OFFICE OF THE CITY ATTORNEY | CITY OF SAN DIEGO - **FACT SHEET**

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CITYWIDE MINIMUM WAGE AND LABOR STANDARDS ENFORCEMENT FEE

Notice to Businesses – Proposed Fee Update

Effective July 1, 2025, the City of San Diego implemented an annual Minimum Wage Enforcement fee of $1.47 per employee working within the geographic boundaries of the City of San Diego. The City is proposing to rename the fee to the Citywide Minimum Wage and Labor Standards Enforcement Fee and increase the annual rate to $2.82 per covered employee. The fee is subject to City Council approval. If approved, the proposed implementation date is November 1, 2026.

Why Is The City Updating The Fee?

In 2016, City of San Diego voters approved the Earned Sick Leave and Minimum Wage Ordinance. In 2025, City Council passed the Hospitality Minimum Wage Ordinance. The Office of Labor Standards and Enforcement (OLSE) administers and enforces both ordinances citywide. This fee supports the reasonable cost of that administration and enforcement.

The proposed fee increase reflects a comprehensive evaluation of the reasonable costs to administer and enforce these ordinances. The proposed rate is designed to maintain existing services while providing additional capacity for the City expanded wage enforcement responsibilities, including implementation of the new Hospitality Minimum Wage Ordinance.

Who Is Subject To This Fee?

The fee applies to any employer with one or more employees performing work within City of San Diego boundaries, including employers located outside the City. This includes businesses, nonprofit organizations, and tax-exempt organizations.

How Will The Fee Be Assessed?

Most employers will be assessed the fee when renewing their City Business Tax Certificate, based on the employee count reported to the City. Hotels and motels will be assessed through the City's rental unit billing system and will be asked to provide or validate their employee counts.

Which Employees Are Counted?

Employee count is based on the average number of employees over a 12-month period. Independent contractors and business owners are not employees; paid corporate officers are counted.

Are There Exemptions To The Fee?

Yes. Sole proprietors with no employees (i.e. self-employed individuals) are exempt but must report zero employees on their business tax application or renewal to avoid assessment of the fee.

Questions or Need Help?

For questions about the proposed fee updates or ordinance requirements, contact OLSE at OLSE@sandiego.gov.

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