

Additional Business Tax on Transportation Network Companies and Autonomous Vehicle Businesses*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Tuesday, July 30, 2024
Members: Packard, Anderson, Wong, Troy, Wang

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects taxes on gross receipts from many businesses operating in San Francisco (Gross Receipts Tax). Generally, gross receipts are the total revenues a business receives from any source. For most businesses, the Gross Receipts Tax rate is between 0.053% and 1.008% of San Francisco gross receipts, with some rates scheduled to increase in coming years. Businesses with more than \$50,000,000 in San Francisco gross receipts pay an additional tax at a rate between 0.175% and 0.69%. Some businesses that compensate their highest-paid managerial employee much higher than the median compensation they provide their San Francisco employees pay an additional gross receipts tax at a rate between 0.1% and 0.6%.

The City also imposes a per-ride tax on businesses that provide certain passenger rides originating in San Francisco, including on transportation network companies and on businesses providing rides in some types of autonomous vehicles. The rates for that tax are between 1.5% and 3.25% of the fares attributable to passenger rides within San Francisco. Transportation network company means a business that provides prearranged rides by connecting drivers to passengers. It does not include taxi or limousine services. Autonomous vehicles can operate without a human driver and some can transport passengers.

The San Francisco Municipal Transportation Agency (SFMTA) operates a public transportation system of buses and light rail vehicles.

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 for a maximum of four years.

The Proposal: The proposed measure would create in addition to existing taxes a new gross receipts tax on transportation network companies and autonomous vehicle businesses that provide passenger service for compensation. The tax would be on their passenger transportation service gross receipts in San Francisco above \$500,000. The tax rates would be:

- 1% on taxable gross receipts between \$500,000.01 and \$1,000,000;
- 2.5% on taxable gross receipts between \$1,000,000.01 and \$2,500,000;
- 3.5% on taxable gross receipts between \$2,500,000.01 and \$25,000,000; and
- 4.5% on taxable gross receipts over \$25,000,000.

The City would use the funds it collects from the new tax to:

- Preserve, maintain, or increase SFMTA's public transportation services;
- Improve or preserve SFMTA service to public schools, libraries, and parks by increasing service frequency, or expanding or adding new routes; or
- Maintain or expand discount fare or fare-free programs by the SFMTA for people with disabilities, seniors, youth, students, and low-income passengers.

**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.*

The tax would remain in place unless the voters repeal it through a future ballot measure. The Board of Supervisors would have authority to amend the tax by a two-thirds vote if such amendment furthers the purpose of the tax.

This proposal would also increase the City's spending limit for four years.

If Proposition ____ [Changes to Business Taxes] passes with more votes than Proposition ____ [this measure], then Proposition ____ [this measure] would have no legal effect.

A "YES" Vote Means: If you vote "yes," you want to create a new gross receipts tax on transportation network companies and autonomous vehicles that provide passenger service for compensation and use the funds the City collects from the tax to support the transportation services the San Francisco Municipal Transportation Agency delivers.

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