

**Ballot Simplification Committee**

**FINAL Approved Digest: Packard, Fasick, Fraps, Jorgensen, Unruh - 1:25 p.m. on Tuesday, August 7, 2012**

Requests for Reconsideration were due Monday, August 6, by 12:00 p.m.

**Gross Receipts Tax** *(working title only, subject to change)*

**The Way It Is Now:**

The City requires businesses to pay a flat 1.5% tax on payroll costs for work performed in the City. Small businesses with less than \$250,000 in payroll costs are exempt from the tax.

The City also requires businesses to pay an annual registration fee ranging from \$25 to \$500.

**The Proposal:**

Proposition \_\_ would create a new City business tax based on gross receipts rather than payroll costs. Under the new system, the tax on payroll costs would be eliminated or reduced.

Businesses with gross receipts of less than \$1 million annually would be exempt from the gross receipts tax. The \$1 million threshold would be adjusted each year to account for inflation.

The gross receipts tax rates would vary depending on the type of business and its annual gross receipts from its activity in the City. Generally, businesses with higher gross receipts would pay higher rates. The rates would range from 0.075% to 0.650%.

Certain businesses that have their headquarters or administrative offices in San Francisco, but operate primarily in other locations, would pay the gross receipts tax based on payroll costs. The tax rate for these businesses would be 1.4% of payroll costs.

Proposition \_\_ would require the City to phase in the gross receipts tax, and phase out the tax on payroll costs, over a five-year period beginning in 2014. Each year, the Controller would increase the gross receipts tax and decrease the tax on payroll costs according to a formula that would maintain business tax revenue. The final rates would depend on the revenue the City receives from the gross receipts tax.

If the gross receipts tax revenue exceeds the revenue the City would have received under the tax on payroll costs, then the tax on payroll costs will be phased out and the final gross receipts rates will be lower than the maximum submitted in this measure.

If the gross receipts tax revenue never equals the revenue the City would have received under the tax on payroll costs, then the tax on payroll costs will be reduced but not

phased out. In that event, businesses would pay taxes based on both payroll costs and gross receipts.

Proposition \_\_\_ would increase annual business registration fees. These fees would range from \$75 for small businesses to \$35,000 for businesses with more than \$200 million a year in gross receipts. The fees also would be adjusted each year to account for inflation.

Proposition \_\_\_ would establish penalties for failure to properly register a business.

**A "YES" Vote Means:** If you vote "yes," you want the City to create a gross receipts tax designed to eliminate or reduce the tax on payroll costs. You also want the City to increase business registration fees.

**A "NO" Vote Means:** If you vote "no," you do not want the City to create a gross receipts tax designed to eliminate or reduce the tax on payroll costs. You also do not want the City to increase business registration fees.

word count: 486 [suggested word limit: 300]