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TO ALL INTERESTED PARTIES:

Attached is the City Attorney's title and summary for a proposed measure entitled, "CHANGES TO BUSINESS TAXES." In preparing this title and summary, the City Attorney makes no representation regarding the merits or legality of the proposed legislation. Nor does the City Attorney verify or confirm any factual or legal assertion made in the proposal. The title and summary is presented as a "true and impartial statement of the purpose of the proposed measure." Elections Code § 9203.

Very truly yours,

DAVID CHIU
City Attorney

[redacted]

Deputy City Attorney

CHANGES TO BUSINESS TAXES

The Way It Is Now

Gross Receipts and Administrative Office Tax: The City collects various business taxes annually, including a Gross Receipts Tax that is a percentage of a business's overall revenues in San Francisco. Rates range from 0.1% to 3.36% and are scheduled to increase in tax years 2027 and 2028. Rates depend on business type, and higher rates apply as a business generates more gross receipts. For 2026, most businesses with San Francisco gross receipts up to $5 million are exempt from the Gross Receipts Tax.

Certain large businesses that use more than half their San Francisco payroll expense to provide their own in-house administrative and management services pay an Administrative Office Tax of 1.47% based on their San Francisco payroll expense instead of their gross receipts. This rate is scheduled to increase in 2027 and 2028.

Top Executive Pay Tax: The City also collects an additional Top Executive Pay Tax on some businesses that pay their highest-paid managerial employee more than 100 times the median pay of their San Francisco employees. The tax rate increases depending on how much higher the highest-paid managerial employee's pay is above the median San Francisco employee's pay. Most businesses that have San Francisco gross receipts up to $5 million and are not subject to the Administrative Office Tax are exempt from the Top Executive Pay Tax.

- A business subject to the Top Executive Pay Tax that also pays the Gross Receipts Tax currently must pay an additional tax ranging from 0.02% to 0.12% of its San Francisco gross receipts. For tax year 2027, the additional tax rate will range from 0.021% to 0.125%. Starting in 2028, the additional tax rate will range from 0.021% to 0.129%.
- A business subject to the Top Executive Pay Tax that pays the Administrative Office Tax currently must pay an additional tax ranging from 0.08% to 0.48% of its San Francisco payroll expense. For tax year 2027, the additional tax rate will range from 0.083% to 0.499%. Starting in 2028, the additional tax rate will range from 0.086% to 0.514%.

The Proposal

Beginning in 2027, the proposed measure would change the City's business taxes as follows:

- Exempt most businesses with up to $7.5 million in San Francisco gross receipts from the Gross Receipts Tax and Top Executive Pay Tax.
- Accelerate the Top Executive Pay Tax rate increase scheduled for tax year 2028 to apply in tax year 2027 and moving forward, with no scheduled increases for subsequent years.

All these changes would apply indefinitely until repealed, subject to certain adjustments based on increases in the Consumer Price Index, and all these taxes' revenues would continue to be available for general governmental purposes.