



**OFFICE OF THE CONTROLLER**  
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner  
Controller  
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Deputy Controller

Mr. John Arntz  
Department of Elections  
City Hall 1 Dr. Carlton B. Goodlett Place Room 48  
San Francisco, CA 94102-4689

March 9, 2026

RE: Proposition C – Decreases to Business Taxes

Dear Mr. Arntz,

Should the proposed ordinance be approved by the voters, in my opinion, it would result in a decrease in annual revenue to the City in the range of \$30 million to \$40 million. The ordinance would decrease the number of businesses subject to two existing taxes, resulting in decreased revenue. Decreases in a given year could vary due to economic conditions.

The proposed ordinance would amend the City's Business and Tax Regulations Code by (i) raising the small business exemption ceiling for the Gross Receipts Tax and the Overpaid Executive Gross Receipts Tax, and (ii) accelerating a scheduled tax rate increase for the Overpaid Executive Gross Receipts Tax. Both taxes are general taxes that are deposited in the City's General Fund.

Under current law, the Gross Receipts Tax and the Overpaid Executive Gross Receipts Tax have small business exemptions, meaning the taxes do not apply to most businesses that report under a certain amount of revenue ("gross receipts") within the City. The proposed ordinance would raise the small business exemption ceiling from \$5,000,000 to \$7,500,000 in gross receipts within the City for each tax, reducing the number of businesses subject to each tax.

In addition to the small business exemption, the Overpaid Executive Gross Receipts Tax generally applies to certain large businesses in the City when their highest-paid managerial employee (Top Executive) earns more than 100 times the median compensation paid to their San Francisco employees. The tax rate increases based on how much the Top Executive's pay exceeds the median San Francisco employee's pay. Currently, the tax rates increase over time, with rates scheduled to rise in 2027 and then again in 2028. The proposed ordinance would accelerate the scheduled rate increase by setting the 2027 tax rates to the rates currently scheduled to apply in 2028. For nearly all businesses subject to this tax, the 2027 tax rate would increase from the currently scheduled range of 0.021% - 0.125% to the proposed range of 0.021% - 0.129% of their San Francisco gross receipts. A small number of businesses pay the tax based on their payroll, rather than gross receipts. Their rates will similarly increase. There would not be any further increases scheduled.

For the Overpaid Executive Gross Receipts Tax, there is a narrow base of expected payers, significant annual fluctuations in the value and form of executive compensation, and potential risk of business

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relocation. Because of these factors, estimates based on prior years' activity may not accurately predict future revenues.

Sincerely,



Greg Wagner  
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 Pamphlet.