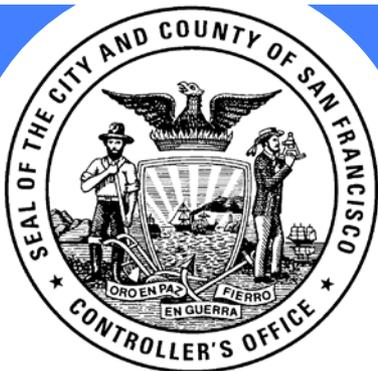


Business Tax Baseline Charter Amendment



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller

June 25, 2020

Overview

- This Charter measure, with amendments we ask for your consideration of today, addresses a unique challenge in the two business tax measures pending at the Board that change the City's payroll & gross receipts tax structure – one version proposed by the Mayor and another by President Yee and Supervisors Fewer, Haney and Peskin.
- This amended measure, if approved, could be merged into those measures prior to submission to the voters.

Unlocking Big & Baby C

1. The two business tax measures provide that if the City loses ongoing litigation related to Big & Baby C and those taxes are no longer collected, matching general tax rates would go into effect. We refer to this as the “backstop tax” feature.
2. This feature would provide a revenue stream that would permit the City to unlock the impounded revenue now being collected from those dedicated taxes, given that revenues from the “backstop tax” could be used to pay for court-ordered refunds if the City loses the litigation.
3. This is only one feature of those business tax measures – others retire the payroll tax, adjust gross receipts rates, generate additional general revenue, and other changes.

The Policy Challenge

1. Current collections of Big & Baby C are dedicated taxes, earmarked by the voters for a specific purpose. They are therefore not discretionary and do not contribute to the discretionary revenues used to calculate voter-adopted baselines – All \$450M in annual collections is dedicated for those purposes.
2. But the backstop tax feature is a general tax and would, absent this proposed Charter measure, contribute to baseline allocations. Of approximately \$450M in annual tax collections, \$100M would be allocated to various baseline purposes.
3. This would limit the value of the backstop tax available to pay for refunds and reduce the level of ongoing childcare and homeless service programs that could be created in the shorter-term using the unlocked funds.

The Purpose the Charter Measure

1. The initially-introduced Charter measure is very broad, and would apply to the entirety of any business tax measure on the ballot. We request your consideration of amendments to the Charter measure today to limit it to this specific challenge with the backstop tax feature.
2. As amended, the proposed Charter measure would exclude this replacement backstop tax from these calculations, preserving the value of that part of the tax measure available to pay for court-ordered refunds and to support ongoing childcare and homeless service programs.
3. If adopted, it leaves the baseline allocations no better or worse than they are today – Big & Baby C are not subject to baseline allocations nor would the backstop tax.
4. As amended, it would not apply to other taxes on the ballot or other features of these two tax measures.

Questions or Comments?

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