

LEGISLATIVE DIGEST

[Initiative Ordinance - Business and Tax Regulations, Administrative Codes - Gross Receipts Tax For Environmental Programs]

Motion ordering submitted to the voters an Ordinance amending the Business and Tax Regulations Code to impose an additional gross receipts tax on businesses with gross receipts attributable to the City exceeding \$25,000,000 or that pay the administrative office tax, and direct that revenues from the tax fund certain environmental programs, and increasing the City's appropriations limit by the amount collected under the tax for four years from November 7, 2023, at an election to be held on November 7, 2023; and affirming the Planning Department's determination under the California Environmental Quality Act.

Existing Law

The City currently imposes six annual gross receipts taxes, with 2022 rates as follows:

- An Article 12 tax on businesses at rates between \$43 and \$40,261, adjusted for inflation, to fund general municipal purposes;
- An Article 12-A-1 tax to fund general municipal purposes on businesses at rates from 0.053% to 0.975% of taxable gross receipts and an alternative administrative office tax on qualifying businesses at the rate of 1.47% of San Francisco payroll expense;
- An Article 21 tax to fund general municipal purposes and early childhood care and education on businesses that receive gross receipts from the lease of commercial space in the City at rates from 1% to 3.5% of lease gross receipts;
- An Article 28 tax to fund affordable housing and homeless services on businesses with over \$50,000,000 in taxable gross receipts at rates from 0.175% and 0.69% of taxable gross receipts and an alternative administrative office tax on qualifying businesses at the rate of 1.5% of San Francisco payroll expense;
- An Article 30 tax to fund general municipal purposes on businesses engaged in cannabis business activities in the City at rates from 1% to 5% of taxable gross receipts from such activities (deferred until January 1, 2023); and
- An Article 33 tax to fund general municipal services on businesses with a ratio of compensation paid to the business's highest-paid managerial employee to the median compensation paid to the business's employees in the City that exceeds 100:1 at rates from 0.1% to 0.6% and an alternative administrative office tax on qualifying businesses at rates from 0.4% to 2.4% of San Francisco payroll expense.

Amendments to Current Law

Beginning January 1, 2025 through December 31, 2055, this ordinance would impose an additional annual gross receipts tax on businesses with more than \$25,000,000 in gross

receipts attributable to the City. The tax would be calculated by applying to taxable gross receipts in excess of \$25,000,000 the following rates that correspond to the business’s business activity or activities:

Business Activity	Tax Rate
Retail Trade; Wholesale Trade; and Certain Services	0.039%
Manufacturing; Transportation and Warehousing; Biotechnology; Clean Technology; and Food Services	0.116%
Information	0.137%
Accommodations; Utilities; and Arts, Entertainment and Recreation	0.098%
Private Education and Health Services; Administrative and Support Services; and Miscellaneous Business Activities	0.159%
Construction	0.110%
Financial Services; Insurance; and Professional, Scientific and Technical Services	0.137%
Real Estate and Rental and Leasing Services	0.074%

This ordinance would impose on businesses subject to the administrative office tax under Article 12-A-1 an additional alternative administrative office tax at the rate of 0.245% of San Francisco payroll expense. Certain nonprofit organizations and entities generally not subject to local taxes, such as banks and insurance companies, would be exempt from this tax.

Proceeds of the tax would fund the following:

- 25% to the Department of Environment for programs that protect or rehabilitate the environment, including but not limited to funding the City’s 2021 Climate Action Plan;
- 25% for a guaranteed income program for low-income households living in areas impacted by public infrastructure projects;
- 25% for training, education, and the creation of jobs and business opportunities in sectors associated with building decarbonization and clean energy; and
- 25% to the San Francisco County Transportation Authority for public transit operational costs, which may include programs aimed at making Muni free for some or all riders.

The Board of Supervisors may adjust the above percentages annually; provided that the percentage allocated to each of the above four programs ranges from 15% to 35%.

This ordinance would increase the City’s appropriations limit under Article XIII B by the amounts collected from this tax, for four years from November 7, 2023.

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