



# Special Notice

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## Sales Tax Applies to the San Francisco Health Care Security Ordinance (SFHCSO) Surcharge

Under this ordinance, qualifying businesses located within San Francisco are required to provide a mandated minimum health care benefit to their employees. To defray the cost, many businesses have raised their prices on the goods and services they sell. However, some businesses have chosen to add a surcharge to their receipts instead of raising their selling prices. The surcharge may either be a flat fee or a percentage of the selling price. *Please note, when a surcharge is separately added to any taxable sale, the surcharge is also subject to sales tax.*

Below are two examples of the computation of sales tax to a taxable sale with SFHCSO surcharges added, one as a flat fee and one as a percentage of the sale. In both examples, tax is applied to the total selling price including the SFHCSO surcharge:

**Example 1** - Surcharge added as a percentage of the sale:

Item 1	\$10.00
Item 2	12.00
Subtotal	22.00
SFHCSO surcharge (2%)	.44
Total sale	22.44
Sales tax [9.5% x 22.44]	2.13
Total due	<u>\$24.57</u>

**Example 2** - Surcharge added as a flat fee:

Item 1	\$10.00
Item 2	12.00
Subtotal	22.00
SFHCSO surcharge fee	1.00
Total sale	23.00
Sales tax [9.5% x 23.00]	2.19
Total due	<u>\$25.19</u>



If you would like more detailed information regarding this topic, you may visit our website at [www.boe.ca.gov](http://www.boe.ca.gov), or call our Taxpayer Information Section at 800-400-7115, Monday through Friday 8:00 am. to 5:00 p.m., excluding state holidays.

For information regarding the San Francisco Health Care Security Ordinance, please visit the official San Francisco government website at [www.sfgov.org](http://www.sfgov.org).