

March 4, 2026

To: Ballot Simplification Committee

From: Hilary Gibson & Sean Welch, Nielsen Merksamer

Re: Request for Reconsideration of Draft Digest for “Decreases to Business Taxes”

The Digest for the measure tentatively titled “Decreases to Business Taxes” must be revised to clearly state that the measure amends the “Small Business Exemption” to the Gross Receipts Tax. As is, the Digest does not accurately communicate what the measure does and as such, fails to comply with mandatory legal requirements applicable to ballot materials.

- The Decreases to Business Taxes Measure is simple and straightforward in its operation. It asks voters to approve two, and only two, changes to current law:
 1. Whether to amend the Small Business Exemption to the Gross Receipts Tax to change the definition of what constitutes a “small business” for the purpose of the Gross Receipts Tax; and
 2. Whether to accelerate the Top Executive Pay tax rate increase scheduled for tax year 2028 to apply in tax year 2027.
- The California Elections Code, and case law applying these laws to the Ballot Simplification Committee Digest, requires the Digest to summarize the chief purpose and points of the measure in language that is neither false, misleading, or biased. As currently drafted, the Digest does not comply with these legal requirements. Specifically, the Digest fails to accurately describe one of the two purposes of the measure—the amendment of the “Small Business Exemption.”
- “The Small Business Exemption,” *as it is identified in the current law*, defines what constitutes a “small business” for the purpose of application of the Gross Receipts Tax. The Initiative asks voters whether or not to change the “Small Business Exemption” to raise the threshold from \$5 million to \$7.5 million. In other words, the Initiative asks voters to decide whether a business with up to \$7.5 million in gross receipts shall be defined as a “small business” for the purpose of San Francisco tax law. The clear and unquestionable chief purpose and point of the measure is a proposed change to the *Small Business Exemption*.
- Yet the Digest does not mention—not even once—the fact that the measure amends the Small Business Exemption. This is inaccurate, misleading, and fails to capture the chief purposes and points of the measure, as required by law.

- Given the foregoing, we respectfully request that the Committee reconsider the digest, and amend the first bullet point to add the underlined language as follows:

Amend the Small Business Exemption to exempt most businesses with up to \$7.5 million in San Francisco gross receipts from the Gross Receipts Tax and Top Executive Pay Tax