

File No. 250576

Committee Item No. 2

Board Item No. 18

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: September 4, 2025

Board of Supervisors Meeting:

Date: September 16, 2025

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input type="checkbox"/>	<input type="checkbox"/>	Resolution
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Ordinance – Ver 2
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Legislative Digest – Ver 2
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input type="checkbox"/>	<input type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU - FY2022-2024 - Clean
<input type="checkbox"/>	<input type="checkbox"/>	MOU - FY2022-2024 - Redline
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input type="checkbox"/>	<input type="checkbox"/>	Contract / DRAFT Mills Act Agreement
<input type="checkbox"/>	<input type="checkbox"/>	Form 126 – Ethics Commission
<input type="checkbox"/>	<input type="checkbox"/>	Award Letter
<input type="checkbox"/>	<input type="checkbox"/>	Application
<input type="checkbox"/>	<input type="checkbox"/>	Public Correspondence

OTHER

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Prepared by: Monique Crayton

Date: September 12, 2025

Prepared by: Monique Crayton

Date: August 29, 2025

Prepared by:

Date:

[Business and Tax Regulations Code - Tax Rate Changes for Telecommunications Business Activities]

Ordinance amending the Business and Tax Regulations Code to reduce the tax rates on gross receipts from telecommunications business activities by moving those activities from Category 5 to Category 4, beginning January 1, 2026, for purposes of the gross receipts tax and the homelessness gross receipts tax; and to retain taxpayers' eligibility to take the tax credit for opening a physical location in designated areas of the City, as applied to gross receipts from telecommunications business activities.

NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
Additions to Codes are in *single-underline italics Times New Roman font*.
Deletions to Codes are in ~~*strikethrough italics Times New Roman font*~~.
Board amendment additions are in double-underlined Arial font.
Board amendment deletions are in ~~Arial font~~.
Asterisks (* * * *) indicate the omission of unchanged Code subsections or parts of tables.

Be it ordained by the People of the City and County of San Francisco:

Section 1. Article 12-A-1 of the Business and Tax Regulations Code is hereby amended by revising Sections 953.23, 953.24, and 960.1 to read as follows:

SEC. 953.23. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 4 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 4 Business Activities are:

(1) For tax years 2025 and 2026:

0.25% for taxable gross receipts between \$0 and \$1,000,000

0.25% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.3% for taxable gross receipts between \$2,500,000.01 and \$25,000,000
0.504% for taxable gross receipts between \$25,000,000.01 and \$50,000,000
0.84% for taxable gross receipts between \$50,000,000.01 and \$75,000,000
0.84% for taxable gross receipts between \$75,000,000.01 and \$100,000,000
1.176% for taxable gross receipts between \$100,000,000.01 and \$150,000,000
1.176% for taxable gross receipts between \$150,000,000.01 and \$250,000,000
1.344% for taxable gross receipts between \$250,000,000.01 and \$500,000,000
1.344% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000
1.512% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

0.26% for taxable gross receipts between \$0 and \$1,000,000
0.26% for taxable gross receipts between \$1,000,000.01 and \$2,500,000
0.312% for taxable gross receipts between \$2,500,000.01 and \$25,000,000
0.534% for taxable gross receipts between \$25,000,000.01 and \$50,000,000
0.89% for taxable gross receipts between \$50,000,000.01 and \$75,000,000
0.89% for taxable gross receipts between \$75,000,000.01 and \$100,000,000
1.246% for taxable gross receipts between \$100,000,000.01 and \$150,000,000
1.246% for taxable gross receipts between \$150,000,000.01 and \$250,000,000
1.424% for taxable gross receipts between \$250,000,000.01 and \$500,000,000
1.424% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000
1.602% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

0.268% for taxable gross receipts between \$0 and \$1,000,000
0.268% for taxable gross receipts between \$1,000,000.01 and \$2,500,000
0.321% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

1 0.557% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

2 0.929% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

3 0.929% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

4 1.301% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

5 1.301% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

6 1.486% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

7 1.486% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

8 1.672% for taxable gross receipts over \$1,000,000,000

9 (b) "Category 4 Business Activities" means:

10 (1) For tax year 2025, one or more of the business activities described in NAICS
11 codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying, and Oil and Gas
12 Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation and
13 Warehousing), 524 (Insurance Carriers and Related Activities), 541714 (Research and
14 Development in Biotechnology (except Nanobiotechnology)), 5611 (Office Administrative
15 Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel
16 Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619
17 (Other Support Services), and 92 (Public Administration).

18 (2) For tax year 2026 and subsequent tax years, one or more of the business activities
19 described in NAICS codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying,
20 and Oil and Gas Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation
21 and Warehousing), 517 (Telecommunications), 524 (Insurance Carriers and Related Activities),
22 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 5611 (Office
23 Administrative Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel
24 Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619 (Other
25 Support Services), and 92 (Public Administration).

(c) The amount of taxable gross receipts from Category 4 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

SEC. 953.24. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 5 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 5 Business Activities are:

(1) For tax years 2025 and 2026:

- 1% for taxable gross receipts between \$0 and \$1,000,000
- 1% for taxable gross receipts between \$1,000,000.01 and \$2,500,000
- 1.5% for taxable gross receipts between \$2,500,000.01 and \$25,000,000
- 1.176% for taxable gross receipts between \$25,000,000.01 and \$50,000,000
- 1.344% for taxable gross receipts between \$50,000,000.01 and \$75,000,000
- 1.344% for taxable gross receipts between \$75,000,000.01 and \$100,000,000
- 1.344% for taxable gross receipts between \$100,000,000.01 and \$150,000,000
- 1.512% for taxable gross receipts between \$150,000,000.01 and \$250,000,000
- 1.68% for taxable gross receipts between \$250,000,000.01 and \$500,000,000
- 1.68% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000
- 1.68% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

- 1.04% for taxable gross receipts between \$0 and \$1,000,000
- 1.04% for taxable gross receipts between \$1,000,000.01 and \$2,500,000
- 1.56% for taxable gross receipts between \$2,500,000.01 and \$25,000,000
- 1.246% for taxable gross receipts between \$25,000,000.01 and \$50,000,000
- 1.424% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1 1.424% for taxable gross receipts between \$75,000,000.01 and \$100,000,000
2 1.424% for taxable gross receipts between \$100,000,000.01 and \$150,000,000
3 1.602% for taxable gross receipts between \$150,000,000.01 and \$250,000,000
4 1.78% for taxable gross receipts between \$250,000,000.01 and \$500,000,000
5 1.78% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000
6 1.78% for taxable gross receipts over \$1,000,000,000

7 (3) For tax years beginning on or after January 1, 2028:

8 1.071% for taxable gross receipts between \$0 and \$1,000,000
9 1.071% for taxable gross receipts between \$1,000,000.01 and \$2,500,000
10 1.607% for taxable gross receipts between \$2,500,000.01 and \$25,000,000
11 1.301% for taxable gross receipts between \$25,000,000.01 and \$50,000,000
12 1.486% for taxable gross receipts between \$50,000,000.01 and \$75,000,000
13 1.486% for taxable gross receipts between \$75,000,000.01 and \$100,000,000
14 1.486% for taxable gross receipts between \$100,000,000.01 and \$150,000,000
15 1.672% for taxable gross receipts between \$150,000,000.01 and \$250,000,000
16 1.858% for taxable gross receipts between \$250,000,000.01 and \$500,000,000
17 1.858% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000
18 1.858% for taxable gross receipts over \$1,000,000,000

19 (b) "Category 5 Business Activities" means:

20 (1) For tax year 2025, one or more of the business activities described in NAICS
21 codes 51 (Information), 5222 (Nondepository Credit Intermediation), 5223 (Activities Related
22 to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted
23 Works)), 54 (Professional, Scientific, and Technical Services) but not including 541714
24 (Research and Development in Biotechnology (except Nanobiotechnology)), 55 (Management
25 of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61

(Educational Services), 62 (Health Care and Social Assistance), and all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate by Sections 953.20 through 953.26 or an administrative office tax under Section 953.8.

(2) For tax year 2026 and subsequent tax years, one or more of the business activities described in NAICS codes 51 (Information) but not 517 (Telecommunications), 5222 (Nondepository Credit Intermediation), 5223 (Activities Related to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)), 54 (Professional, Scientific, and Technical Services) but not including 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 55 (Management of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61 (Educational Services), 62 (Health Care and Social Assistance), and all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate by Sections 953.20 through 953.26 or an administrative office tax under Section 953.8.

(c) The amount of taxable gross receipts from Category 5 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

SEC. 960.1. TAX CREDIT FOR OPENING A PHYSICAL LOCATION IN DESIGNATED AREAS IN THE CITY.

(a) A person or combined group that opens a physical location in the Designated Areas on or after January 1, 2023 through and including December 31, 2027, shall be allowed a credit against that person or combined group's Gross Receipts Tax if the person or combined group did not have a physical location in the City for at least three years prior to opening the physical location. The credit under this Section 960.1 shall be an annual credit for each of up to three tax years immediately following the tax year in which the person or combined group opened the physical location in the Designated Areas, provided the person or

1 combined group maintains a physical location in the Designated Areas in the tax year that the
2 credit is taken. To be eligible for the credit, the person or combined group must take the
3 credit for each tax year on an original Gross Receipts Tax return filed with the Tax Collector.
4 The credit shall be in an amount per tax year, not to exceed \$1,000,000 per tax year,
5 calculated as follows:

6 (1) For a person or combined group not engaged in business within the City as
7 an administrative office, as defined in Section 953.8 of Article 12-A-1:

8 (A) For tax years ending on or before December 31, 2024, 0.45% of the
9 person or combined group's taxable gross receipts during the tax year from one or more of
10 the business activities of information, administrative and support services, financial services,
11 insurance, and professional, scientific and technical services, as those activities are defined in
12 Sections 953.2, 953.4, and 953.6 of this Article 12-A-1, without regard to any application of
13 Section 953.9 of Article 12-A-1; *and*

14 (B) For the 2025 tax years ~~beginning on or after January 1, 2025~~, 0.45% of
15 the person or combined group's taxable gross receipts during the tax year from one or more
16 of Business Activity Categories 5 and 6, as described in Sections 953.24 and 953.25 of this
17 Article 12-A-1, and business activities described in NAICS codes 524 (Insurance Carriers and
18 Related Activities), 5611 (Office Administrative Services), 5612 (Facilities Support Services),
19 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement
20 and Reservation Services), 5616 (Investigation and Security Services), 5617 (Services to
21 Buildings and Dwellings), and 5619 (Other Support Services); *and*

22 (C) For tax years beginning on or after January 1, 2026, 0.45% of the person or
23 combined group's taxable gross receipts during the tax year from one or more of Business Activity
24 Categories 5 and 6, as described in Sections 953.24 and 953.25 of this Article 12-A-1, and business
25 activities described in NAICS codes 517 (Telecommunications), 524 (Insurance Carriers and Related

1 Activities), 5611 (Office Administrative Services), 5612 (Facilities Support Services),
2 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement and
3 Reservation Services), 5616 (Investigation and Security Services), 5617 (Services to Buildings and
4 Dwellings), and 5619 (Other Support Services); or

5 (2) For a person or combined group engaged in business within the City as an
6 administrative office, as defined in Section 953.8 of Article 12-A-1, 0.7% of the person or
7 combined group's taxable payroll expense during the tax year.

8 * * * *

9
10 Section 2. Effective Date. This ordinance shall become effective 30 days after
11 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
12 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
13 of Supervisors overrides the Mayor's veto of the ordinance.

14
15 Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
16 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
17 numbers, letters, punctuation marks, charts, diagrams, or any other constituent parts of the
18 Municipal Code that are explicitly shown in this ordinance as additions or deletions in
19 accordance with the "Note" that appears under the official title of the ordinance.

Section 4. Supermajority Vote Required. In accordance with Section 2811 of Article 28 of the Business and Tax Regulations Code, passage of this ordinance by the Board of Supervisors requires an affirmative vote of two-thirds of the Board of Supervisors because Sections 2804.5(b) and 2804.6(b) incorporate by reference the definitions in Sections 953.23(b) and 953.24(b).

APPROVED AS TO FORM:
DAVID CHIU, City Attorney

By: /s/
KERNE H. O. MATSUBARA
Deputy City Attorney

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REVISED LEGISLATIVE DIGEST

(Substituted, 6/24/2025)

[Business and Tax Regulations Code - Tax Rate Changes for Telecommunications Business Activities]

Ordinance amending the Business and Tax Regulations Code to reduce the tax rates on gross receipts from telecommunications business activities by moving those activities from Category 5 to Category 4, beginning January 1, 2026, for purposes of the gross receipts tax and the homelessness gross receipts tax; and to retain taxpayers' eligibility to take the tax credit for opening a physical location in designated areas of the City, as applied to gross receipts from telecommunications business activities.

Existing Law

The City imposes a gross receipts tax (GRT) that generally applies to a business's gross receipts attributable to the City (i.e., its taxable gross receipts), to fund general municipal purposes. The business activity generating the gross receipts determines the formula used to attribute gross receipts to the City and the applicable tax rates. For tax years 2025 and 2026, the GRT rates for Category 4 business activities (which include utilities, manufacturing, transportation and warehousing, among other activities) progressively range from 0.25% to 1.512% of taxable gross receipts. For tax year 2027, those rates range from 0.26% to 1.602%, and for tax year 2028 and subsequent years, the rates range from 0.268% to 1.672%. For tax years 2025 and 2026, the GRT rates for Category 5 business activities (which include information and telecommunications as a subcategory of information, among other activities) progressively range from 1% to 1.68% of taxable gross receipts. For tax year 2027, those rates range from 1.04% to 1.78%, and for tax year 2028 and subsequent years, the rates range from 1.071% to 1.858%. Both Category 4 and Category 5 business activities are attributed to the City using the same formula.

The City imposes a homelessness gross receipts tax (HGRT) that also generally applies to a business's taxable gross receipts, to fund services for homeless people and to prevent homelessness. The HGRT incorporates by reference the GRT business activity categories and the corresponding formulas for determining taxable gross receipts. Beginning in tax year 2025, the HGRT rates for Category 4 business activities progressively range from 0% to 0.738% of taxable gross receipts. For Category 5 business activities, the HGRT rates range from 0% to 0.82% of taxable gross receipts.

Taxpayers who opened a physical location in the City in certain designated areas on or after January 1, 2023, may take a gross receipts tax credit for gross receipts from Category 5 (which currently includes telecommunications), Category 6, and other enumerated business activities.

Amendments to Current Law

Beginning January 1, 2026, this ordinance would move telecommunications from Category 5 to Category 4 for purposes of the GRT and HGRT, resulting in a rate reduction for taxable gross receipts from telecommunications business activities. This ordinance would retain the eligibility of taxpayers to take the new physical location tax credit for gross receipts from telecommunications business activities.

Background Information

On June 3, 2025, proposed legislation was introduced to move telecommunications business activities from Category 5 to Category 4. This proposed legislation is being introduced as a substitute ordinance to retain the eligibility of taxpayers to take the new physical location tax credit for gross receipts from telecommunications business activities.

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CITY AND COUNTY OF SAN FRANCISCO

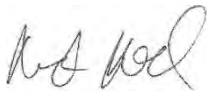
BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

1390 Market Street, Suite 1150, San Francisco, CA 94102 (415) 552-9292
FAX (415) 252-0461

August 29, 2025

TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst 

SUBJECT: September 4, 2025 Government Audit and Oversight Committee

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Item 2 File 25-0576	Department: Treasurer-Tax Collector
EXECUTIVE SUMMARY	
<p style="text-align: center;">Legislative Objectives</p> <ul style="list-style-type: none"> The proposed ordinance would amend Article 12-A-1 of the Business and Tax Regulations Code to reclassify telecommunications business activities for the purpose of determining those business activities' gross receipts and homelessness gross receipts tax liability starting January 1, 2026. <p style="text-align: center;">Key Points</p> <ul style="list-style-type: none"> Proposition M (November 2024) changed the City's business tax structure, including by consolidating the categories of business activities and their associated tax rates into seven categories. Telecommunications business activities are currently Category 5 and the proposed ordinance would reclassify them as Category 4. Under the current tax structure, Category 4 business activities have lower tax rates than Category 5 businesses. Because the proposed ordinance shifts telecommunications business activities from Category 5 to Category 4, telecommunication taxpayers will pay less gross receipts taxes and homelessness gross receipts tax. According to the Tax Collector's Office, there are approximately 60 taxpayers with telecommunications business activities that pay gross receipts taxes in San Francisco. <p style="text-align: center;">Fiscal Impact</p> <ul style="list-style-type: none"> According to the Controller's Office, the proposed ordinance would result in an annual decrease of \$6.6 million in gross receipt tax revenue and an annual \$1.6 million decrease in homelessness gross receipts tax revenue starting in CY 2026, impacting FY 2026-27 revenues. The revenue loss is not assumed in the current FY 2025-26 – FY 2026-27 budget. Two other ordinances are pending at the Board of Supervisors that would approve settlements with telecommunications companies to resolve litigation in which the City claims the companies were underpaying certain telephone fees. They are being scheduled at the September 4, 2025 meeting of the Government Audit and Oversight Committee meeting together with this proposed tax rate change as a courtesy for the Committee to consider overall fiscal impact of items related to the same industry. File 25-0778 would approve a settlement with TPx Communications, with the City receiving \$3,660,000, and File 25-0769 would approve a settlement with AT&T, with the City receiving \$15,400,000. The \$19,060,000 in settlement funds would offset the decrease in General Fund revenues for approximately two years. <p style="text-align: center;">Recommendation</p> <ul style="list-style-type: none"> Approval of the proposed ordinance is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 2.105 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND**Business Activity Categories for San Francisco Gross Receipts Taxes**

Proposition M (November 2024) changed the City's business tax structure, including by consolidating the categories of business activities and their associated tax rates. Telecommunications business activities are currently Category 5, along with other Information, Professional, Scientific, and Technical Services, and other business activities. The business activity categories used to determine gross receipts tax rates generally rely on the U.S. Census Bureau's 2022 North American Industry Classification System (NAICS). The seven business categories are shown in Appendix A to this report.

New Location Gross Receipts Tax Credit

In 2023, the Board of Supervisors approved an ordinance to delay certain scheduled increases in the gross receipts tax rate and to provide for a gross receipts tax credit for certain businesses opening a new physical location in San Francisco in the following zip codes: 94102, 94103, 94104, 94105, 94107, 94108, 94109, 94111, 94133, and 94158 (File 230155). To qualify, businesses must not have a physical location in San Francisco in the prior three years and open the location by December 31, 2027.

Starting in 2025, the business activities that qualify if the taxpayer meets all other requirements include those in gross receipts Categories 5 and Category 6 as well as businesses in NAICS Code 524 (Insurance Carriers and Related Activities), 5611 (Office Administrative Services), 5612 (Facilities Support Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5617 (Services to Buildings and Dwellings), and 5619 (Other Support Services). Taxpayers engaged in business within the City as an administrative office may also qualify if they meet other requirements.

The tax credit is 0.45 percent of gross receipts from the qualifying business activities (or 0.7% of the taxable payroll expense if engaged in business as an administrative office), up to \$1 million per year, for three years following the tax year which the new physical location was opened.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Article 12-A-1 of the Business and Tax Regulations Code to reclassify telecommunications business activities (NAICS code 517) from Category 5 to Category 4 for the purpose of determining those business activities' gross receipts and homelessness gross receipts tax liability starting January 1, 2026.

Category 4 business activities have lower tax rates than Category 5 businesses. In 2026, the gross receipts tax rates range from 0.25% – 1.512% for Category 4 and 1.00% - 1.68% for Category 5. The homelessness gross receipts tax rates range from 0.25% - 0.738% for Category 4 and from 0.57% - 0.82% for Category 5. Appendix B to this report shows the gross receipts and homelessness gross receipts tax rates for Category 5 and Category 4 business activities. Because the proposed ordinance shifts telecommunications business activities from Category 5 to Category 4, taxpayers will pay less gross receipts taxes and homelessness gross receipts tax with respect to their telecommunications business activities. According to the Tax Collector’s Office, there are approximately 60 taxpayers with telecommunications business activities that pay gross receipts taxes in San Francisco.

The proposed ordinance would continue to allow telecommunications business activities to qualify for the new location gross receipt tax credit while it is in effect through CY 2027. Under existing law, Category 4 businesses do not qualify for the new location tax credit, so moving telecommunications businesses from Category 5 to Category 4 would exclude them from the new location tax credit if the ordinance did not expressly incorporate telecommunications business activities into the credit as it does.

The proposed ordinance requires a supermajority vote by the Board of Supervisors because it is modifying the terms of the homelessness gross receipts tax (per Business and Tax Regulation Code Section 2811).

FISCAL IMPACT

According to the Controller’s Office, the proposed ordinance would result in an annual decrease of \$6.6 million in gross receipt tax revenue and an annual \$1.6 million decrease in homelessness gross receipts tax revenue starting in CY 2026, impacting FY 2026-27 revenues. The revenue loss is not assumed in the current FY 2025-26 – FY 2026-27 budget.

Two other ordinances are pending at the Board of Supervisors that would approve settlements with telecommunications companies to resolve litigation in which the City claims the companies were underpaying certain telephone fees. They are being scheduled at the September 4, 2025 meeting of the Government Audit and Oversight Committee meeting together with this proposed tax rate change as a courtesy for the Committee to consider overall fiscal impact of items related to the same industry. File 25-0778 would approve a settlement with TPx Communications, with the City receiving \$3,660,000, and File 25-0769 would approve a settlement with AT&T, with the City receiving \$15,400,000. The \$19,060,000 in settlement funds would offset the decrease in General Fund revenues for approximately two years. There are eight other defendants named in the City’s case regarding telephone fees. Due to attorney-client privilege, the Budget & Legislative Analyst’s Office is unable to review the proposed settlement agreements, including whether they are related to this proposed tax rate change.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Appendix A: Business Categories for Gross Receipts Taxes (current)**Category 1:**

NAICS Codes: 42 (Wholesale Trade), 44 and 45 (Retail Trade), 532 (Rental and Leasing Services), 71 (Arts, Entertainment, and Recreation), 722 (Food Services and Drinking Places), 811 (Repair and Maintenance), 812 (Personal and Laundry Services) but not 812930 (Parking Lots and Garages), and 813 (Religious, Grantmaking, Civic, Professional, and Similar Organizations)

Category 2:

NAICS Code: 721 (Accommodation)

Category 3:

NAICS Codes: 531 (Real Estate), 5612 (Facilities Support Services), 5617 (Services to Buildings and Dwellings), 812930 (Parking Lots and Garages)

Category 4:

NAICS Codes: 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying, and Oil and Gas Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation and Warehousing), 524 (Insurance Carriers and Related Activities), 541714 (Research and Development in Biotechnology (except Nanotechnology)), 5611 (Office Administrative Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619 (Other Support Services), 92 (Public Administration)

Category 5:

NAICS Codes: 51 (Information), 5222 (Nondepository Credit Intermediation), 5223 (Activities related to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)), 54 (Professional, Scientific, and Technical Services) but not 541714 (Research and Development in Biotechnology (except Nanotechnology)), 55 (Management of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61 (Educational Services), 62 (Healthcare and Social Assistance), and all other business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate or the administrative office tax.

Category 6:

NAICS Codes: 521 (Monetary Authorities-Central Bank), 5221 (Depository Credit Intermediation), 523 (Securities, Commodity Contracts, and Other Financial Investments and Related Activities), 525 (Funds, Trusts, and Other Financial Vehicles)

Category 7:

NAICS Code: 23 (Construction)

Source: Article 12A-1 of the Business Tax & Regulations Code

Appendix B: Gross Receipts Tax Rates

Gross Receipts	2026	2027	2028+			2026	2027	2028+
Category 4					Category 5			
0-\$1M	0.25%	0.26%	0.268%		0-\$1M	1.00%	1.04%	1.071%
\$1M-\$2.5M	0.25%	0.26%	0.268%		\$1M-\$2.5M	1.00%	1.04%	1.071%
\$2.5M-\$25M	0.30%	0.312%	0.321%		\$2.5M-\$25M	1.50%	1.56%	1.607%
\$25M-\$50M	0.504%	0.534%	0.557%		\$25M-\$50M	1.176%	1.246%	1.301%
\$50M-\$75M	0.84%	0.89%	0.929%		\$50M-\$75M	1.344%	1.424%	1.486%
\$75M-\$100M	0.84%	0.89%	0.929%		\$75M-\$100M	1.344%	1.424%	1.486%
\$100M-\$150M	1.176%	1.246%	1.301%		\$100M-\$150M	1.344%	1.424%	1.486%
\$150M-\$250M	1.176%	1.246%	1.301%		\$150M-\$250M	1.512%	1.602%	1.672%
\$250M-\$500M	1.344%	1.424%	1.486%		\$250M-\$500M	1.68%	1.78%	1.858%
\$500M-\$1B	1.344%	1.424%	1.486%		\$500M-\$1B	1.68%	1.78%	1.858%
\$1B+	1.512%	1.602%	1.672%		\$1B+	1.68%	1.78%	1.858%

Homelessness Gross Receipts**2025 onward**

	Category 4	Category 5
\$25M-\$50M	0.246%	0.574%
\$50M-\$75M	0.41%	0.656%
\$75M-\$100M	0.41%	0.656%
\$100M-\$150M	0.574%	0.656%
\$150M-\$250M	0.574%	0.738%
\$250M-\$500M	0.656%	0.82%
\$500M-\$1B	0.656%	0.82%
\$1B+	0.738%	0.82%

Source: Treasurer-Tax Collector's Office



Treasurer & Tax Collector

CITY AND COUNTY OF SAN FRANCISCO

José Cisneros
TREASURER

May 21, 2025

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached please find electronic copies of a proposed ordinance and legislative digest for Board of Supervisors approval. The ordinance will lower the gross receipts tax and homelessness gross receipts tax rates for telecommunication business activities.

The following is a list of accompanying documents:

- Legislative Digest - 01841143
- Ordinance - 01842375

The following person may be contacted regarding this matter:

Eric Manke
Policy and Communications Manager
(415) 554-4509
eric.manke@sfgov.org



Treasurer & Tax Collector

CITY AND COUNTY OF SAN FRANCISCO

José Cisneros
TREASURER

June 9, 2025

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102

Dear Ms. Calvillo:

Attached please find electronic copies of a proposed ordinance and legislative digest for Board of Supervisors approval. This is substitute legislation for file 250576. In addition to lowering the gross receipts tax and homelessness gross receipts tax rates for telecommunication business activities, this substitute legislation retains taxpayers' eligibility to take the "new physical location" tax credit with respect to telecommunications business activities.

The following is a list of accompanying documents:

- Legislative Digest - DIG Telecom GRT & HGRT Rate Changes (SUBSTITUTE)
- Ordinance - ORD Telecom GRT & HGRT Rate Changes (SUBSTITUTE)

The following person may be contacted regarding this matter:

Eric Manke
Policy and Communications Manager
(415) 554-4509
eric.manke@sfgov.org

President, District 8
BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Tel. No. 554-6968
Fax No. 554-5163
TDD/TTY No. 544-5227

RAFAEL MANDELMAN

PRESIDENTIAL ACTION

Date: 7/30/25

To: Angela Calvillo, Clerk of the Board of Supervisors

Madam Clerk,
Pursuant to Board Rules, I am hereby:

☐ Waiving 30-Day Rule (Board Rule No. 3.23)

File No. _____

(Primary Sponsor)

Title. _____

☒ Transferring (Board Rule No 3.3)

File No. _____

250576

Department _____

(Primary Sponsor)

Title. _____

Business and Tax Regulations Code - Tax Rate Changes for
Telecommunications Business Activities

From: Budget & Finance _____

Committee

To: Government Audit & Oversight _____

Committee

☐ Assigning Temporary Committee Appointment (Board Rule No. 3.1)

Supervisor: _____ Replacing Supervisor: _____

For: _____


(Date)

(Committee)

Meeting

Start Time: _____ End Time: _____

Temporary Assignment: ☒ Partial ☐ Full Meeting



Rafael Mandelman, President
Board of Supervisors