 14. Conflicting Measures.

11 (a) The voters intend to adopt at the November 3, 2020 consolidated general election
12 only one measure that amends Article 12-A-1 of the Business and Tax Regulations Code.

13 (b) If the voters adopt this measure and any other measure that amends Article 12-A-1 of
14 the Business and Tax Regulations Code at the November 3, 2020 consolidated general election
15 and this measure receives more affirmative votes than any other such measure, then the other
16 measure or measures shall not become operative in any respect.

17 (c) This measure shall not become operative in any respect if another measure that
18 amends Article 12-A-1 of the Business and Tax Regulations Code receives more affirmative
19 votes than this measure at the November 3, 2020 consolidated general election.

20 APPROVED AS TO FORM:
21 DENNIS J. HERRERA, City Attorney

22 By: /s/ Scott M. Reiber
23 SCOTT M. REIBER
24 Chief Tax Attorney

25 n:\legana\as2020\2000252\01463470.docx

LEGISLATIVE DIGEST

(Amended in Committee June 25 and July 16, 2020)

[Charter Amendment and Initiative Ordinance - Business and Tax Regulations Code - Adjustment of Baseline Funding and Business Tax Changes]

Describing and setting forth a proposal to the voters at an election to be held on November 3, 2020, to amend the Charter of the City and County of San Francisco to provide that future annual adjustments in baseline funding for the following Charter-mandated funds will not take into account certain changes in City revenue resulting from voter-approved business taxes on the November 3, 2020 ballot: the Municipal Transportation Fund, the Park, Recreation and Open Space Fund, the Children and Youth Fund, the Library Preservation Fund, the Housing Trust Fund, the Public Education Enrichment Fund, the Dignity Fund, and the Street Tree Maintenance Fund; to amend the Business and Tax Regulations Code to: 1) reduce the annual Business Registration Fee for businesses with \$1,000,000 or less in San Francisco gross receipts; 2) increase the small business exemption ceiling for the Gross Receipts Tax to \$2,000,000 and increase the annual Business Registration Fee on businesses benefiting from this increased exemption ceiling; 3) modify the Gross Receipts Tax rates; 4) repeal the Payroll Expense Tax; 5) increase the Gross Receipts Tax on certain taxpayers for 20 years if a final judicial decision has the effect of invalidating the Homelessness Gross Receipts Tax Ordinance; 6) impose a new general tax on the gross receipts from the lease of certain commercial space for 20 years if a final judicial decision has the effect of invalidating the Early Care and Education Commercial Rents Tax Ordinance; and 7) make other changes to the City's business taxes; and to increase the City's appropriations limit by the total revenues collected under Articles 12-A-1 and 36 of the Business and Tax Regulations Code for four years from November 3, 2020.

Existing Law

The Charter provides for guaranteed annual funding in a number of special funds, including: the Municipal Transportation Fund; the Park, Recreation and Open Space Fund; the Children and Youth Fund; the Library Preservation Fund; the Housing Trust Fund; the Public Education Enrichment Fund; the Dignity Fund; and the Street Tree Maintenance Fund. These funding requirements are commonly known as "baselines," where the Charter sets a base amount of funding for a particular purpose. In adopting the annual budget, the Board of Supervisors and the Mayor have no discretion to provide lower amounts of funding than the Charter-mandated baselines require.

Under the Charter, the amount of each of these baselines may increase or decrease each year depending on the amount of discretionary revenue the City receives that year. In this calculation, discretionary revenue includes any money received by the City that is unrestricted

and may be used at the option of the Mayor and the Board of Supervisors for any lawful City purpose.

The City imposes a number of taxes under the Business and Tax Regulations Code on businesses engaged in business within the City. Among these taxes, the registration fee (Article 12), the payroll expense tax (Article 12-A), and the gross receipts tax (Article 12-A-1) are general taxes, the revenues from which go to the General Fund and may be used at the option of the Mayor and the Board of Supervisors for any lawful City purpose:

- The registration fee ranges between \$75 and \$35,000 (adjusted for inflation), depending on the type of business and the amount of gross receipts attributable to the City. For businesses engaged in business as an administrative office, the registration fee ranges between \$15,000 and \$35,000 (adjusted for inflation), depending on the business's payroll expense attributable to the City.
- The payroll expense tax rate is 0.38% of payroll expense attributable to the City, except for businesses that pay the administrative office tax. Small businesses with payroll expense attributable to the City not exceeding \$320,000 are exempt from this tax in tax years 2019 and 2020, and this amount is adjusted for inflation every two years.
- The gross receipts tax rate ranges from 0.075% to 0.65% of gross receipts attributable to the City, depending on the business's type of business activities and amount of taxable gross receipts, except for businesses that pay the administrative office tax. Small businesses with gross receipts attributable to the City not exceeding \$1,170,000 generally are exempt from this tax in tax year 2019, and this amount is adjusted for inflation annually.
- In lieu of payroll expense and gross receipts taxes, businesses engaged in business as an administrative office pay the administrative office tax equal to 1.4% of payroll expense attributable to the City.

Certain businesses engaged in business within the City also pay special taxes, the revenues from which are dedicated to specific purposes:

- Businesses that receive gross receipts from the lease of commercial space in properties in the City pay the Early Care and Education Commercial Rents Tax (Article 21) at a rate of 1% or 3.5% of those receipts, depending on the type of property. This tax is dedicated 15% to the General Fund and 85% to fund early care and education for young children.
- The Homelessness Gross Receipts Tax (Article 28) is imposed on (1) businesses that pay the administrative office tax, at a rate of 1.5% of payroll expense attributable to the City and (2) businesses with gross receipts attributable to the City exceeding \$50,000,000, at a rate that ranges from 0.175% to 0.69% of gross receipts attributable to the City in excess of \$50,000,000, depending on the business's type of business activities. This tax is dedicated to fund services for homeless people and to prevent homelessness.

Commencing in 2021, Article 30 will impose an additional tax on businesses engaged in cannabis business activities in the City equal to 1% to 5% of the gross receipts from those cannabis business activities in excess of \$500,000, depending on the type of cannabis business activities and the amount of gross receipts from those activities attributable to the City. This tax will be deposited into the General Fund.

Amendments to Current Law

The proposed Charter amendment would modify the way the City calculates increases or decreases in the baseline funds described above each year. The amount of each of the baselines would still increase or decrease each year depending on the amount of discretionary revenue the City receives that year. But the Charter amendment would exclude from that calculation any revenues the City receives from taxes approved by the voters on the November 2020 ballot that would become effective only if a court strikes down the Homelessness Gross Receipts Tax or the Early Care and Education Commercial Rents Tax (the “Backstop Taxes”).

Effective beginning in the 2021-2022 fiscal year, the proposed measure would reduce the registration fee of most businesses with \$1,000,000 or less in gross receipts attributable to the City by approximately 50%, and increase the registration fee of businesses who would benefit from the proposed increase in the small business exemption ceiling for the gross receipts tax (described below). For most businesses with \$1,000,000.01 to \$1,500,000 in gross receipts attributable to the City, the increase would be either \$230 or \$245, depending on the business’s activities. For most businesses with \$1,500,000.01 to \$2,000,000 in gross receipts attributable to the City, the increase would be either \$435 or \$460, depending on the business’s activities.

This measure would change the gross receipts tax rates, and would incrementally increase the gross receipts tax rates for certain business activities, beginning with the 2021 tax year through the 2024 or 2025 tax year, as shown in the table immediately below. For those business activities denoted with a double asterisk (**) in the table, the increased rates scheduled to take effect for the 2023 and 2024 tax years would be delayed by one year if the total gross receipts attributable to the City for the 2021 and 2022 tax years, respectively, do not equal or exceed 90% and 95%, respectively, of the total gross receipts attributable to the City for the 2019 tax year. For the 2025 and subsequent tax years, the tax rates shown in the column “Tax Years 2024 & After” would apply irrespective of whether either of the above gross receipts thresholds was met.

Business Activity	Current Gross Receipts Tax Rates*	Proposed Gross Receipts Tax Rates*			
		Tax Year 2021	Tax Year 2022	Tax Year 2023	Tax Years 2024 & After
Retail Trade; Certain Services	0.075% to 0.160%	0.053% to 0.224%	0.053% to 0.224%	0.079% to 0.224%	0.105% to 0.224%

Business Activity	Current Gross Receipts Tax Rates*	Proposed Gross Receipts Tax Rates*			
		Tax Year 2021	Tax Year 2022	Tax Year 2023	Tax Years 2024 & After
Wholesale Trade	0.075% to 0.160%	0.105% to 0.224%	0.105% to 0.224%	0.105% to 0.224%	0.105% to 0.224%
Manufacturing; Food Services	0.125% to 0.475%	0.088% to 0.665%	0.088% to 0.665%	0.131% to 0.665%	0.175% to 0.665%
Transportation and Warehousing; Clean Technology	0.125% to 0.475%	0.175% to 0.665%	0.175% to 0.665%	0.175% to 0.665%	0.175% to 0.665%
Biotechnology**	0.125% to 0.475%	0.175% to 0.665%	0.181% to 0.689%	0.188% to 0.713%	0.194% to 0.736%
Information**	0.125% to 0.475%	0.560% to 0.784%	0.573% to 0.832%	0.579% to 0.855%	0.585% to 0.879%
Accommodations; Arts, Entertainment and Recreation	0.300% to 0.400%	0.210% to 0.560%	0.210% to 0.560%	0.315% to 0.560%	0.420% to 0.560%
Utilities**	0.300% to 0.400%	0.420% to 0.560%	0.435% to 0.580%	0.450% to 0.600%	0.465% to 0.620%
Private Education and Health Services**; Administrative and Support Services**	0.525% to 0.650%	0.735% to 0.910%	0.761% to 0.943%	0.788% to 0.975%	0.814% to 1.008%
Miscellaneous Business Activities**	0.525% to 0.650%	0.735% to 0.910%	0.788% to 0.975%	0.814% to 1.008%	0.840% to 1.040%
Construction	0.300% to 0.450%	0.420% to 0.630%	0.420% to 0.630%	0.420% to 0.630%	0.420% to 0.630%
Insurance**	0.400% to 0.560%	0.560% to 0.784%	0.580% to 0.812%	0.600% to 0.840%	0.620% to 0.868%
Financial Services**; Professional, Scientific and Technical Services**	0.400% to 0.560%	0.560% to 0.784%	0.600% to 0.840%	0.620% to 0.868%	0.640% to 0.896%
Real Estate**; Rental and Leasing Services**	0.285% to 0.300%***	0.399% to 0.420%	0.413% to 0.435%	0.428% to 0.450%	0.442% to 0.465%

* The gross receipts tax is generally progressive, with rates that increase by tiers, depending on the amount of gross receipts attributable to the City. This table shows the range of gross receipts tax rates from the lowest tier to the highest tier within each business activity.

** If the gross receipts threshold for the 2023 tax year is not met, the rates shown in the "Tax Year 2022" column also would apply to the 2023 tax year. If the gross receipts threshold for the 2024 tax year is not met, the rates shown in the "Tax Year 2023" column would apply to the 2024 tax year (in addition to the 2023 tax year, if the gross receipts threshold for the 2023 tax year was met).

*** The gross receipts tax rate applicable to taxable gross receipts in excess of \$25,000,000 for the business activities of real estate and rental and leasing services will increase to 0.325% beginning in tax year 2021 if this measure does not pass.

This measure would increase the ceiling for the small business exemption from the gross receipts tax to \$2,000,000 of gross receipts attributable to the City, adjusted annually for inflation. This measure would eliminate the credit for taxpayers that have paid a substantially-similar tax to any other taxing jurisdiction on any gross receipts attributed to the City and taxed under Article 12-A-1. Beginning with the 2021 tax year, this measure would adjust the required quarterly payments of gross receipts taxes and administrative office taxes to equal the lesser of (1) 25% of the gross receipts tax liability (or administrative office tax liability) shown on the business’s return for the tax year or (2) 25% of the gross receipts tax liability as determined by applying the applicable gross receipts tax rates and small business exemption for the current tax year to the taxable gross receipts shown on the business’s return for the preceding tax year (or, if subject to the administrative office tax for the preceding year, 25% of the administrative office tax liability as determined by applying the applicable administrative office tax rate for the current tax year to the total payroll expense attributable to the City shown on the business’s return for the preceding tax year).

This measure would incrementally increase the administrative office tax rate beginning in the 2022 tax year as shown in the table immediately below. The increased rate scheduled to take effect for the 2023 and 2024 tax years would be delayed by one year if the total gross receipts attributable to the City for the 2021 and 2022 tax years, respectively, do not equal or exceed 90% and 95%, respectively, of the total gross receipts attributable to the City for the 2019 tax year. For the 2025 and subsequent tax years, the administrative office tax rate would be 1.61% of payroll expense attributable to the City irrespective of whether either of the above gross receipts thresholds was met.

Current Administrative Office Tax Rate*	Proposed Administrative Office Tax Rate*			
	Tax Year 2021	Tax Year 2022	Tax Year 2023	Tax Years 2024 & After
1.4%	1.4%	1.47%	1.54%	1.61%

* The rates shown are in addition to the 1.5% rate currently imposed under the Homelessness Gross Receipts Tax.

If a final judicial decision has the effect of invalidating the Homelessness Gross Receipts Tax, this measure would increase the gross receipts tax on certain businesses for 20 years, beginning with the tax year following the date on which the court’s decision becomes final. For businesses that pay the administrative office tax, 1.5% of payroll expense attributable to the City would be added to the applicable administrative office tax rate. For other businesses, there would be added to the gross receipts tax rate tiers an additional rate tier for taxable gross receipts over \$50,000,000 at the rate indicated in the following table for each business activity, plus the applicable rate for taxable gross receipts between \$25,000,000.01 and \$50,000,000:

Business Activity	Tax Rate*
Retail Trade; Certain Services; Wholesale Trade	0.175%
Manufacturing; Food Services; Transportation and Warehousing; Clean Technology; Biotechnology; Information	0.500%
Accommodations; Arts, Entertainment and Recreation; Utilities	0.425%
Private Education and Health Services; Administrative and Support Services; Miscellaneous Business Activities	0.690%
Construction	0.475%
Insurance; Financial Services; Professional, Scientific and Technical Services	0.600%
Real Estate; Rental and Leasing Services	0.325%

* This rate would be added to the applicable rate for taxable gross receipts between \$25,000,000.01 and \$50,000,000.

If a final judicial decision has the effect of invalidating the Early Care and Education Commercial Rents Tax, this measure would add Article 36 to impose a new general tax for 20 years on the gross receipts from the lease of certain commercial space in the City, substantially similar to the existing Early Care and Education Commercial Rents Tax, except that all revenues from the new tax would go to the General Fund.

This measure would increase the City’s appropriations limit under Article XIII B of the California Constitution by the total revenues collected under Articles 12-A-1 and 36 of the Business and Tax Regulations Code, for four years from November 3, 2020.

This measure also would remove provisions that are no longer in effect, update the existing code language to current formatting standards, and make other changes to the City’s business taxes.

Background Information

In June 2018, San Francisco voters by simple majority vote approved Proposition C, which imposes the Early Care and Education Commercial Rents Tax. In November 2018, San Francisco voters, also by simple majority vote, approved Proposition C, which imposes the Homelessness Gross Receipts Tax. Separate lawsuits regarding the validity of the Early Care and Education Commercial Rents Tax and the Homelessness Gross Receipts Tax are pending at the Court of Appeal. Pending resolution of those suits, the Controller has impounded the revenues from both the Early Care and Education Commercial Rents Tax and the Homelessness Gross Receipts Tax.

This legislative digest reflects amendments made in committee on June 25, 2020, specifying that the baseline calculations in the Charter would only exclude revenues the City receives from the Backstop Taxes.

This legislative digest also reflects amendments made in committee on July 16, 2020, which combined a proposed charter measure originally in BOS File No. 200507 with the tax measure in BOS File No. 200648, made non-substantive edits to the sections of the Charter proposed to be amended, and made the following amendments to the tax provisions originally introduced in BOS File No. 200648, among others:

- Revises the proposed gross receipts tax rates for certain business activities and the administrative office tax rates, and phases in some of the new gross receipts tax rates and administrative office tax rates between 2021 and 2024 or 2025, in some cases depending on whether certain gross receipts thresholds are met;
- Increases the small business exemption threshold to \$2,000,000, adjusted annually for inflation;
- Increases the registration fee for businesses with \$1,500,000.01 to \$2,000,000 in gross receipts who would benefit from the increased small business exemption threshold;
- Revises the required quarterly estimated payments of gross receipts taxes and administrative office taxes; and
- Increases the number of tax years for which the Backstop Taxes would be effective from 10 years to 20 years.

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