

8-3-20 David Pilpel BSC Business Tax Overhaul Reconsideration Request

I hereby request reconsideration of the Approved Digest for the ballot measure with the working title "Business Tax Overhaul". I have included the text adopted by the Committee with my alternate language as tracked changes. I recommend these changes to increase accuracy and clarity.

The Way It Is Now: The City collects a variety of taxes and fees from San Francisco businesses, including:

- The payroll expense tax;
- The gross receipts tax;
- The administrative office tax;
- The annual business registration fee;
- The early care and education commercial rents tax (Child Care Tax); and
- The homelessness gross receipts tax (Homelessness Tax).

The Child Care Tax and the Homelessness Tax have been challenged in court, and money collected from these taxes has not been spent by the City.

State law limits the amount of money, including money from taxes, that the City can spend each year. State law allows San Francisco voters to increase the annual spending limit for up to four years.

The Proposal: Proposition _ is a Charter amendment and an ordinance that would change certain taxes and fees that the City collects from San Francisco businesses, including:

- Eliminate the payroll expense tax;
- Increase the gross receipts tax rate in phases, expand the small business exemption and eliminate the credit for businesses that pay a similar tax elsewhere;
- Increase the administrative office tax rate in phases; and
- Change the annual business registration fee for some small businesses.

Some of the changes to the gross receipts tax and the administrative office tax rates would be delayed if a minimum total amount of San Francisco gross receipts is not met.

Under Proposition _, other changes would take effect only under certain conditions:

- If the City loses the Child Care Tax lawsuit, the City would collect a new tax on gross receipts from leases of certain commercial spaces;
- If the City loses the Homelessness Tax lawsuit, the gross receipts tax and the administrative office tax rates would increase for certain businesses; and

- If the City loses either lawsuit, the City Charter would be changed to exclude money from these increases when calculating baseline funding.

Proposition _ would increase the City's annual spending limit by the amount of additional taxes collected under these changes. The increased limit would last for four years.

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

- Eliminate the payroll expense tax;
- Increase the gross receipts tax and the administrative office tax rates in phases;
- Change the annual business registration fee for some small businesses;
- Further increase business taxes if the City loses either of the lawsuits regarding the Child Care Tax or the Homelessness Tax, but exclude money from these increases when calculating baseline funding; and
- Increase the City's annual spending limit for four years.

A "NO" Vote Means: If you vote "no," you do not want to make these changes.

That's what I have on this one. Thanks. DP