

FILE NO.

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - 0.50% Sales Tax Increase to Fund Public Safety Programs and Services to Children and Seniors.]

Ordinance amending the San Francisco Business and Tax Regulations Code to add Article 16-A to provide funds for public safety programs and services to children and senior citizens in the City and County of San Francisco by imposing a transactions (sales) and use tax at the rate of one-half of one percent (0.50%) for a period of ten (10) years, to be administered by the State Board of Equalization in accordance with Parts 1.6 and 1.7 of Division 2 of the California Revenue and Taxation Code; adopting an expenditure plan; amending the Administrative Code to add Section 10.100.321 establishing a special revenue fund; and directing submission of the tax for voter approval at the November 8, 2011 municipal election.

Existing Law

Existing Article 12-D of the San Francisco Business and Tax Regulations Code, known as the "Uniform Local Sales and Use Tax Ordinance of the City and County of San Francisco" establishes and implements a sales tax for the privilege of selling tangible personal property at retail upon retailers in the City and County of San Francisco. Article 12-D incorporates provisions identical to those of the Sales and Use Tax Law of the State of California. Existing law, Part 1.6 (commencing with Section 7251) of Division 2 of the Revenue and Taxation Code and Section 7285.5 of Part 1.7 of Division 2, authorizes the City and County to adopt a retail transactions and use tax ordinance. Currently the combined state and local sales and use tax rate in San Francisco is 8.50%.

Amendments to Current Law

Section 1 of this ordinance adds Article 16-A, The Safe Communities Transactions and Use Tax Ordinance to the Business and Tax Regulations Code to impose a transactions and use tax at the rate of 0.50%. The revenue from the transactions and use tax will provide support and funding for public safety programs and services for children and senior citizens in the City and County. The revenue may be expended only as outlined in the incorporated expenditure plan. Section 2 adds Section 10.100.321 to the Administrative Code to establish a special revenue fund. Section 3 submits the measure to the voters for approval at the November 8, 2011 election.

Mayor Lee, Supervisors Chiu, Cohen, Mirkarimi, Wiener
BOARD OF SUPERVISORS

Background Information

San Francisco's combined sales and use tax rate is currently 8.50%. In 2008, in order to resolve a budget crisis, the state legislature temporarily increased the state sales and use tax rate by 1%, from 7.25% to 8.25% from April 1, 2009, until July 1, 2011 [Assembly Bill 3 (3rd Ex. Sess.) (Stats. 2009-10, Ch. 18)]. The 1% increase expired on July 1, 2011. This ordinance will increase the local sales and use tax rate by 0.50%, if the state rate increase is not extended and the state portion of the sales and use tax rate remains 7.25%. If the state sales tax rate increase is extended or increased to at least 8.00%, or if the state legislature or the voters impose an identical or substantially similar state tax, the 0.50% tax proposed by this ordinance will not become operative. If this 0.50% rate increase is enacted and the state legislature approves a sales tax increase or approves an identical or substantially similar state tax prior to January 1, 2016, and as a result the state sales tax rate or the combined rate of the sales tax and a substantially similar tax is at least 8.00%, this ordinance will cease to be operative. If this 0.50% rate increase is operative after January 1, 2016 and after January 1, 2016, the state legislature approves a sales tax increase or approves an identical or substantially similar state tax and the state sales tax rate or the combined rate of the sales tax and a substantially similar state tax is at least 8.00%, then the Board of Supervisors must hold a public hearing to consider the economic impact of the state sales and use tax and whether the Safe Communities Transactions and Use Tax should continue to be collected.

Pursuant to Article XIII C of the California Constitution and California Revenue and Taxation Code §7285.5 of the California Revenue and Taxation Code, the Transactions and Use Tax proposed by this ordinance is a special tax and must be approved by a two-thirds vote of the qualified voters of the City and County of San Francisco. As required by state law, an expenditure plan demonstrating how the additional revenue will be spent is incorporated as a part of the ordinance.