

[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

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

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

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

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

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

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

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

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

(b) "Category 4 Business Activities" means:

(1) For tax year 2025, one or more of the business activities described in 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 Nanobiotechnology)), 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), and 92 (Public Administration).

(2) For tax year 2026 and subsequent tax years, one or more of the business activities described in 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), 517 (Telecommunications), 524 (Insurance Carriers and Related Activities), 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 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), 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.

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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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