

Increases to Business Tax Based on Comparison of Top Executive's Pay to Employees' Pay*

Digest by the Ballot Simplification Committee

Status: Draft for Consideration
On: Tuesday, March 3, 2026
Members: Packard, Anderson, Troy, Wang

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects a Top Executive Pay Tax from certain large businesses when their highest-paid managerial employee earns more than 100 times the median compensation paid to 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 subject to the Top Executive Pay Tax pay at rates ranging from 0.02% to 0.12% of their overall revenues in San Francisco ("gross receipts"). By 2028, the tax rates will increase to between 0.021% and 0.129%. Most businesses with San Francisco gross receipts up to \$5 million are exempt from this tax.

Certain large businesses that use more than half their San Francisco payroll expenses to provide their own in-house administrative and management services pay the Top Executive Pay Tax based on their San Francisco payroll expense instead of their gross receipts, at rates ranging from 0.08% to 0.48%. By 2028, the tax rate will increase to between 0.086% and 0.514%.

The Board of Supervisors can reduce the Top Executive Pay Tax without voter approval.

State law limits the total revenue, including tax revenue, the City may spend each year. The voters may approve increases to this limit for up to four years.

The Proposal: Beginning in 2027, the proposed measure would impose the Top Executive Pay Tax on certain large businesses when their highest-paid managerial employee earns more than 100 times the median compensation paid to their employees, using the median pay of all the businesses' employees, not just their San Francisco employees.

The proposed measure would also increase the Top Executive Pay Tax rates for most businesses to between 0.183% to 1.121% of their San Francisco gross receipts. The rates for businesses who pay the tax based on their San Francisco payroll expense instead of their gross receipts would increase to between 0.75% to 4.47%.

The proposed measure also would prohibit the Board of Supervisors from reducing the Top Executive Pay Tax without voter approval.

All these changes would continue to apply indefinitely until repealed, and all these taxes' revenues would continue to be available for general governmental purposes.

This proposal would increase the City's spending limit for four years.

If Proposition ___ passes with more votes than Proposition ___, then Proposition ___ would have no legal effect.

A "YES" Vote Means: If you vote "yes," you want to change the Top Executive Pay Tax.

A "NO" Vote Means: If you vote "no," you do not want to change the Top Executive Pay Tax.

**Working title, for identification only. The Director of Elections determines the title of each local ballot measure; measure titles are not considered during Ballot Simplification Committee meetings.*