

Biotechnology Payroll Expense Tax Exclusion

Program Fact Sheet

OVERVIEW

In 2004, the City passed an unprecedented payroll expense tax exclusion for biotechnology companies in San Francisco. The Biotechnology Payroll Expense Tax Exclusion is a valuable tax incentive that allows qualified biotechnology companies to be excluded from the City's payroll expense tax – San Francisco's local business tax – on qualified employees, for 7 ½ years. This fact sheet provides background on the program, guides businesses through the process of applying for this tax exclusion, and includes contact information if you need further assistance or have any questions.

PROGRAM DETAILS

Program Benefit:	Exclusion from the City's 1.5% tax on payroll expense for 7 ½ years from the commencement of the biotechnology business in the City of San Francisco.
Eligibility:	Qualified biotechnology business located within the City of San Francisco on or before August 11, 2014.
Qualified Biotechnology Businesses:	For the purposes of qualifying for this program, biotechnology business means conducting biotechnology research and experimental development, and operating laboratories in the City of San Francisco for biotechnology research and experimental development, using DNA, cells, and/or bioprocessing techniques, as well as the application thereof to the development of therapeutics, diagnostic products and/or devices to improve human health, animal health, and agriculture. Further information regarding this can be viewed in the "Business and Tax Regulations Code" section of the San Francisco Municipal Code (Article 12-A, Sec 906.1), located online at: http://www.municode.com/content/4201/14132/html/ch012a.html
Qualified Payroll Tax Expenses:	Any person engaging in biotechnology business within the City may exclude from their payroll expense all compensation paid to all employees who perform substantially all work or render substantially all services in direct support of the biotechnology business. Outside contractors are not considered employees.
Approval Process:	The San Francisco Department of Public Health evaluates and determines eligibility of biotechnology businesses qualifying for this incentive program. The application and approval process is summarized below.

Application Deadline:	Businesses wishing to apply for the Biotechnology Payroll Expense Tax Exclusion must submit their completed application to the Department of Public Health on or before January 31 for the previous calendar year. The application is attached and available online at: http://www.oewd.org/Biotechnology-Payroll-Tax-Exclusion.aspx
Filing Payroll Expense Tax Return:	Businesses wishing to claim this Exclusion must file an annual Payroll Expense Tax Return with the Office of the Treasurer and Tax Collector regardless of the amount of tax liability shown on the return, after claiming the tax Exclusion provided for in this program.
First Source Hiring Program:	Businesses wishing to claim this exemption must participate in the City's First Source Hiring Program. Businesses must complete the "Employer's Projection of Entry Level Positions" form and submit to the Office of Economic and Workforce Development on or before January 31 as part of the initial application for the Biotechnology Payroll Expense Tax Exclusion, and on or before January 31 of every year after the year the application is first approved.
Reporting and Records:	<p><u>Workforce Affidavit:</u> Businesses wishing to claim this Exclusion must file an annual affidavit with the Office of Economic and Workforce Development detailing the total number of individuals hired, the number of individuals hired who were referred by the San Francisco Workforce Development System, and the duration of employment for each individual hired. The affidavit must be filed with the Office of Economic and Workforce Development on or before January 31 of every year after the year the application is first approved.</p> <p><u>Qualified Employee Documentation:</u> Business wishing to claim this Exclusion must maintain a reasonable method of documentation that can be reviewed or verified objectively that tracks how employees whose compensation qualifies for the payroll expense tax exclusion spend their time at work and provide such documentation to the Tax Collector upon request.</p>
Qualification Renewal:	After approval, the qualified biotechnology business must file an annual Affidavit for Renewal with the Department of Public Health affirming that they continue to meet the eligibility criteria as determined by the Department of Public Health. The affidavit must be filed with the Department of Public Health on or before January 31 of every year after the year the application is first approved.
Further Information:	The Biotech Payroll Tax Exclusion was approved on August 12, 2004 (Ordinance 209-04) and amended on May 21, 2010 (Ordinance 105-10). Further information regarding this ordinance can be viewed in the "Business and Tax Regulations Code" section of the San Francisco Municipal Code (Article 12-A, Sec 906.1), located online at: http://www.municode.com/content/4201/14132/html/ch012a.html

PROCESS

Step 1: Application

Complete and submit the attached Application for Biotechnology Payroll Expense Tax Exclusion to the Department of Public Health for review and evaluation on or before January 31 for the previous calendar year. Applications sent or postmarked after the January 31st deadline will be considered denied for that tax year. The application is available online at: <http://www.oewd.org/Biotechnology-Payroll-Tax-Exclusion.aspx>. E-mail, fax or mail the completed and signed application to:

Colleen Chawla
Director of Grants and Special Projects
San Francisco Department of Public Health
101 Grove Street, Room 316
San Francisco, CA 94102
Phone: 415.554.2769
Fax: 415.554.2622
Email: colleen.chawla@sfdph.org

Step 2: Review and Determination

The Department of Public Health will review and make a determination of eligibility. The Department of Public Health will notify applicants through a Letter of Determination whether the applicant's application was approved or denied within 10 business days of receipt of a complete application.

Step 3: File Payroll Expense Tax Return

If the application is approved, the Department of Public Health will notify the Treasurer and Tax Collector's Office of the name of the qualified biotechnology business. The qualified biotechnology business must file an annual Payroll Expense Tax Return with the Tax Collector regardless of the amount of tax liability shown on the return after claiming the tax Exclusion provided for in this program.

Step 4: Confirmation / Denial of Exclusion for Payroll Expense Tax

No confirmation will be sent if an applicant's Exclusion is accepted as part of the applicant's Payroll Expense Tax filing / payment. However if the business is not on the approved list from the Department of Public Health, the business will receive a denial letter from the Treasurer and Tax Collector's Office.

Step 5: Enroll in First Source Hiring Program

Businesses wishing to claim the Payroll Expense Tax Exclusion must participate in the City's First Source Hiring Program. Businesses must complete the "Employer's Projection of Entry Level Positions" form and submit to the Office of Economic and Workforce Development on or before January 31 as part of the initial application for the Biotechnology Payroll Expense Tax Exclusion, and on or before January 31 of every year after the year the application is first approved.

Step 6: Reporting and Record Keeping

Business wishing to claim this exclusion must file an annual Workforce Affidavit with the Office of Economic and Workforce Development on or before January 31 of every year after the year the application is first approved and maintain documentation on qualified employees as detailed above.

Step 7: Renewal

After approval, the qualified biotechnology business must file an annual Affidavit for Renewal of the Biotechnology Payroll Expense Tax Exclusion with the Department of Public Health affirming that they continue to meet the eligibility criteria on or before January 31 of every year after the year the application is first approved. A renewal confirmation letter will be issued within 10 business days.



FORMS

The necessary forms are available at: <http://www.oewd.org/Biotechnology-Payroll-Tax-Exclusion.aspx>

CONTACT INFORMATION

<p>Program Overview and Biotech Industry Liaison</p> <p>Todd Rufo Director of Business Development City and County of San Francisco Office of Economic and Workforce Development Phone: (415) 554-5694 Email: todd.rufo@sfgov.org</p>	<p>Program Qualification and Review</p> <p>Colleen Chawla Director of Grants and Special Projects San Francisco Department of Public Health Phone: (415) 554-2769 Fax: (415) 554-2622 Email: colleen.chawla@sfdph.org</p>
<p>First Source Hiring Program and Workforce Development Services</p> <p>Erik Ward Business Services Manager City and County of San Francisco Office of Economic and Workforce Development Phone: (415) 581-2352 Fax: (415) 581-2317 Email: erik.ward@sfgov.org</p>	<p>Tax Filings</p> <p>Loretta R. Lieberman Business Tax Account Services Manager City and County of San Francisco Office of Treasurer and Tax Collector Phone: (415) 554-7339 Fax: (415) 554-7316 Email: loretta.lieberman@sfgov.org</p>