



July 30, 2018

*By Email and Hand Delivery*

Barbara Carr and Members of the Ballot Simplification Committee  
1 Dr. Carlton B. Goodlett Place  
City Hall, Room 48  
San Francisco, CA 94102  
Via email to: [publications@sfgov.org](mailto:publications@sfgov.org)

Re: Our City Our Home Homeless Tax Measure (June 2018)

Dear Chair Carr and Members of the Ballot Simplification Committee:

Thank you for your hard work on the digest for this and all other ballot measures. We respectfully request the following changes to the digest for the reasons stated below. Also attached, a complete copy of a redline digest with our proposed changes.

### **Request #1: The Way It is Now**

#### **Current Language to Change**

**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.

#### **Proposed Language (requested changes underscored)**

**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 for San Francisco Businesses is for gross receipts above \$25 million with a 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.

### **Justification for Requested Change**

The draft digest language does not describe the current tier structure for SF businesses. This is needed because the proposed measure changes the structure by adding a new tier.

### **Request #2: The Proposal**

#### **Current Language to Change**

Proposition \_\_\_ would impose two additional business taxes:

#### **Proposed Language(requested changes underscored)**

Proposition \_\_\_ would impose additional business taxes: (remove “two”)

#### **Reason for the Requested Change**

Under “The Proposal” we feel it may mislead voters into thinking the same business may receive two new taxes, when the measure is structured as one tax that has variable rates depending on the type of business.

### **Request #3: The Proposal**

#### **Current Language to Change**

- 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

#### **Proposed Language (requested changes underscored)**

- By creating a new rate tier of above \$50 million, businesses that already pay the gross receipts tax, will have an additional tax of 0.175% to 0.690%, depending on the type of business activity, on gross revenues over \$50 million in San Francisco.

#### **Justification for the Requested Change**

We believe it is crucial for voters to understand that this new measure modifies the current tier structure in SF tax code by adding a new tier at the top end and that this measure targets a particular group of maximum earning businesses,

### **Request #4: The Proposal**

#### **Current Language to Change**

- For businesses that pay the administrative office tax, an additional tax of 1.5% of their payroll expense in San Francisco.

**Proposed Language (requested changes underscored)**

- For businesses with gross receipts over \$1 billion that already are required to pay the administrative office tax instead of the gross receipts tax, an additional tax of 1.5% of their payroll expense in San Francisco

**Justification for the Requested Change**

The current language regarding the payroll tax may confuse voters. We suggest clarifying and making sure voters know that this only applies to companies who already pay the payroll tax instead of the gross receipts, and that they would only pay this if their earnings were over a billion if this new measure passes.

**Request #5: The Proposal**

**Current Language to Change**

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.

**Proposed Language (requested changes underscored)**

These additional taxes would not apply to:

- Individual taxpayers
- Certain non-profit organizations and businesses already exempt from local taxation, such as banks and insurance companies;
- Revenues that are already exempt from the gross receipts tax.
- 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.

**Justification for the Requested Change**

We believe it is critical that voters understand that individuals will not be taxed by this measure. We recommend inserting that language.

**Request #6: The Proposal**

**Current Language to Change**

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.

### **Proposed Language (requested changes underscored)**

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 to house 4,000 homeless people with secure permanent housing;
- At least 25% for mental health services specifically designed for homeless people with severe behavioral health issues (moved up from bottom)
- Up to 15% for programs serving people with rental assistance who have recently become homeless or are at risk of becoming homeless to prevent homelessness; and
- Up to 10% for additional 1,000 shelter beds and bathrooms to help homeless people secure short-term shelter and access hygiene programs;

### **Justification for the Requested Change**

The language does not properly reflect the specificity of the language of the measure. For example, the measure does not help homeless people secure housing, it pays for the creation of housing. In addition, the measure outlines how many people will benefit from this measure and the language should reflect that, so as to avoid misinformation that funding has a degree of flexibility in use which it does not. In addition, the items should be ordered according to proportion of use. For example, current language has mental health and behavioral health listed last, when it is the second highest use of the fund.

### **Request #7: The Proposal**

#### **Current Language to Change**

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.

#### **Proposed Language (requested changes underscored)**

Proposition \_\_\_\_ would state the voters' policy to require the City to use the money from additional revenue to fund new housing and 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.

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.

### **Justification for the Requested Change**

Using the phrase "services" is overly broad and does not adequately describe the very prescriptive language used in the measure that uses. When voters read the word "services", they may think about general social services or food, and not housing, a primary use of funds in the measure. We also attempted to simplify language further and ensuring that voters were clear that this is new funding, for new services and housing.

### **Request #8: A "YES" Vote Means"**

#### **Current Language to Change**

**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

#### **Proposed Language (requested changes underscored)**

**A "YES" Vote Means:** If you votes "yes," you want to impose an additional tax on companies earnings above \$50 million or \$1 billion, and use the funding to provide housing, mental health care, drug treatment, shelter and hygiene programs for homeless persons, as well as rental subsidies to ensure renters are able to stay in their homes.

**A "NO" Vote Means:** If you vote "no," you do not approve these additional taxes to fund housing, mental health care, drug treatment, shelter and hygiene programs for the homeless, as well as rental subsidies to ensure renters are able to stay in their homes.

**Justification for the Requested Change**

The current language does not clearly state in this section that the measure only applies to those companies' earnings above more the \$50 million or \$1 billion respectively. In addition, the terms "homeless services" is very vague. Services do not reflect the specificity of the terms in the measure. When voters hear "services", they often think of soup kitchens or more general intangible services, and the word does not reflect housing, treatment or the other very specific and tangible services that work. The measure was carefully crafted to ensure that only the most effective interventions were funded, and it is important that those interventions are listed, to avoid voters thinking the funding can be spent more loosely on less effective interventions. We also believe it is important that "NO" vote does not just mean voting down a tax, but voting down these interventions as well.

Thank you for your attention to this matter.

Sincerely,



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Proponent, Our City Our Home  
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## **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 for San Francisco businesses is for ~~on~~ gross receipts above \$25 million with a 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:

- By creating a new rate tier of above \$50 million, ~~For~~ businesses that already pay the gross receipts tax, will have 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 with gross receipts over \$1 billion that already are required to pay the administrative office tax instead of the gross receipts tax, an additional tax of 1.5% of their payroll expense in San Francisco.

These additional taxes would not apply to:

- Individual taxpayers
- Certain non-profit organizations and businesses already exempt from local taxation, such as banks and insurance companies;
- Revenues that are already exempt from the gross receipts tax; and

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- 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 ~~to house 4,000~~ that help homeless people with secure permanent housing;
- At least 25% for mental health services specifically designed for homeless people with severe behavioral health issues
- Up to 15% for programs serving people with rental assistance who have recently become homeless or are at risk of becoming homeless to prevent homelessness; and
- Up to 10% for for additional 1,000 shelter beds and bathrooms to 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~~

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Proposition \_\_\_ would state the voters' policy to require the City to use the money from additional revenue to fund new housing and 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 on companies making more than \$50 million or \$1 billion, and use the funding to provide housing, mental health care, drug treatment, shelter and hygiene programs for the homeless, as well as rental subsidies to ensure renters are able to stay in their homes.

- ~~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 to housing, mental health care, drug treatment, shelter and hygiene programs for the homeless, as well as rental subsidies to ensure renters are able to stay in their homes.