

Business Tax Overhaul*

Digest by the Ballot Simplification Committee

Status: Approved digest
On: Monday, August 3, 2020
Members: Packard, Anderson, Girardin, Patterson

Deadline to Request Reconsideration: 4 p.m. on Tuesday, August 4

The Way It Is Now: The City collects taxes 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 and Homelessness Taxes have been challenged in court, and the money collected through these taxes has not been spent by the City.

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 to last for four years.

The Proposal: Proposition _ would change certain taxes 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 business registration fee.

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

Under Proposition _ other changes would take effect only if certain conditions are met:

- If the City loses the Child Care Tax lawsuit, the City would be required to collect a new tax on gross receipts from the lease of certain commercial spaces;
- If the City loses the Homelessness Tax lawsuit, gross receipts and administrative office tax rates would increase for certain businesses; and
- If the City loses either lawsuit, the City Charter would be amended to change how baseline funding is calculated.

Proposition __ would increase the City's spending limit for four years.

**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:

- Eliminate the City's payroll expense tax;
- Increase gross receipts and administrative office tax rates in phases;
- Reduce business taxes for some small businesses; and
- Further increase the City's business taxes if the City loses either of the lawsuits regarding the Early Care and Education Commercial Rents Tax or the Homelessness Gross Receipts Tax, but exclude revenues from these increases when determining baseline funding.

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