



**CITY AND COUNTY OF SAN FRANCISCO**  
**OFFICE OF THE CONTROLLER**

**Ben Rosenfield**  
**Controller**

**Monique Zmuda**  
**Deputy Controller**

August 7, 2008

Mr. John Arntz  
Department of Elections  
City Hall, Room 48  
Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

RE: Ballot Language for Payroll Expense Tax Measure

Dear Mr. Arntz,

Upon reviewing the final proposed ballot language for the Payroll Expense Tax measure, it has come to my attention that there is a factual error in the ballot language for the Payroll Expense Tax measure.

The first sentence under "The Proposal" states that the ballot measure would only apply to limited liability partnerships, when in fact it will apply to all partnerships, not just limited liability partnerships. This sentence may confuse owners of partnerships that are not limited liability partnerships. I have attached suggested language for the committee's consideration.

I apologize for missing the deadline, and respectfully request that the committee consider this request for amendment.

Sincerely,

Ben Rosenfield  
Controller

cc: Mollie Lee, City Attorney's Office

**Ballot Simplification Committee**  
**Approved Digest – August 5, 2008**  
**Approved by: Packard, Chisnell, Fasick, Fraps, Jorgensen**

**Any Requests for Reconsideration must be received by 10:20 a.m. on August 6, 2008**

**Payroll Expense Tax**

**THE WAY IT IS NOW:**

The City imposes a 1.5% tax on the payroll expenses of businesses that have employees working for them in San Francisco. Payroll expenses include salaries, wages, bonuses, and commissions. The payroll tax does not apply to certain partnerships and businesses.

The City's payroll tax does not apply to small businesses. A company qualifies as a small business if its payroll expenses do not exceed \$166,667.

**THE PROPOSAL:**

Proposition \_\_\_ would specify that the City's 1.5% payroll tax applies to compensation paid to shareholders of a professional corporation, members of a limited liability company, and owners of partnerships for their services.

Proposition \_\_\_ would allow these types of businesses to choose one of two ways to calculate how much of the payments to their owners is a taxable payroll expense. The business could:

- determine how much of the payment to its owners is taxable compensation for services, or
- calculate payroll expenses for each owner using a formula specified in the Tax Code.

Proposition \_\_\_ would also expand the City's payroll tax exemption for small businesses. Beginning January 1, 2009, small businesses with annual payroll expenses of \$250,000 or less would not have to pay the City's payroll tax. Every two years, the City would increase the \$250,000 ceiling to reflect inflation.

**A "YES" VOTE MEANS:** If you vote "yes," you want to specify that certain partnerships and other businesses are subject to the City's payroll tax, and you want to expand the payroll tax exemption for small businesses.

**A "NO" VOTE MEANS:** If you vote "no," you do not want to make these changes.