

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

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Tuesday, July 28, 2020
Members: Packard, Anderson, Girardin, Patterson

Deadline to Request Reconsideration: TBD

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 between 0.16% and 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. The tax rate is 1.4% of their payroll expense.

State law limits the amount of revenue the City can spend each year. State law authorizes San Francisco voters to approve increases to this limit to last for up to four years.

The Proposal: Proposition __ would create a tax that generally applies to a business in San Francisco when its compensation for its highest-paid employee (Top Executive Pay) is more than 100 times the median compensation for its 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 between 0.1% and 0.6% of its San Francisco gross receipts.
- 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 between 0.4% and 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 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.*