

Additional Business Taxes to Fund Homeless Services*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Tuesday, July 31, 2018
Members: Packard, Anderson, Patterson, Raveche

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects a tax on gross receipts from many businesses operating in San Francisco. The current maximum tax rates on gross receipts range from 0.16% to 0.65%, depending on the type of business activity. Certain businesses with more than \$1 billion in gross receipts, 1,000 employees nationwide, and administrative offices in San Francisco pay an administrative office tax based on their payroll instead of gross receipts. For those businesses, the tax rate is 1.4% of their payroll expense.

Some businesses, including certain non-profit organizations, banks, and insurance companies, are exempt from the gross receipts tax and the administrative office tax.

State law limits the amount of revenue, including tax revenue, the City can spend each year. State law authorizes San Francisco voters to approve increases to this limit.

The Proposal: Proposition ____ would impose two additional business taxes:

- For businesses that pay the gross receipts tax, an additional tax of 0.175% to 0.690%, depending on the type of business activity, on gross revenues in San Francisco over \$50 million; and
- For businesses that pay the administrative office tax, an additional tax of 1.5% of their payroll expense in San Francisco.

These additional taxes would not apply to:

- Certain non-profit organizations and businesses exempt from local taxation, such as banks and insurance companies;
- Revenues that are exempt from the gross receipts tax; and
- Revenues from commercial rents that are subject to the City's Early Care and Education Commercial Rents Tax, passed by the voters as Proposition C at the June 5, 2018 election.

The Board of Supervisors would determine each fiscal year how to distribute the funds from these additional taxes, within these limits:

- At least 50% for programs that help homeless people secure permanent housing;
- Up to 10% for programs that help homeless people secure short-term shelter and access hygiene programs;
- Up to 15% for programs serving people who have recently become homeless or are at risk of becoming homeless; and
- At least 25% for mental health services specifically designed for homeless people with severe behavioral health issues.

**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.*

Proposition ___ would state the voters' policy that the revenue from the additional tax supplement existing City funding for programs serving homeless people and preventing homelessness, instead of replacing or reducing that funding. It would also create an advisory committee that would monitor the uses of the fund and make recommendations to the Mayor and the Board of Supervisors about administering the fund.

Proposition ___ would increase the state's limit on the City's annual tax revenue spending by the amount of additional taxes collected under this ordinance. The increased limit would last for four years.

A "YES" Vote Means: If you vote "yes," you want to:

- Impose an additional tax of 0.175% to 0.690% of gross receipts on businesses that pay the gross receipts tax and have over \$50 million in gross revenues in San Francisco; and
- Impose an additional tax of 1.5% of payroll expense on businesses that pay the administrative office tax; and
- Require the City to use the money from both additional taxes to fund services for homeless people.

A "NO" Vote Means: If you vote "no," you do not approve these additional taxes.