

President, Board of Supervisors  
District 3



City and County of San Francisco

**DAVID CHIU**  
邱信福  
市參事會主席

August 6, 2012

Ballot Simplification Committee  
c/o Barbara Carr  
Department of Elections  
Room 48, City Hall

VIA EMAIL

Re: Request for Reconsideration of Gross Receipts Tax Digest

Dear Ms. Carr,

After conferring with Chief Economist Ted Egan and other sponsors of the measure, my office respectfully requests reconsideration of the Approved Digest for the Gross Receipts Tax ballot initiative, which was before the Ballot Simplification Committee on Friday, August 3. The requested changes are outlined below and in the attached document.

- 1) After The Proposal, we believe the first paragraph needs to call out the goal of eliminating the payroll expense tax and to outline why the rates will vary under the gross receipts system. The following paragraph could accomplish this goal:

Proposition \_\_ would create a City gross receipts tax for most businesses, and eliminate or reduce the payroll expense tax. The gross receipts tax rates would vary depending on the business' industry and the business' annual gross receipts from its activity in the City. Businesses whose payroll costs are a small percentage of their revenues would generally pay a lower gross receipts tax rate. Businesses with higher gross receipts would pay higher rates. The rates would range from 0.075% to 0.650%.

- 2) In What A “Yes” Vote Means, the language in the second bullet point should indicate that business with higher gross receipts will pay higher fees.
- increase business registration fees progressively, with business with higher gross receipts paying higher fees.

Thank you for your considering this request. Given the complexity of this measure, we welcome additional discussion on Tuesday, August 7. Please do not hesitate to contact me at 415.554.7451 if you have any questions.

Sincerely,  
Judson True  
Legislative Aide

**Ballot Simplification Committee –  
Approved Digest: Packard, Fasick, Fraps, Jorgensen, Unruh - 12:00 p.m. on  
Friday, August 3, 2012**

Requests for Reconsideration 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 1.5% tax on payroll costs for employees working 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 City gross receipts tax for most businesses, and eliminate or reduce the payroll expense tax. The gross receipts tax rates would vary depending on the ~~type of~~ business' industry and the business' annual gross receipts from its activity in the City. Businesses whose payroll costs are a small percentage of their revenues would generally pay a lower gross receipts tax rate. Businesses with higher gross receipts would pay higher rates. The rates would range from 0.075% to 0.650%.

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.

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 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 will be reduced but not fully phased out. In that event, businesses would pay taxes based on both payroll 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, and
- increase business registration fees progressively, with business with higher gross receipts paying higher 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, and
- increase business registration fees.

word count: 446 [suggested word limit: 300]