

1 [Payroll Expense Tax Exclusion for Qualified Renewable Energy Businesses.]

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3 **Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion**
4 **for qualified renewable energy businesses, as specified.**

5 Note: Additions are single-underline italics Times New Roman;
6 deletions are ~~strikethrough italics Times New Roman~~.
7 Board amendment additions are double underlined.
8 Board amendment deletions are ~~strikethrough normal~~.

8 Be it ordained by the People of the City and County of San Francisco:

9 Section 1. The San Francisco Business and Tax Regulations Code is hereby amended
10 by adding Sections 906.2 of Article 12-A (Payroll Expense Tax Ordinance), as follows:

11 SEC. 906.2. RENEWABLE ENERGY BUSINESS EXCLUSION.

12 (a) Any person engaging in a renewable energy business within the City that employs a full-
13 time staff of ten or more may exclude from their payroll expense all compensation paid to, on behalf of
14 or for the benefit of all employees of that person, and all distributions by an Association by way of
15 salary to those having an ownership interest in such Association, who or that perform substantially all
16 work or render substantially all services in direct support of such person's renewable energy business,
17 subject to the conditions and limitations set forth in this Section. For purposes of this Section, outside
18 independent contractors shall not be considered employees of the renewable energy business.

19 (b) For purposes of this section, "renewable energy business" means a business that develops
20 renewable energy sources including electrical energy produced by wind, solar energy, hydropower,
21 landfill gas, waste to energy, geothermal resources, ocean thermal energy conversion, wave energy,
22 biomass, including municipal solid waste, biofuels, or fuels derived from organic sources, hydrogen
23 fuels derived from renewable energy, or fuel cells where the fuel is derived from renewable sources.
24 "Renewable energy business" also means a business that produces electrical energy savings brought
25 about by the use of solar and heat pump water heating, seawater air-conditioning district cooling

1 systems, solar air-conditioning and ice storage, quantifiable energy conservation measures, use of
2 rejected heat from co-generation and combined heat and power systems excluding fossil-fueled
3 qualifying facilities that sell electricity to electric utility companies.

4 (c) The renewable energy exclusion authorized under this Section shall be available to and
5 may be taken by each person engaging in the renewable energy business in the City for a period of ten
6 years from the effective date of this Section or the commencement of the person's renewable energy
7 business in the City, whichever is later. The date the Tax Collector received the person's application
8 for a business registration certificate for the person's renewable energy business shall be presumed to
9 be the date of commencement of such business unless the person establishes a different commencement
10 date to the satisfaction of the Tax Collector.

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

17 (e) If a person's calculated liability for the Payroll Expense Tax does not exceed \$2,500 for
18 the tax year after applying the renewable energy exclusion under this Section, the person shall be
19 exempt from payment of the Payroll Expense Tax for that tax year as provided in Section 905-A.

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

22 By: _____
23 Carol A. Boardman
24 Deputy City Attorney