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March 11, 2019

Resolution No. 001-2019-SBC

AB 364 – Minimum Franchise Tax

Resolution

WHEREAS, the Small Business Commission, whose mission is to foster, promote, and retain small businesses in the City and County of San Francisco; and

WHEREAS, the State of California currently imposes an annual minimum franchise tax set at \$800 on all Limited Liability Companies (LLC), Limited Partnerships (LP), and Limited Liability Partnerships (LLP); and

WHEREAS, the State of California currently exempts all corporations from the minimum franchise tax during their first year in operation; and

WHEREAS, corporations differ from LLCs, LPs, and LLPs by way of ownership structure, management, and requirements; and

WHEREAS, LLCs, LPs, and LLPs are not granted a similar exemption from the annual tax; and

WHEREAS, LLCs, LPs, and LLPs doing business in San Francisco generally include microenterprises earning less than \$50,000 in gross receipts; and

WHEREAS, microenterprises are generally owned by more socially and economically disadvantaged entrepreneurs; and



WHEREAS, Assembly Bill 364 would provide for an exemption for LLCs, LPs, and LLPs from paying the minimum annual tax for their first year of operation – the same exemption the state currently extends to corporations; and

WHEREAS, this exemption would help reduce the number of small business owners who may be overexposed to risk in a state with some of the highest business taxes in the nation; and

WHEREAS, lowering the tax burden on new small businesses in their first and critical year of operation would foster a more business friendly climate; therefore be it

RESOLVED, that the Small Business Commission strongly supports Assembly Bill 364; and be it

FURTHER RESOLVED, that the Small Business Commission urges the City and County of San Francisco to officially support AB 364 and urges the California Senate and Assembly to pass AB 364, and Governor to sign AB 364 into law.

