FILE NO. 221162

ORDINANCE NO. 045-23

[Business and Tax Regulations Code - Extending Temporary Suspension of Business Registration and Fee for Transportation Network Company Drivers and Taxi Drivers]

Ordinance amending the Business and Tax Regulations Code to extend through Fiscal Year 2027-2028 the temporary suspension of the application of the business registration and fee requirements to transportation network company drivers and taxi drivers.

NOTE: Unchanged Code text and uncodified text are in plain Arial font. Additions to Codes are in single-underline italics Times New Roman font. Deletions to Codes are in strikethrough italics Times New Roman font. Board amendment additions are in double-underlined Arial font. Board amendment deletions are in strikethrough Arial font. Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

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

Section 1. Background, Purpose, and Findings.

(a) In 2017, the Legislature enacted Senate Bill 182 ("SB 182"), the effect of which is to largely immunize automobile drivers who drive for online ride-hailing entities known as transportation network companies ("TNCs") from local business license requirements. (Cal. Bus. & Prof. Code §§ 16550-16550.2.) Under SB 182, a city must allow such a driver to conduct business freely within its borders without obtaining any locally-issued business license, and without paying any business license tax, unless that driver is "domiciled" in that city. In June 2022, the San Francisco Superior Court upheld the application of SB 182 to San Francisco in City and County of San Francisco v. State of California (S.F. Sup. Ct. No. CPF-18-516041) (the "SB 182 Litigation").

(b) In addition to making the City's business registration and fee requirements very difficult to administer, SB 182, as applied in San Francisco, would lead to anomalous and
unfair results. TNC drivers domiciled outside of the City but providing services in the City
would be exempt from the City’s business registration and fee requirements, but (1) TNC
drivers domiciled in the City and providing identical services in the City would have to register
and pay, and (2) taxi drivers providing very similar services in the City would have to register
and pay, regardless of where they were domiciled.

(c) Accordingly, in April 2018, the City enacted Ordinance No. 93-18, which
temporarily suspended the application of the City’s business registration and fee requirements
to TNC drivers and taxi drivers for fiscal years ending on or before June 30, 2020. The Board
of Supervisors continued that temporary suspension each year during the pendency of the
SB 182 Litigation. See Ordinance Nos. 298-19, 43-21, and 59-22. At present, the suspension
lasts through June 30, 2023.

(d) Although the San Francisco Superior Court has now upheld the application of
SB 182 to the City, the City now desires to extend the temporary suspension for an additional
five years, through and including June 30, 2028, to avoid the anomalous and unfair results
described above.

Section 2. Article 12 of the Business and Tax Regulations Code is hereby amended by
revising Section 853, to read as follows:

SEC. 853. REGISTRATION CERTIFICATE – REQUIRED.

(a) Except as provided in subsections (d) and (e), no person may engage in business
within the City unless the person has obtained a current registration certificate pursuant to this
Article 12. Every person engaging in business within the City shall conspicuously display a
current registration certificate on the business premises, regardless of whether such person is
subject to tax pursuant to the provisions of the Business and Tax Regulations Code.
(b) Any organization having a formally recognized exemption from income taxation pursuant to Section 501(c), 501(d), or 401(a) of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of Title 26 of the Internal Revenue Code of 1986, as amended, and engaging in business within the City shall obtain a registration certificate.

(c) Failure to obtain a registration certificate shall not absolve any person from payment of any tax imposed or license required by the City.

(d) A person receiving rental income in connection with the operation of any of the following shall not, by reason of that fact alone, be required to obtain a registration certificate pursuant to this Article 12:

(1) a cooperative housing corporation, as defined in Section 216(b) of the Internal Revenue Code of 1986, as amended;

(2) one residential structure consisting of fewer than four units; or

(3) one residential condominium.

(e) The requirements to obtain a registration certificate and pay a fee under this Article 12 shall be suspended for any driver for a transportation network company and for any taxi driver for registration years 2018-2019 through and including 2027-2028, 2019-2020, 2020-2021, 2021-2022, and 2022-2023. Additionally, the requirements to obtain a registration certificate and pay a fee under this Article 12 shall be suspended for any driver for a transportation network company and for any taxi driver commencing business in the City on or after January 1, 2018, for registration year 2017-2018. The suspensions in this subsection (e) are further qualified and defined solely for purposes of this subsection (e) as follows:

(1) The suspensions apply only to drivers whose business activity in the City is limited to transportation network company driving and/or taxi driving.
(2) "Transportation network company" has the same meaning as in Section 5431(c) of the California Public Utilities Code.

(3) "Taxi" has the same meaning as in Section 1102 of Article 1100 of the Transportation Code.

(4) The Board of Supervisors may at any time, by ordinance, extend or terminate the suspensions.

Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions, deletions, Board amendment additions, and Board amendment deletions in accordance with the "Note" that appears under the official title of the ordinance.

Section 4. Effective Date. This ordinance shall become effective 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board of Supervisors overrides the Mayor's veto of the ordinance.

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/ Scott M. Reiber
SCOTT M. REIBER
Chief Tax Attorney

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March 15, 2023 Budget and Finance Committee - RECOMMENDED

March 21, 2023 Board of Supervisors - PASSED ON FIRST READING
  Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

April 04, 2023 Board of Supervisors - FINALLY PASSED
  Ayes: 11 - Chan, Dorsey, Engardio, Mandelman, Melgar, Peskin, Preston, Ronen, Safai, Stefani and Walton

I hereby certify that the foregoing Ordinance was FINALLY PASSED on 4/4/2023 by the Board of Supervisors of the City and County of San Francisco.

Angela Calvillo
Clerk of the Board

London N. Breed
Mayor

Date Approved

4/14/23