

[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.

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 ~~strikethrough 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 and 953.24 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 1.301% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

2 1.301% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

3 1.486% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

4 1.486% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

5 1.672% for taxable gross receipts over \$1,000,000,000

6 (b) "Category 4 Business Activities" means:

7 (1) For tax year 2025, one or more of the business activities described in NAICS
8 codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying, and Oil and Gas
9 Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation and
10 Warehousing), 524 (Insurance Carriers and Related Activities), 541714 (Research and
11 Development in Biotechnology (except Nanobiotechnology)), 5611 (Office Administrative
12 Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel
13 Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619
14 (Other Support Services), and 92 (Public Administration).

15 (2) For tax year 2026 and subsequent tax years, one or more of the business activities
16 described in NAICS codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying,
17 and Oil and Gas Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation
18 and Warehousing), 517 (Telecommunications), 524 (Insurance Carriers and Related Activities),
19 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 5611 (Office
20 Administrative Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel
21 Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619 (Other
22 Support Services), and 92 (Public Administration).

23 (c) The amount of taxable gross receipts from Category 4 Business Activities subject
24 to the gross receipts tax shall be three-quarters of the amount determined under
25 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

1.424% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.424% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.602% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.78% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1 1.78% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

2 1.78% for taxable gross receipts over \$1,000,000,000

3 (3) For tax years beginning on or after January 1, 2028:

4 1.071% for taxable gross receipts between \$0 and \$1,000,000

5 1.071% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

6 1.607% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

7 1.301% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

8 1.486% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

9 1.486% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

10 1.486% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

11 1.672% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

12 1.858% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

13 1.858% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

14 1.858% for taxable gross receipts over \$1,000,000,000

15 (b) "Category 5 Business Activities" means:

16 (1) For tax year 2025, one or more of the business activities described in NAICS
17 codes 51 (Information), 5222 (Nondepository Credit Intermediation), 5223 (Activities Related
18 to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted
19 Works)), 54 (Professional, Scientific, and Technical Services) but not including 541714
20 (Research and Development in Biotechnology (except Nanobiotechnology)), 55 (Management
21 of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61
22 (Educational Services), 62 (Health Care and Social Assistance), and all business activities not
23 otherwise exempt and not elsewhere subjected to a gross receipts tax rate by Sections
24 953.20 through 953.26 or an administrative office tax under Section 953.8.

1 (2) For tax year 2026 and subsequent tax years, one or more of the business activities
2 described in NAICS codes 51 (Information) but not 517 (Telecommunications), 5222 (Nondepository
3 Credit Intermediation), 5223 (Activities Related to Credit Intermediation), 533 (Lessors of
4 Nonfinancial Intangible Assets (except Copyrighted Works)), 54 (Professional, Scientific, and
5 Technical Services) but not including 541714 (Research and Development in Biotechnology (except
6 Nanobiotechnology)), 55 (Management of Companies and Enterprises), 562 (Waste Management and
7 Remediation Services), 61 (Educational Services), 62 (Health Care and Social Assistance), and all
8 business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate by
9 Sections 953.20 through 953.26 or an administrative office tax under Section 953.8.

10 (c) The amount of taxable gross receipts from Category 5 Business Activities subject
11 to the gross receipts tax shall be three-quarters of the amount determined under Section
12 956.1 plus one-quarter of the amount determined under Section 956.2.

13
14 Section 2. Effective Date. This ordinance shall become effective 30 days after
15 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
16 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
17 of Supervisors overrides the Mayor's veto of the ordinance.

18
19 Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
20 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
21 numbers, letters, punctuation marks, charts, diagrams, or any other constituent parts of the
22 Municipal Code that are explicitly shown in this ordinance as additions or deletions in
23 accordance with the "Note" that appears under the official title of the ordinance.

1 Section 4. Supermajority Vote Required. In accordance with Section 2811 of
2 Article 28 of the Business and Tax Regulations Code, passage of this ordinance by the Board
3 of Supervisors requires an affirmative vote of two-thirds of the Board of Supervisors because
4 Sections 2804.5(b) and 2804.6(b) incorporate by reference the definitions in
5 Sections 953.23(b) and 953.24(b).

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7 APPROVED AS TO FORM:
8 DAVID CHIU, City Attorney

9 By: /s/ Scott M. Reiber
10 SCOTT M. REIBER
Chief Tax Attorney

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