

LEGISLATIVE DIGEST

[Business and Tax Regulations Code - Gross Receipts Tax Rates for NAICS Code 721 (Accommodation)]

Ordinance amending the Business and Tax Regulations Code to lower the gross receipts tax rates for business activities described in North American Industry Classification System (NAICS), Code 721 (Accommodation), the classification generally applicable (with some exceptions) to providing lodging or short-term accommodations for travelers, vacationers, and others, applicable to taxable gross receipts between \$2,500,000.01 and \$25,000,000 in tax years 2025 and 2026, from 0.253% to 0.201%; in tax year 2027, from 0.264% to 0.209%; and in tax year 2028 and subsequent tax years, from 0.271% to 0.215%, all conditioned on the passage of the ballot measure, entitled the “Local Small Business Tax Cut Ordinance,” at the November 5, 2024, General Election.

Existing Law and Background Information

San Francisco currently imposes a gross receipts tax under San Francisco Business and Tax Regulations Code Article 12-A-1 on most businesses engaged in business in the City. A citizen’s initiative measure entitled the “Local Small Business Tax Cut Ordinance” (the “Measure”) is currently in circulation collecting signatures for the November 5, 2024 ballot. The Measure would, among other things, amend the gross receipts tax to apply the following tax rates for business activities described in North American Industry Classification System code 721 (Accommodation), applicable to taxable gross receipts between \$2,500,000.01 and \$25,000,000:

- Tax Years 2025 and 2026: 0.253%
- Tax Year 2027: 0.264%
- Tax Years 2028 and Subsequent Years: 0.271%

Amendments to Proposed Measure

This ordinance would, contingent upon the Measure passing, reduce the tax rates for business activities described in North American Industry Classification System code 721 (Accommodation) to the following rates, applicable to taxable gross receipts between \$2,500,000.01 and \$25,000,000:

- Tax Years 2025 and 2026: 0.201%
- Tax Year 2027: 0.209%
- Tax Years 2028 and Subsequent Years: 0.215%