



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

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

July 16, 2020

RE: File 200652 – Ordinance to create an additional tax on stock-based compensation payroll expense

Dear Ms. Calvillo,

Should the proposed ordinance be approved by the voters, in my opinion, it would result in additional annual revenue to the City in the range of \$50 to \$150 million, although results in a given year could vary from this due to economic conditions and the volatility of the tax. The proposed tax is a general tax that would be deposited in the City's General Fund.

The proposed ordinance would amend the City's Business Tax and Regulations Code to impose a special tax of 1.12 percent on persons engaging in business within the City that have taxable payroll expense attributable to stock-based compensation. The proposed tax would be retroactive to January 1, 2020, applying to all stock-based compensation payroll expense on or after that date. The ordinance increases the City's appropriations limit by the amount collected for four years.

It is important to note this tax would be a highly volatile revenue source to the City. Annual fluctuations in the value of stock-based compensation associated with volatility in the stock market and economy, as well as potential relocation risk associated with businesses facing large tax increases, contribute to the high volatility of the proposed tax. Estimates based on prior years' data may not be predictive of future revenues.

Sincerely,

Michael Wylie FOR
Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.