[Payroll Expense Tax Exclusion for Biotechnology Business.]

Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for biotechnology businesses, as specified.

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

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

Section 1. The San Francisco Business and Tax Regulations Code is hereby amended by adding Sections 906.1 of Article 12-A (Payroll Expense Tax Ordinance), as follows:

SEC. 906.1. BIOTECHNOLOGY EXCLUSION. (a) Any person engaging in biotechnology business within the City may exclude from the person’s payroll expense all compensation paid to, on behalf of or for the benefit of all individuals employees of that person, and all distributions by an Association by way of salary to those having an ownership interest in such Association, who or that perform substantially all work or render substantially all services in direct support of such person’s biotechnology business, subject to the conditions and limitations set forth in this Section. For purposes of this Section, outside contractors shall not be considered employees of the biotechnology business. For purposes of this Section, “biotechnology business” means conducting biotechnology research and experimental development, and operating laboratories for biotechnology research and experimental development, using recombinant DNA, cell fusion, and bioprocessing techniques, as well as the application thereof to the development of diagnostic products and/or devices to improve human health, animal health, and agriculture. For purposes of this Section, “biotechnology business” means conducting biotechnology research and experimental development, operating laboratories for biotechnology research...
and experimental development, or rendering biotechnology services. Work performed and
services rendered for research and experimental development in the physical, engineering
and life sciences and allied subjects in direct support of such person's biotechnology business
by an individual shall be deemed to be performing work or rendering services in direct support
of such person's biotechnology business.

(b) The biotechnology exclusion authorized under this Section shall be available to and may
be taken by each person engaging in the biotechnology business in the City for a period of seven
and one half years from the effective date of this Section or the commencement of the person's
biotechnology business in the City, whichever is later. The date the Tax Collector received the
person's application for a business registration certificate for the person's biotechnology business
shall be presumed to be the date of commencement of such business unless the person establishes a
different commencement date to the satisfaction of the Tax Collector.

(c) The biotechnology exclusion authorized under this Section shall expire on the fifteenth
tenth anniversary date of the effective date of this Section. A person may not use or claim any unused
portion of the ten-seven and one half year biotechnology exclusion after the expiration date of this
Section. Unless exempted under Sections 906 of this Article, every person engaging in the
biotechnology business in the City shall pay the tax imposed under this Article on the full amount of the
person's payroll expense attributable to the City from and after the expiration of this Section.

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

(f) The Tax Collector shall submit an annual report to the Board of Supervisors for
each year for which the biotechnology exclusion authorized under this Section is available that
sets forth aggregate information on the dollar value of the biotechnology exclusions taken
each year, the number of businesses taking the exclusion, the change in the number of 
biotechnology businesses engaging in business in the City, and any increase or decrease in 
the number of jobs in the biotechnology business sector compared to the number of jobs in 
the biotechnology business sector for the immediately preceding calendar year.

(g) The Assessor-Recorder and the Tax Collector shall jointly prepare and submit
an annual report to the Board of Supervisors for each year for which the biotechnology 
exclusion authorized under this Section is available that sets forth any increases in property 
taxes resulting from biotechnology businesses location, relocation or expansion to or within 
the City.

(h) The Mayor’s Office of Economic Development shall coordinate community
educational workshops on the biotechnology industry.

(i) The Controller, after five years from the enactment of this Ordinance, shall
perform an assessment and review of the effect of the biotechnology tax exclusion. Based on 
such assessment and review the Controller shall prepare and submit an analysis to the Board 
of Supervisors. The analysis shall be based on criteria deemed relevant by the Controller, 
and may include but is not limited to, data contained in the annual reports to the Board of 
Supervisors as required by subsections (f) and (g) of Section 1.

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

By: Carol A. Boardman
Deputy City Attorney
Ordinance amending the Payroll Expense Tax Ordinance to establish a tax exclusion for biotechnology businesses, as specified.

June 29, 2004  Board of Supervisors — CALLED FROM COMMITTEE
July 13, 2004  Board of Supervisors — CONTINUED
   Ayes: 10 - Alioto-Pier, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Peskin, Sandoval
   Absent: 1 - Ammiano

July 20, 2004  Board of Supervisors — AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE
   Ayes: 11 - Alioto-Pier, Ammiano, Daly, Dufty, Gonzalez, Hall, Ma, Maxwell, McGoldrick, Peskin, Sandoval

July 20, 2004  Board of Supervisors — PASSED ON FIRST READING AS AMENDED
   Ayes: 7 - Alioto-Pier, Dufty, Hall, Ma, Maxwell, McGoldrick, Peskin
   Noes: 4 - Ammiano, Daly, Gonzalez, Sandoval

July 27, 2004  Board of Supervisors — AMENDED
   Ayes: 7 - Ammiano, Daly, Gonzalez, Hall, McGoldrick, Peskin, Sandoval
   Noes: 4 - Alioto-Pier, Dufty, Ma, Maxwell

July 27, 2004  Board of Supervisors — PASSED ON FIRST READING AS AMENDED
   Ayes: 8 - Alioto-Pier, Ammiano, Dufty, Hall, Ma, Maxwell, McGoldrick, Peskin
   Noes: 3 - Daly, Gonzalez, Sandoval

August 10, 2004  Board of Supervisors — FINALLY PASSED
   Ayes: 7 - Alioto-Pier, Dufty, Elsbernd, Ma, Maxwell, McGoldrick, Peskin
   Noes: 4 - Ammiano, Daly, Gonzalez, Sandoval
I hereby certify that the foregoing Ordinance was FINALLY PASSED on August 10, 2004 by the Board of Supervisors of the City and County of San Francisco.

Gloria L. Young
Clerk of the Board

AUG 12 2004
Date Approved

Mayor Gavin Newsom