

Additional Tax on Commercial Rents Mostly for Child Care and Education *

Digest by the Ballot Simplification Committee

Status: Approved digest

On: Wednesday, February 28, 2018

Members: Packard, Anderson, Patterson, Raveche

Deadline to Request Reconsideration: 4 p.m. on Thursday, March 1

The Way It Is Now: The City collects a gross receipts tax from many businesses receiving revenue from the lease of commercial property, such as office buildings, warehouses and other industrial buildings, and retail spaces. The current tax rate ranges from 0.285% to 0.3%.

Businesses with \$1 million or less in total gross revenues within San Francisco are generally exempt from the gross receipts tax. Certain other businesses are also exempt, including some nonprofit organizations, banks and insurance companies.

Propositions __ and __ concern the same tax. If both measures are adopted by the voters, the one with the most votes will be enacted.

The Proposal: Proposition ____ would impose an additional gross receipts tax of:

- 1% on the revenues a business receives from the lease of warehouse space in the City; and
- 3.5% on the revenues a business receives from the lease of other commercial spaces in the City.

This additional tax would generally not apply to businesses exempt from the existing gross receipts tax.

It would also not apply to revenues received from leases to businesses engaged in:

- Production, Distribution or Repair (PDR) uses. PDR uses include a variety of business-related uses such as industrial, automotive, storage and wholesale. They also include uses by small businesses such as furniture makers, recording studios, auto repair shops, plumbing supply stores, art studios and lumberyards.
- The retail sale of goods and services directly to consumers; or
- Arts or entertainment activities.

This additional tax would also not apply to revenues received from certain nonprofit organizations.

The City would use 15% of funds collected from this additional tax for any general purpose.

The City would use the remaining 85% of the funds from this additional tax for:

- Quality early care and education for children from newborns through age 5 whose parents are very low income to low income;
- Quality early care and education for children from newborns through age 3 whose parents are low to middle income and do not currently qualify for assistance;
- Investment in services that support physical, emotional and cognitive development of children from newborns through age 5; and

**Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.*

- Increased compensation for people who provide quality early care and education for children from newborns through age 5.

A "YES" Vote Means: If you vote "yes," you want to impose a new gross receipts tax of 1% on revenues a business receives from the lease of warehouse space in the City, and 3.5% on revenues a business receives from the lease of some commercial spaces in the City to fund quality early care and education for young children, and for other general purposes.

A "NO" Vote Means: If you vote "no," you do not approve this tax.