



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 25, 2018

RE: File 180373 - Ordinance amending the Business Tax & Regulations Code – Gross receipts tax on transportation network company services, private transit vehicle services, and autonomous vehicle passenger services; economic nexus

Dear Ms. Calvillo,

Should this ordinance be approved, in my opinion, it would result in annual tax revenues of approximately \$17-\$24 million beginning in 2019. Given the structure of the ordinance, tax revenue will likely grow more rapidly than other City revenues. The tax is a general tax and proceeds would be deposited into the General Fund.

The ordinance would amend the City's Business Tax and Regulations Code to create a new tax schedule applying to transportation network company services, private transit vehicle services, and autonomous vehicle passenger services of 0.625 percent to 1 percent of taxable gross receipts beginning on January 1, 2019. These rates are higher than those currently required for these industries, and are estimated to generate \$15-20 million annually. These revenues will increase more rapidly than other City revenues given expected growth in these industries.

Additionally, the ordinance would permit the City to tax businesses that do not have a physical presence here, provided those businesses' sales exceed \$500,000 annually. The revenue implications of this provision depend on the extent to which local wholesalers, retailers, and consumers directly receive shipments from these non-local businesses, as opposed to shipping through other distributors already subject to business tax. Currently, this is largely unknown to the City. We estimate shorter-term revenues of \$2 to 4 million annually as a result of this change, with the potential for significant additional tax revenue depending on the total sales from new required business tax payers. For each additional \$1 billion from such sales, City revenues would increase by approximately \$1.5 million.

Sincerely,

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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