

Additional Tax on Cannabis Businesses; Expanding the Businesses Subject to Business Taxes*

Digest by the Ballot Simplification Committee

Status: Final digest

On: Wednesday, August 1, 2018

Members: Packard, Anderson, Patterson, Raveche

Deadline to Request Reconsideration: 3 p.m. on Thursday, August 2

The Way It Is Now: The City collects a tax on gross receipts from many businesses operating in San Francisco. The current tax rates on gross receipts range from 0.075 percent to 0.65 percent. Cannabis businesses are subject to the tax on gross receipts.

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

The City collects gross receipts and other taxes on businesses that meet specified conditions relating to activities within San Francisco.

Increasing tax revenue spending limits requires San Francisco voter approval.

The Proposal: Beginning January 1, 2021, Proposition ___ would impose a new gross receipts cannabis business tax of:

- 2.5 percent on the first \$1 million of gross revenues from the retail sale of cannabis products;
- 5 percent on gross revenues over \$1 million from the retail sale of cannabis products;
- 1 percent on the first \$1 million of gross revenues from cannabis business activities other than the retail sale of cannabis products; and
- 1.5 percent on gross revenues over \$1 million from cannabis business activities other than the retail sale of cannabis products.

These additional taxes would not apply to:

- Revenues from the retail sale of medicinal cannabis;
- The first \$500,000 of gross revenues;
- Revenues from certain activities indirectly related to cannabis businesses; or
- Some businesses exempt from the City's gross receipts tax, such as certain nonprofit organizations.

The Board of Supervisors could decrease or increase the tax rate, up to a maximum rate of 7 percent in each category. By a two-thirds vote of the Board, the tax in any category may be increased up to 1 percent each year.

Revenues from this additional tax would go into the General Fund, which the City may use for any public purpose.

Proposition ___ would increase the City's annual tax revenue spending limit for four years.

In addition, beginning January 1, 2019, Proposition ___ would modify The City's tax code to apply many of The City's business taxes to some businesses that receive more than \$500,000 in gross revenue in San Francisco and do not have a physical presence in The City.

**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.*

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

- Impose new cannabis business taxes; and
- Apply many of The City's business taxes to some businesses that do not have a physical presence in The City.

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