

**Ballot Simplification Committee**  
**FINAL Approved Digest – August 8, 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 expense tax does not apply to compensation to owners of certain partnerships and businesses.

The City's payroll expense 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 expense tax applies to compensation paid to shareholders of professional corporations, members of limited liability companies, 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 expense 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 expense 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 expense tax, and you want to expand the payroll expense tax exemption for small businesses.

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

word count: 264 [suggested word limit: 300]