

Business Tax Based on Comparison of Top Executive's Pay to Employees' Pay*

Digest by the Ballot Simplification Committee

Status: Approved digest
On: Tuesday, July 28, 2020
Members: Packard, Anderson, Girardin, Patterson

Deadline to Request Reconsideration: 4 p.m. on Wednesday, July 29

The Way It Is Now: The City collects a tax on gross receipts (Gross Receipts Tax) from some businesses in San Francisco at a rate from 0.16% to 0.65% annually.

Businesses with more than \$1 billion in gross receipts, 1,000 employees nationwide and administrative offices in San Francisco pay an administrative office tax (Administrative Office Tax) based on their payroll expense instead of their gross receipts. This tax rate is 1.4% of their payroll expense.

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 place an additional tax on some businesses in San Francisco when their highest-paid managerial employee (Top Executive Pay) earns more than 100 times the median compensation paid to their employees in San Francisco (Employee Pay).

- For a business that pays the Gross Receipts Tax, if its Top Executive Pay is more than 100 times Employee Pay, the business would pay an additional tax from 0.1% to 0.6% of its San Francisco gross receipts. Some small businesses would be exempt from this additional tax.
- For a business that pays the Administrative Office Tax, if its Top Executive Pay is more than 100 times Employee Pay, the business would pay an additional tax from 0.4% to 2.4% of its San Francisco payroll expense.

Proposition __ would also increase the limit on the City's annual tax revenue spending by the amount of additional taxes collected under the proposed tax. The increased limit would last for four years.

A "YES" Vote Means: If you vote "yes," you want to place an additional tax on some businesses in San Francisco when their highest-paid managerial employee earns more than 100 times the median compensation paid to their employees in the City.

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

**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.*