

EXHIBIT F

CARMEN CHU
ASSESSOR-RECORDER



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OFFICE OF THE ASSESSOR-RECORDER

SHORT-TERM RENTAL BUSINESS PERSONAL PROPERTY TAXATION FREQUENTLY ASKED QUESTIONS (FAQ)

1. What is the 571-R form and why did I receive it? The 571-R is a State of California tax form required to be completed by rental businesses, including Short-Term Rental businesses. You received this form because as of January 1, 2016, you were a registered business with the City and County of San Francisco, or it became known to our office that you are engaging in property rental activity. Rental of all or a portion of your property, including a residential unit, *means that you are subject to business property tax assessment on furnishings, including furniture, appliances, equipment, and supplies used in the rental activity.* The California Revenue and Taxation Code Section 441(a) requires business owners with personal property of less than \$100,000 in value to file a property statement (i.e., Form 571-R) upon the Assessor-Recorder's request.

2. Why are you taxing my furnishings in my Short-Term Rental, including my furniture? Under the State Constitution, all property is subject to property tax unless otherwise exempt. In California, numerous types of property are subject to taxation. The most common property subject to taxation is real property, usually thought of as land and improvements or buildings. *A second type of taxable property is business personal property, which is property used to operate a business, (a short-term rental is considered a registered business), excluding land and improvements. For example, items such as furnishings, includes furniture, kitchen appliances, and washing/drying machines in rentals are considered business personal property.* For more information on the taxation of business property, please go to www.sfassessor.org and click on the button titled "Business Property."

3. I never received this before, why am I receiving this now, and why must I file by May 7th? Property used in all businesses, including short-term residential rental businesses, is subject to property tax unless an exemption applies. *You received a notice to file a 571-R form because your taxable business is registered with the City and County of San Francisco. The Form 571-R is due on April 1, each year. The last day to file without incurring a penalty is May 7, each year; the penalty for filing after May 7, is 10% of the total assessed value.*

4. What do I need to report on the 571-R form? You are required to report the cost and acquisition year of all physical assets used in the rental activity. *This includes, but is not limited to, the cost and acquisition year of each piece of furniture, equipment, and supplies used in renting your residence, including furnishings from the kitchen, living room, dining room, and bedroom, such as televisions, computers, bed frames, mattresses, tables, chairs, stoves, fridges, appliances, dish washers, clothes washers and dryers, entertainment units, artwork, and any other property that you provide to your renters as part of the rental activity.*

5. How is the taxable assessed value determined, including \$7,500 estimated basis used for valuation of a 1 bedroom apartment? Business property is assessed each year. The assessed value of business property is based on the cost of the asset, which includes but not limited to sales tax, freight and installation. The Assessor-Recorder applies a State Board of Equalization valuation factor to the asset cost to determine the assessed value, while taking into account depreciation.

To establish a uniform assessment baseline citywide, the Assessor-Recorder researched the approximate costs of personal property and furnishings of a typical 1 bedroom apartment in the City and County of San Francisco, and estimated an assessed personal property value of \$7500 for Short-Term Rental taxable furnishings. The State Board of Equalization provides a valuation schedule based on the expected economic life of different assets that informs the depreciation. For short-term rental business failed to file their Form 571-R before May 7, the baseline value is applied with penalty and necessary adjustments. The assessed value is used to determine the tax due by multiplying the assessed value by the applicable tax rate. For example, the 2016 Business Personal Property tax rate is 1.1826%. If the business personal property assessed value is \$10,000, property taxes on business assets are approximately \$118. The Office of the Treasurer-Tax Collector is responsible for billing and applying the tax rate.

6. I did not buy new furniture for the rental room(s). I used old furniture from my house. How do I report the cost?

Use your best knowledge to estimate the year each item was purchased, and your total cost (including sales tax, freight, and installation).

7. The furniture in the rental room is old. Can I report that it has zero value?

No. You are required to report the original acquisition cost and acquisition year of the assets even if they are old. If you don't know the acquisition cost and year, use your best knowledge to estimate the year each item was purchased, and your total cost (including sales tax, freight, and installation).

8. I only rent out my residence on a part time basis, or sometimes only 1 room of my residence. Do I need to file the 571-R form? Yes. You are required to file the 571-R form if you are engaged in any rental activity. You are also required to report property within the rented room, and any property in other rooms (e.g., bathroom, kitchen, living room, and laundry room) that your guests are permitted to use.

9. I registered with the Office of Short-Term Rental and as a business with the Office of the Treasurer-Tax Collector, but I have not rented my residence at all. Do I need to file the 571-R form?

Yes. As long as either registration was active as of January 1, 2016, you are required to file the 571-R form.

10. I discontinued my rental business prior to January 1, 2016. Do I need to file the 571-R form?

You are required to respond to the notice using the 571-R form to indicate the dates that your rental business was active and the date of closure with your signature and date by the filing deadline. In addition, you must [close your business account](#) with the Office of the Treasurer-Tax Collector. Please also notify the Office of Short-Term Rental: (415) 575-9179 or shorttermrentals@sfgov.org.