

San Francisco's Clean Technology Payroll Expense Tax Exclusion

Payroll expense tax and gross receipts tax exclusions and credits are available for Clean Technology businesses that meet the City's eligibility criteria.

"CLEAN TECHNOLOGY BUSINESS"

A business in which at least seventy-five percent of all business activities carried on during the tax year (measured by payroll expense) are directly related to one or more of the following activities:

- Research and development and/or associated manufacturing applying scientific advances to the production, distribution or storage of clean energy; or
- Research and development and/or associated manufacturing applying scientific advances to prototype or commercially viable materials and products powered by clean energy, including but not limited to single passenger vehicles and fueling infrastructure; or
- Research and development and/or associated manufacturing applying scientific advances to prototype or commercially viable techniques, materials and products that materially improve energy efficiency, water conservation or air quality; or
- Research and development, manufacture and/or installation of solar panels.

"CLEAN ENERGY"

Energy produced by wind, solar energy, landfill gas, geothermal resources, ocean thermal energy conversion, quantifiable energy conservation measures, tidal energy, wave energy, biomass, biofuels, or hydrogen fuels derived from renewable sources. Clean Energy does not include:

- Any fossil fuel-based energy production, including but not limited to clean coal, clean diesel, natural gas and hydrogen from natural gas;
- Any nuclear based energy production;
- Waste to energy via combustion or incineration; or/and
- Other technologies that are detrimental to human health.

"PERSON"

The combination of all domestic subsidiaries, affiliates and other business entities related by ownership (excluding beneficial ownership of the stock of publicly traded corporations).

"SAN FRANCISCO GREEN BUSINESS"

A business recognized by the City and County of San Francisco upon meeting stringent pollution prevention and resource conservation standards established by the City. To apply visit www.greenbusinessca.org.

ELIGIBILITY CRITERIA

In order to qualify for the exclusion and/or credit, a person must:

1. Meet the above definition of a Clean Technology business;
2. Employ a full-time staff of not more than one hundred employees;
3. Become a recognized San Francisco Green Business; complete and submit all required applications for Green Business recognition at least ninety days prior to the close of the tax year for which the payroll tax exemption is requested;
4. Submit all the application materials by December 31st of the first year which the exclusion and/or credit is being claimed;
5. Timely file an annual payroll expense tax return regardless of the amount of tax liability shown on the return;
6. Document and track how employees whose compensation qualifies for the exclusion spend their time at work; and
7. File an annual renewal affidavit confirming eligibility for the exclusion and/or credit by January 31st of each year after initial approval.



London N. Breed, Mayor
Deborah O. Raphael, Director

SFEnvironment.org/cleantechnology
(415) 355-3700



SF Environment
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A Department of the City and County of San Francisco

APPLICATION PROCESS

STEP 1

Meet the eligibility criteria (above) including obtaining the Green Business Program recognition. The process of becoming a recognized Green Business could take up to 6 months to complete.

STEP 2

Submit the application by the deadline.

- If you are a first time applicant submit the following:
 1. Application Form for Payroll Expense Tax Exclusion (available at <http://sfenvironment.org/cleantechnology>);
 2. A company brochure, any other materials, and a letter clearly explaining how you meet the “Clean Technology Business” definition (above).
 3. Detailed list of employees (including employees of your domestic subsidiaries, affiliates, and other business entities related by ownership) from at least 9 months of the tax year for which you are applying for the exclusion. See application for more information.

Submit completed materials electronically to Kevin.Kumataka@sfgov.org by **12/31 for eligibility in the current calendar year** (e.g., deadline for 2017 application is 1/2/2017).

- Businesses Renewing their Clean Technology Business Exclusion need to submit the annual renewal affidavit.
- Once your application is approved, you will receive a “Certificate of Eligibility”.

STEP 3

Renew your application annually.

- If your business has previously qualified for this Clean Technology Business Exclusion, you need only submit an annual renewal affidavit to confirm that you continue to meet the eligibility criteria.
- Annual renewal affidavits to claim the payroll expense tax exclusion must be submitted by **January 31 of the following year**. For instance, if your business wishes to claim the Clean Technology Business Exclusion for year 2017 (based on a previous qualification as an eligible business), you must submit the annual renewal affidavit by January 31, 2018. Submit completed materials electronically to Kevin.Kumataka@sfgov.org.

STEP 4

Timely file your payroll expense tax return.

- Payroll expense tax returns must be filed each year, by **the last day of February**, for the preceding tax year (e.g., your tax return for 2017 is due February 28, 2018). For more information visit the Treasurer & Tax Collector’s website: <http://www.sftreasurer.org>.

Note: This program is scheduled to sunset in 2020. Once businesses are deemed eligible, Clean Technology businesses are limited to receive the tax exclusion for a 10 year period.

RESOURCES

Program Overview and Cleantech Industry Liaison:
Natasha Safo, Office of Economic & Workforce Development
Natasha.Safo@sfgov.org, (415) 554-6425

Questions about the Green Business Program:
Kevin Kumataka, Department of the Environment
Kevin.Kumataka@sfgov.org, (415) 355-3778

Questions about the review and determination process:
Kevin Kumataka, Department of the Environment
Kevin.Kumataka@sfgov.org, (415) 355-3778

Questions about payroll expense tax filing:
Mareah Hickey, Office of the Treasurer & Tax Collector
Mareah.Hickey@sfgov.org, (415) 554-7608



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