

Business Taxes: Business Registration Fee

Description

The Business Registration Fee is imposed for general revenue purposes to require commerce and the business community to share in the costs of local government in return for the benefits, opportunities and protections afforded by the City and County of San Francisco. The ordinance, which became effective October 1, 1968, and amended in its entirety on April 25, 2001, states that no person may engage in business within San Francisco without a current registration certificate.

A current registration certificate must be displayed on the business premises regardless of whether such person is subject to the Payroll Expense Tax. To obtain a certificate, a person starting a new business in San Francisco must complete the application form prescribed by the Tax Collector and pay a registration fee within 15 days of commencing the business. Beginning in July 1, 2003, registration certificates will be issued for a fiscal year and renewal for the succeeding year must be completed by the last day of February. That is, applications for FY 2006-07 registration certificates had to be filed by February 28, 2006.

Size¹

FY 2005-06: Budget \$7.13 million or approximately 0.3 percent of General Fund resources.

FY 2004-05: Actual \$7.36 million or approximately 0.3 percent of General Fund resources.

FY 2003-04: Actual \$8.05 million, or approximately 0.4 percent of General Fund resources.

Authorizing Statute(s)

Article 12, Sections 851-862 of the San Francisco Business Tax and Regulation Code

Allocation

The General Fund receives the entire revenue.

¹ Resources are defined as operating revenues and transfers in.

Collection Method & Issues

The registration requirements apply to a person who meets one or more of the following criteria for engaging in business:

1. The person or an employee of the person maintains a fixed place of business within the city; or
2. An employee of the person maintains a fixed place of business within the City for the benefit or partial benefit of the person; or
3. The person or the person's employees own or lease real property within the City for business purposes; or
4. The person or person's employees regularly maintain a stock of tangible personal property within the City, held for sale in the ordinary course of a person's business; or
5. The person employs or loans capital on property within the City; or
6. The person or person's employees solicits business within the City on a regular basis for all or part of any seven days during one year; or
7. The person or person's employees perform work or render services within the City on a regular basis for all or part of any seven days during one year; or
8. The person or person's employees utilize the streets within the City in connection with the operation of motor vehicles for business purposes for all or part of any seven days during one year; or
9. The person or person's employees exercise corporate or franchise powers within the City for the benefit or partial benefit of the person; or
10. The person or person's employees liquidate a business when the liquidators hold themselves out to the public as conducting a liquidated business.

A person receiving rental income solely from any of the following shall not be deemed engaging in business:

1. A cooperative housing corporation; or
2. A residential structure consisting of fewer than four units; or
3. A residential condominium.

Also, a person is not considered to be engaging in business solely because he or she receives dividend or investment income from passive investments.

The annual fee for obtaining a registration certificate is paid to the City through the Tax Collector's office.

Revenue Base

The annual business registration fee is based on the Computed Payroll Expense Tax for the immediately preceding calendar year.

Tax/Rate Structure

The annual registration certificate fee, payable in advance, is as follows:

| Business Registration Fees | |
|--|-------------------------|
| Prior Year Computed Payroll Tax | Registration Fee |
| Less than \$1 | \$25 |
| \$1 to \$10,000 | \$150 |
| \$10,000 to \$50,000 | \$250 |
| More than \$50,000 | \$500 |

If an applicant has not filed a tax return for the immediately preceding tax year, the Treasurer/Tax Collector will determine the amount of registration fee required. For persons who commence business after June 30, 2003, except for those paying the minimum of \$25, the registration fee is prorated as follows:

| Proration of Business Registration Fees | |
|--|------------------------|
| For businesses opening between | Percent payable |
| January 1 and March 31 | 50% |
| April 1 and June 30 | 25% |
| July 1 and September 30 | 100% |
| October 1 and December 31 | 75% |

Historical Information

The Business Registration Ordinance became effective on October 1, 1968. Over the years, the business registration certificate fee has changed a number of times, and the Ordinance was amended in its entirety in April 2001 when the Gross Receipts Tax was repealed. Nonprofit organizations are exempt from the business registration fee.

Trends & Projections

The significant decline of this revenue in FY 2001-02 was due to the repeal of the Gross Receipts Tax and subsequent restructuring of the Business Registration Fee schedule.

Sensitivities

Business registration tax revenue is affected by business formations and closures.