



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

July 29, 2016

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 160760 – Ordinance to create a tax on technology companies to fund affordable housing and homeless services (first draft)

Dear Ms. Calvillo,

Should this ordinance be approved, in my opinion, it would result in an annual revenue increase to the City of approximately \$65 to \$135 million, although the actual revenue impact may be greater.

The proposed ordinance would impose a special tax at a rate of 1.5 percent on the payroll expense of technology companies, identified as those in certain categories of the North American Industry Classification System (NAICS). However, the tax would apply to more companies as the tax counts a company with any technology sales as a technology company, not just those classified based on their primary business activity. For this reason, my office's estimates likely understate the actual revenue the tax will generate.

The proposed ordinance would create the Homeless and Housing Impact Tax and would generate approximately \$70 to \$140 million in revenue per year. Proceeds from this tax would be deposited into the newly created Housing and Homelessness Needs Fund which would fund affordable housing and homeless services, including any administrative costs. Small businesses, generally those who do not exceed \$1,000,000 in gross receipts, would be exempt from this new tax.

Additionally, the proposed ordinance would reduce the business registration fee for most persons with \$1,000,000 or less in gross receipts. The proposed reductions to the business registration fee for small businesses would reduce revenue by \$5.3 million per year.

Sincerely,


Ben Rosenfield
Controller

This analysis reflects our current understanding of the proposal. We will update this analysis as additional information becomes available. Should this item be placed on the November 8, 2016 ballot, we will prepare a fiscal impact statement for the Voter Information Pamphlet.