

NIELSEN MERKSAMER

NIELSEN MERKSAMER PARRINELLO GROSS & LEONI LLP

**POLITICAL &
GOVERNMENT**

LAW
ADVOCACY
LITIGATION

December 16, 2025

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

Dear Mr. Arntz:

Enclosed is the text of a proposed initiative ordinance, titled the "Protect Local Jobs Act," ("Initiative") to be submitted to the voters of the City and County of San Francisco, along with a Notice of Intent to Circulate Petition, a signed authorization of the proponent for the Nielsen Merksamer law firm to send and receive all filings, notices, and communications with elections officials on his behalf, and a certification from the proponent regarding the use of petition signatures.

Also enclosed is the \$200.00 filing fee, made out to the "San Francisco Department of Elections," as required by Municipal Elections Code §§ 320 and 820.

We request that a copy of the Initiative be forwarded to the City Attorney so that a ballot title and summary may be prepared.

The name and residence address of the proponent of the Initiative is:

Rodney Alan Fong
[REDACTED]

Please send the title and summary to:

Hilary Gibson & Sean P. Welch, counsel for Initiative proponent Rodney Alan Fong

Email: [REDACTED]

Address: [REDACTED]

If you have any questions, please contact me at:

Sincerely,
[REDACTED]

Hilary Gibson

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2350 KERNER BLVD, SUITE 250
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NOTICE OF INTENT TO CIRCULATE PETITION

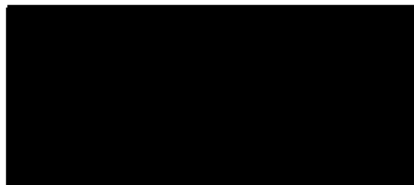
Notice is hereby given by the person whose name appears hereon of his intention to circulate the petition within the City and County of San Francisco for the purpose of adopting an initiative measure to make amendments to the San Francisco Business and Tax Regulations Code to eliminate scheduled business tax increases and provide tax relief for small and medium-sized businesses in San Francisco.

A statement of reasons of the proposed action as contemplated in the petition is as follows:

- San Francisco's economy continues to face lingering impacts from the COVID-19 pandemic, including reduced downtown activity, elevated commercial vacancy, and higher operating costs for local employers, particularly small and medium-sized businesses.
- Small and medium-sized businesses are the primary source of local employment and neighborhood economic activity, yet they are least able to absorb rising costs, complex compliance burdens, and scheduled business tax increases.
- Medium-sized businesses have outgrown small-business exemptions but lack the scale and flexibility of large corporations, making them uniquely vulnerable to tax increases that can affect decisions regarding hiring, expansion, and location.
- Scheduled business tax increases risk slowing economic recovery and job retention at a time when stabilization and reinvestment are critical to restoring the City's employment base.
- San Francisco faces intensifying competition from neighboring jurisdictions that offer simpler, more predictable, and more competitive business tax structures, influencing long-term business location and employment decisions.
- Rising costs imposed on local employers are often passed on to consumers, contributing to higher prices for goods and services and worsening affordability for San Francisco residents.
- Eliminating scheduled business tax increases, expanding exemptions for small businesses, reducing taxes for medium-sized businesses, and lowering fixed business tax "fees" represents a measured and targeted approach to economic recovery that prioritizes job stability while supporting long-term economic and revenue sustainability.

Rodney Alan Fong

PROPONENT'S NAME



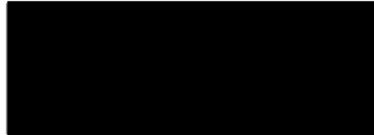
PROPONENT'S SIGNATURE

12-16-25

DATE

SIGNED STATEMENT OF PROPONENT
(Cal. Elec. Code § 9608)

I, Rodney Alan Fong, acknowledge that it is a misdemeanor under state law (Section 18650 of the Elections Code) to knowingly or willfully allow the signatures on an initiative petition to be used for any purpose other than qualification of the proposed measure for the ballot. I certify that I will not knowingly or willfully allow the signatures for this initiative to be used for any purpose other than qualification of the measure for the ballot.



(Signature of Proponent)

Dated this 16 day of December, 2025.

AUTHORIZATION FOR COUNSEL TO HANDLE PETITION FILING
(Elec. Code § 9210)

I, Rodney Alan Fong, as the proponent of the Protect Local Jobs Act Initiative (the "Initiative"), hereby authorize our legal counsel, the Nielsen Merksamer law firm, including but not limited to Hilary J. Gibson, Sean P. Welch, David J. Lazarus, and Julia D'Amours to handle the filing of the Initiative for title and summary, filing of the Initiative petition, and any other actions and/or correspondence with your office, or any other elections officials, relating to the



(Signature of Proponent)

Dated this 16 day of December, 2025.

Be it ordained by the people of the City and County of San Francisco:

SECTION 1. Title.

This initiative measure shall be known and may be cited as the "Protect Local Jobs Act" (the "Initiative").

SECTION 2. Findings and Purpose.

A. Findings. The people of the City and County of San Francisco ("City" or "San Francisco") find and declare the following:

1. San Francisco's economy continues to face lingering impacts from the COVID-19 pandemic, including reduced downtown activity, elevated commercial vacancy, and higher operating costs for local employers, particularly small and medium-sized businesses.
2. Small and medium-sized businesses are the primary source of local employment and neighborhood economic activity, yet they are least able to absorb rising costs, complex compliance burdens, and scheduled business tax increases.
3. Medium-sized businesses have outgrown small-business exemptions but lack the scale and flexibility of large corporations, making them uniquely vulnerable to tax increases that can affect decisions regarding hiring, expansion, and location.
4. Scheduled business tax increases risk slowing economic recovery and job retention at a time when stabilization and reinvestment are critical to restoring the City's employment base.
5. San Francisco faces intensifying competition from neighboring jurisdictions that offer simpler, more predictable, and more competitive business tax structures, influencing long-term business location and employment decisions.
6. Rising costs imposed on local employers are often passed on to consumers, contributing to higher prices for goods and services and worsening affordability for San Francisco residents.
7. Eliminating scheduled business tax increases, expanding exemptions for small businesses, reducing taxes for medium-sized businesses, and lowering fixed business tax "fees" represents a measured and targeted approach to economic recovery that prioritizes job stability while supporting long-term economic and revenue sustainability.

B. Purpose. The people of the City and County of San Francisco declare that our purpose and intent in enacting this Initiative is to make amendments to the San Francisco Business and Tax Regulations Code to eliminate scheduled business tax increases and provide tax relief for small and medium-sized businesses in San Francisco.

SECTION 3. Amendments to the San Francisco Business and Tax Regulations Code.

Subsection (d) of Section 855 ("Registration Certificate—Fee") of Article 12 ("Business Registration") of the San Francisco Business and Tax Regulations Code is hereby amended as set forth below (new language to be inserted is shown as underline text, deletions are indicated in ~~strike through~~). Asterisks (* * * *) indicate the omission of Code subsections that are not changed by this Initiative.

SEC. 855. REGISTRATION CERTIFICATE – FEE.

* * * *

- (d) (1) Fee for Registration Years Beginning On or After April 1, 2026. Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for the registration years beginning ~~on or after~~ April 1, 2026, payable in advance, shall be as follows:

<i>San Francisco Gross Receipts for the Immediately Preceding Tax Year</i>	<i>Annual Registration Fee</i>
\$0 to \$100,000	\$55
\$100,000.01 to \$250,000	\$95
\$250,000.01 to \$500,000	\$160
\$500,000.01 to \$750,000	\$320
\$750,000.01 to \$1,000,000	\$440
\$1,000,000.01 to \$1,500,000	\$625
\$1,500,000.01 to \$2,000,000	\$875
\$2,000,000.01 to \$2,500,000	\$1,130
\$2,500,000.01 to \$5,000,000	\$1,885
\$5,000,000.01 to \$7,500,000	\$800
\$7,500,000.01 to \$15,000,000	\$2,000

\$15,000,000.01 to \$25,000,000	\$6,500
\$25,000,000.01 to \$50,000,000	\$20,000
\$50,000,000.01 to \$100,000,000	\$40,000
\$100,000,000.01 to \$200,000,000	\$50,000
\$200,000,000.01 and over	\$60,000

- (2) **Fee for Registration Years Beginning On or After April 1, 2027.** Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for registration years beginning on or after April 1, 2027, payable in advance, shall be as follows:

<u>San Francisco Gross Receipts for the Immediately Preceding Tax Year</u>	<u>Annual Registration Fee</u>
<u>\$0 to \$50,000,000</u>	<u>\$25</u>
<u>\$50,000,000.01 to \$100,000,000</u>	<u>\$40,000</u>
<u>\$100,000,000.01 to \$200,000,000</u>	<u>\$50,000</u>
<u>\$200,000,000.01 and over</u>	<u>\$60,000</u>

Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as set forth below (new language to be inserted is shown as underline text, deletions are indicated in ~~strikethrough~~).

Section 953.8 ("Tax on Administrative Office Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.8. TAX ON ADMINISTRATIVE OFFICE BUSINESS ACTIVITIES.

- (a) Except as provided in this Section 953.8, notwithstanding any other provision of this Article 12-A-1 and in lieu of the other taxes provided by this Article for any person or combined group, every person engaging in business within the City as an administrative office, as defined below, shall pay an annual administrative office tax measured by its total payroll expense that is attributable to the City. If a person is a member of a combined group, then its tax shall be measured by the total payroll expense of the combined group attributable to the City. Such

combined group shall pay only the administrative office tax. The administrative office tax rate is:

- (1) For tax years beginning on or after January 1, 2014 and ending on or before December 31, 2021: 1.4%.
- (2) For tax years 2022 and 2023: 1.47%.
- (3) For tax year 2024: 1.54%.
- (4) For tax years beginning on or after January 1, 2025 and 2026: 1.47%.
- ~~(5) For tax year 2027: 1.59%.~~
- ~~(6) For tax years beginning on or after January 1, 2028: 1.68%~~

(b) Administrative Office Business Activity.

(1) "Engaging in business within the City as an administrative office" means that:

- (A) a person is engaging in business within the City during the tax year and over 50% of the total combined payroll expense within the City of that person and its related entities for the tax year was associated with providing administrative or management services exclusively to that person or related entities;
- (B) the total combined number of employees of that person and its related entities within the United States as of the last day of the tax year exceeded 1,000; and
- (C) the total combined gross receipts of that person and its related entities reported on United States federal income tax return(s) for the tax year exceeded \$1,000,000,000.

(2) For tax years beginning on or after January 1, 2025:

- (A) For a person or combined group's classification as engaging in business within the City as an administrative office to change from one tax year to the next, the person or combined group must fail to satisfy at least one of the conditions in subsections (A), (B), and (C) of subsection (b)(1) for the current tax year and the immediately preceding two tax years.
- (B) For a person or combined group's classification as not engaging in business within the City as an administrative office to change from one tax year to the next, the person or combined group must satisfy all three of the conditions in subsections (A), (B), and (C) of subsection (b)(1) for the current tax year and the immediately preceding two tax years.

- (c) For purposes of subsection (b) only, a related entity shall include any person who could be included in the same combined report under California Revenue and Taxation Code Section 25102 but for the existence of a water's edge election under Section 25110 of that Code.
- (d) "Administrative or management services" comprises internal support services provided on an enterprise-wide basis, such as executive office oversight, company business strategy, recordkeeping, risk management, personnel administration, legal, accounting, market research and analysis, and training services; it does not include sales personnel or personnel actively engaged in marketing, research and development, direct customer service, and product support services. The Tax Collector is authorized to classify in its reasonable discretion which personnel employed by any person provide administrative or management services.
- (e) A person provides administrative office services exclusively for itself or a related entity only if the final recipient of those services is at a location where that person or a related entity conducts business activities.
- (f) "Payroll expense" for purposes of this Section 953.8 means the compensation paid to, on behalf of, or for the benefit of an individual, including shareholders of a professional corporation or a Limited Liability Company ("LLC"), including salaries, wages, bonuses, commissions, property issued or transferred in exchange for the performance of services (including but not limited to stock options), compensation for services to owners of pass-through entities, and any other form of compensation, who during any tax year, perform work or render services, in whole or in part in the City; and if more than one individual or shareholders of a professional corporation or members of an LLC, during any tax year performs work or renders services in whole or in part in the City, the term "Payroll Expense" means the total compensation paid including salaries, wages, bonuses, commissions, property issued or transferred in exchange for the performance of services (including but not limited to stock options), in addition to any compensation for services to owners of pass-through entities, and any other form of compensation for services, to all such individuals and shareholders of a professional corporation or members of an LLC. For purposes of this definition of payroll expense:
 - (1) Any person that grants a service provider a right to acquire an ownership interest in such person in exchange for the performance of services shall include in its payroll expense for the tax year in which such right is exercised an amount equal to the excess of (A) the fair market value of such ownership interest on the date such right is exercised over (B) the price paid for such interest. This Section 953.8(f)(1) shall not apply for purposes of determining whether a person is engaging in business within the City as an administrative office, but shall apply for all other purposes of this Section 953.8.
 - (2) Any individual compensated in his or her capacity as a real estate salesperson or mortgage processor shall be deemed an employee of the real estate broker or mortgage broker for or under whom such individual performs services, and any compensation received by such individual,

including compensation by way of commissions, shall be included in the payroll expense of such broker. For purposes of this Section 953.8(f), "real estate broker" and "mortgage broker" refer to any individual licensed as such under the laws of the State of California who engages the services of salespersons or a salesperson, or of mortgage processors or a mortgage processor, to perform services in the business which such broker conducts under the authority of his or her license; a "salesperson" is an individual who is engaged by a real estate broker to perform services, which may be continuous in nature, as a real estate salesperson under an agreement with a real estate broker, regardless of whether the individual is licensed as a real estate broker under the laws of the State of California; a "mortgage processor" is an individual who is engaged by a real estate broker or mortgage broker to perform services, which may be continuous in nature, as a mortgage processor under an agreement with such real estate broker or mortgage broker, regardless of whether the mortgage processor is also licensed as a mortgage broker under the laws of the State of California.

- (3) All compensation, including all pass-through compensation for services paid to, on behalf of, or for the benefit of owners of a pass-through entity, shall be included in the calculation of such entity's payroll expense tax base for purposes of determining such entity's tax liability under this Section 953.8. For purposes of this Section 953.8(f), the "pass-through compensation for services" of a pass-through entity shall be the aggregate compensation paid by such entity for personal services rendered by all such owners, and shall not include any return on capital investment. The taxpayer may calculate the amount of compensation to owners of the entity subject to the administrative office tax in this Section 953.8, or the taxpayer may presume that, in addition to amounts reported on a W-2 form, the amount subject to the administrative office tax is, for each owner, an amount that is 200% of the average annual compensation paid to, on behalf of, or for the benefit of the employees of the pass-through entity whose compensation is in the top quartile (i.e., 25%) of the entity's employees who are based in the City; provided, the total number of employees of the entity based in the City is not less than four.
- (4) Where payroll expense is incurred by reason of work performed or services rendered by an individual wholly within the City, all of the payroll expense for such individual shall be attributable to the City and subject to tax under this Section 953.8. Where payroll expense is incurred by reason of work performed or services rendered by an individual partly within and partly without the City, the portion of such payroll expense attributable to the City (and subject to tax under this Section) shall be determined as follows:
 - (A) Except as otherwise provided in this Section 953.8(f)(4), the portion of such payroll expense attributable to the City shall be the portion of such payroll expense which the total number of working hours employed within the City bears to the total number of working hours within and without the City.

- (B) If the amount of such payroll expense depends on the volume of business transacted by such individual, then the portion of such payroll expense attributable to the City shall be the portion of such payroll expense which the volume of business transacted by such individual in the City bears to the volume of business transacted by such individual within and without the City.
 - (C) If it is impracticable, unreasonable or improper to apportion such payroll expenses as aforesaid either because of the particular nature of the services of such individual, or on account of the unusual basis of compensation, or for any other reason, then the amount of such payroll earnings reasonably attributable to work performed or services rendered in the City shall be determined on the basis of all relevant facts and circumstances of the particular case, in accordance with any rulings or regulations issued or promulgated by the Tax Collector for the purpose.
 - (D) If the Tax Collector determines that the percentage of payroll expenses attributable to the City, for any one or more persons, is a relatively stable percentage, the Tax Collector may establish that percentage as a prima facie evidence of payroll expense attributable to the City; provided, that the Tax Collector shall condition the establishment of such fixed percentage upon the obligation of the taxpayer to report immediately to the Tax Collector any significant change in the taxpayer's mode of business which may impact the portion of the person's payroll expense which is attributable to the City; and, provided further, that the Tax Collector may rescind any such fixed percentage at any time by providing written notice to the taxpayer of such rescission.
- (g) In addition to the administrative office tax provided in subsection (a), any person engaging in business within the City as an administrative office exclusively for itself or a related entity shall apply for a registration certificate and pay a registration fee, as provided in Article 12.
 - (h) Except as provided in this Section, the provisions of Article 6 and Article 12 apply to the administrative office tax. In particular, and without limiting the applicability of the balance of Article 6, the provisions of Sections 6.9-1 through 6.9-3, inclusive, of Article 6, regarding due dates, returns and prepayments, apply to the administrative office tax.

Section 953.20 ("Gross Receipts Tax Applicable to Category 1 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.20. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 1 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 1 Business Activities are:

(1) For tax years beginning on or after January 1, 2025 and 2026:

0.1% for taxable gross receipts between \$0 and \$1,000,000

0.13% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.18% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.336% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.336% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.336% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.336% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.504% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.672% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.84% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.008% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~0.104% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.135% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.187% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.356% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.356% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.356% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~0.356% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~0.534% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~0.712% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~0.89% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.068% for taxable gross receipts over \$1,000,000,000~~

~~(3) For tax years beginning on or after January 1, 2028:~~

~~0.107% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.139% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.193% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.372% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.372% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.372% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~0.372% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~0.557% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~0.743% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~0.929% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.115% for taxable gross receipts over \$1,000,000,000~~

- (b) "Category 1 Business Activities" means one or more of the business activities described in NAICS codes 42 (Wholesale Trade), 44 and 45 (Retail Trade), 532 (Rental and Leasing Services), 71 (Arts, Entertainment, and Recreation), 722 (Food Services and Drinking Places), 811 (Repair and Maintenance), 812 (Personal and Laundry Services) but not including 812930 (Parking Lots and Garages), and 813 (Religious, Grantmaking, Civic, Professional, and Similar Organizations).
- (c) The amount of taxable gross receipts from Category 1 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

Section 953.21 ("Gross Receipts Tax Applicable to Category 2 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.21. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 2 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 2 Business Activities are:

(1) For tax years beginning on or after January 1, 2025 and 2026:

0.185% for taxable gross receipts between \$0 and \$1,000,000

0.201% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.201% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.331% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.582% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.582% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.582% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.582% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.582% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.582% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.582% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~0.192% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.209% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.209% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.351% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.617% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.617% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~0.617% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~0.617% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~0.617% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~0.617% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~0.617% for taxable gross receipts over \$1,000,000,000~~

~~(3) For tax years beginning on or after January 1, 2028:~~

~~0.198% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.215% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.215% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.366% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.644% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.644% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~0.644% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~0.644% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~0.644% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~0.644% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~0.644% for taxable gross receipts over \$1,000,000,000~~

- (b) "Category 2 Business Activities" means the business activities described in NAICS code 721 (Accommodation).
- (c) The amount of taxable gross receipts from Category 2 Business Activities subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

Section 953.22 ("Gross Receipts Tax Applicable to Category 3 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.22. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 3 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 3 Business Activities are:

(1) For tax years beginning on or after January 1, 2025 and 2026:

0.413% for taxable gross receipts between \$0 and \$1,000,000

0.413% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.435% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.435% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.435% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.435% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.435% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.435% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.435% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.435% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.435% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~0.43% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.43% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.452% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.452% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.465% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.465% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~0.465% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~0.465% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~0.465% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~0.465% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~0.465% for taxable gross receipts over \$1,000,000,000~~

~~(3) For tax years beginning on or after January 1, 2028:~~

~~0.442% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.442% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.466% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.466% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.489% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.489% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~0.489% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~0.489% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~0.489% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~0.489% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~0.489% for taxable gross receipts over \$1,000,000,000~~

(b) "Category 3 Business Activities" means one or more of the business activities described in NAICS codes 531 (Real Estate), 5612 (Facilities Support Services), 5617 (Services to Buildings and Dwellings), and 812930 (Parking Lots and Garages).

(c) The amount of taxable gross receipts from Category 3 Business Activities subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

Section 953.23 ("Gross Receipts Tax Applicable to Category 4 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.23. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 4 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 4 Business Activities are:

(1) For tax years beginning on or after January 1, 2025 and 2026:

0.25% for taxable gross receipts between \$0 and \$1,000,000

0.25% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.3% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.504% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.84% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.84% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.176% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.176% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.344% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.344% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.512% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~0.26% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.26% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.312% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.534% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.89% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.89% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~1.246% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~1.246% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~1.424% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~1.424% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.602% for taxable gross receipts over \$1,000,000,000~~

~~(3) For tax years beginning on or after January 1, 2028:~~

~~0.268% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.268% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.321% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.557% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~0.929% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~0.929% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~1.301% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~1.301% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~1.486% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~1.486% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.672% for taxable gross receipts over \$1,000,000,000~~

(b) "Category 4 Business Activities" means:

- (1) For tax year 2025, one or more of the business activities described in NAICS codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying, and Oil and Gas Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation and Warehousing), 524 (Insurance Carriers and Related Activities), 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 5611 (Office Administrative Services), 5613 (Employment Services), 5614 (Business

Support Services), 5615 (Travel Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619 (Other Support Services), and 92 (Public Administration).

- (2) For tax year 2026 and subsequent tax years, one or more of the business activities described in NAICS codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying, and Oil and Gas Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation and Warehousing), 517 (Telecommunications), 524 (Insurance Carriers and Related Activities), 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 5611 (Office Administrative Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619 (Other Support Services), and 92 (Public Administration).
- (c) The amount of taxable gross receipts from Category 4 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

Section 953.24 ("Gross Receipts Tax Applicable to Category 5 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.24. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 5 BUSINESS ACTIVITIES.

- (a) The gross receipts tax rates applicable to Category 5 Business Activities are:

- (1) For tax years beginning on or after January 1, 2025 and 2026:

1% for taxable gross receipts between \$0 and \$1,000,000

1% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

1.5% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

1.176% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

1.344% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1.344% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.344% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.512% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.68% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.68% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.68% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~1.04% for taxable gross receipts between \$0 and \$1,000,000~~

~~1.04% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~1.56% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~1.246% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~1.424% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~1.424% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~1.424% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~1.602% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~1.78% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~1.78% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.78% for taxable gross receipts over \$1,000,000,000~~

~~(3) For tax years beginning on or after January 1, 2028:~~

~~1.071% for taxable gross receipts between \$0 and \$1,000,000~~

~~1.071% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~1.607% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~1.301% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~1.486% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~1.486% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~1.486% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~1.672% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~1.858% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~1.858% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.858% for taxable gross receipts over \$1,000,000,000~~

(b) "Category 5 Business Activities" means:

- (1) For tax year 2025, one or more of the business activities described in NAICS codes 51 (Information), 5222 (Nondepository Credit Intermediation), 5223 (Activities Related to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)), 54 (Professional, Scientific, and Technical Services) but not including 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 55 (Management of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61 (Educational Services), 62 (Health Care and Social Assistance), and all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate by Sections 953.20 through 953.26 or an administrative office tax under Section 953.8.
- (2) For tax year 2026 and subsequent tax years, one or more of the business activities described in NAICS codes 51 (Information) but not 517 (Telecommunications), 5222 (Nondepository Credit Intermediation), 5223 (Activities Related to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)), 54 (Professional, Scientific, and Technical Services) but not including 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 55 (Management of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61 (Educational Services), 62 (Health Care and Social Assistance), and all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate by Sections 953.20 through 953.26 or an administrative office tax under Section 953.8.

(c) The amount of taxable gross receipts from Category 5 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

Section 953.25 ("Gross Receipts Tax Applicable to Category 6 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.25. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 6 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 6 Business Activities are:

(1) For tax years beginning on or after January 1, 2025 and 2026:

1.5% for taxable gross receipts between \$0 and \$1,000,000

1.5% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

3% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

2.352% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

3.024% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

3.024% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

3.36% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

3.36% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

3.36% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

3.36% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

3.36% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~1.56% for taxable gross receipts between \$0 and \$1,000,000~~

~~1.56% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~3.12% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~2.492% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~3.204% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~3.204% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~3.56% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~3.56% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~3.56% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~3.56% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~3.56% for taxable gross receipts over \$1,000,000,000~~

~~(3) For tax years beginning on or after January 1, 2028:~~

~~1.607% for taxable gross receipts between \$0 and \$1,000,000~~

~~1.607% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~3.214% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~2.601% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~3.344% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~3.344% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~3.716% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~3.716% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~3.716% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~3.716% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~3.716% for taxable gross receipts over \$1,000,000,000~~

- (b) "Category 6 Business Activities" means one or more of the business activities described in NAICS codes 521 (Monetary Authorities-Central Bank), 5221 (Depository Credit Intermediation), 523 (Securities, Commodity Contracts, and Other Financial Investments and Related Activities), and 525 (Funds, Trusts, and other Financial Vehicles).
- (c) The amount of taxable gross receipts from Category 6 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

Section 953.26 ("Gross Receipts Tax Applicable to Category 7 Business Activities") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 953.26. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 7 BUSINESS ACTIVITIES.

(a) The gross receipts tax rates applicable to Category 7 Business Activities are:

(1) For tax years beginning on or after January 1, 2025 and 2026:

0.5% for taxable gross receipts between \$0 and \$1,000,000

0.5% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.75% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.672% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

1.008% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1.008% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.344% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.344% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.512% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.512% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.68% for taxable gross receipts over \$1,000,000,000

~~(2) For tax year 2027:~~

~~0.52% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.52% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.78% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.712% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~1.068% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~1.068% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~1.424% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~1.424% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~1.602% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~1.602% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.78% for taxable gross receipts over \$1,000,000,000~~

(3) For tax years beginning on or after January 1, 2028:

~~0.536% for taxable gross receipts between \$0 and \$1,000,000~~

~~0.536% for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.803% for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.743% for taxable gross receipts between \$25,000,000.01 and \$50,000,000~~

~~1.115% for taxable gross receipts between \$50,000,000.01 and \$75,000,000~~

~~1.115% for taxable gross receipts between \$75,000,000.01 and \$100,000,000~~

~~1.486% for taxable gross receipts between \$100,000,000.01 and \$150,000,000~~

~~1.486% for taxable gross receipts between \$150,000,000.01 and \$250,000,000~~

~~1.672% for taxable gross receipts between \$250,000,000.01 and \$500,000,000~~

~~1.672% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000~~

~~1.858% for taxable gross receipts over \$1,000,000,000~~

- (b) "Category 7 Business Activities" means the business activities described in NAICS code 23 (Construction).
- (c) Except as otherwise provided in subsection (d), the amount of taxable gross receipts from Category 7 Business Activities subject to the gross receipts tax

shall be the total amount of gross receipts derived from or related to real properties located within the City.

- (d) The amount of taxable gross receipts determined under subsection (c) shall be reduced by any amounts that were included in a person or combined group's gross receipts under subsection (c) and that the person or combined group paid to a subcontractor for work related to the real properties located within the City during the tax year. There shall be no deduction for any other costs, including without limitation costs for materials, fees, equipment, or other services. To claim such a deduction, a person must maintain an itemized schedule of payments to subcontractors.

Section 954.1 ("Small Business Exemption") of Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code is hereby amended as follows:

SEC. 954.1. SMALL BUSINESS EXEMPTION.

- (a) Notwithstanding any other provision of this Article 12-A-1, a "small business enterprise," as hereinafter defined for purposes of this Article, shall be exempt from payment of the gross receipts tax, nevertheless, a small business enterprise shall pay the annual registration fee pursuant to Section 855 of Article 12.
- (b) For purposes of this Article 12-A-1, the term "small business enterprise" shall mean:
 - (1) For tax years beginning on or after January 1, 2014 and ending on or before December 31, 2020, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$1,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning with December 31, 2014.
 - (2) For tax years beginning on or after January 1, 2021 and ending on or before December 31, 2024, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$2,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning with December 31, 2021.
 - (3) For tax years beginning on or after January 1, 2025 and ending on or before December 31, 2026, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$5,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United

States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the calendar year two years prior to the tax year, beginning with tax year 2026, and rounded to the nearest \$10,000.

- (4) For tax years beginning on or after January 1, 2027, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$10,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the calendar year two years prior to the tax year, beginning with tax year 2027, and rounded to the nearest \$10,000.
- (c) For purposes of this Article 12-A-1, and notwithstanding any other provision of this Section 954.1, a lessor of residential real estate is a "small business enterprise" if and only if the lessor leases fewer than 4 units in any individual building. "Residential real estate" means real property where the primary use of or right to use the property is for the purpose of dwelling, sleeping or lodging other than as part of the business activity of accommodations. For purposes of this Article 12-A-1 and Article 12, a lessor of residential real estate is treated as a separate person with respect to each individual building in which it leases residential real estate units, notwithstanding Section 6.2-15 of Article 6, or Section 956.3 of this Article 12-A-1. The provisions of this subsection (c) apply only to leasing residential real estate units within a building, and not to any business activity related to other space, either within the same building or other buildings, which is not residential real estate. The Tax Collector is authorized to determine what constitutes a separate building and the number of units in a building.

Section 954.2 ("Medium-Sized Business Tax Reduction") is hereby added to Article 12-A-1 ("Gross Receipts Tax Ordinance") of the San Francisco Business and Tax Regulations Code as follows:

SEC. 954.2. MEDIUM-SIZED BUSINESS TAX REDUCTION.

- (a) Notwithstanding any other provision of this Article 12-A-1, for tax years beginning on January 1, 2027, and after, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$50,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, shall have its gross receipts tax reduced by 10%. The gross receipt tax rate for those persons will be as follows:
- (1) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 1 Business Activities, as defined in Section

953.21 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

0.090% for taxable gross receipts between \$0 and \$1,000,000

0.117% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.162% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.302% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (2) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 2 Business Activities, as defined in Section 953.22 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

0.167% for taxable gross receipts between \$0 and \$1,000,000

0.181% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.181% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.298% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (3) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 3 Business Activities, as defined in Section 953.23 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

0.372% for taxable gross receipts between \$0 and \$1,000,000

0.372% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.392% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.392% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (4) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 4 Business Activities, as defined in Section 953.24 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

0.225% for taxable gross receipts between \$0 and \$1,000,000

0.225% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.270% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.454% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (5) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 5 Business Activities, as defined in Section

953.25 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

0.900% for taxable gross receipts between \$0 and \$1,000,000

0.900% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

1.350% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

1.058% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (6) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 6 Business Activities, as defined in Section 953.26 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

1.350% for taxable gross receipts between \$0 and \$1,000,000

1.350% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

2.700% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

2.117% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (7) For tax years beginning on or after January 1, 2027, the gross receipt tax rates applicable to Category 7 Business Activities, as defined in Section 953.27 of this Article 12-A-1, shall be reduced by 10%, resulting in the following rates:

0.450% for taxable gross receipts between \$0 and \$1,000,000

0.450% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.675% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.605% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

- (b) For purposes of this Section 954.2, and notwithstanding any other provision of Article 12-A-1, a lessor of residential real estate is subject to Section 954.2 if and only if the lessor leases fewer than 4 units in any individual building. "Residential real estate" means real property where the primary use of or right to use the property is for the purpose of dwelling, sleeping or lodging other than as part of the business activity of accommodations. For purposes of this Section, a lessor of residential real estate is treated as a separate person with respect to each individual building in which it leases residential real estate units, notwithstanding any other provision of this Code. The provisions of this subsection (b) apply only to leasing residential real estate units within a building, and not to any business activity related to other space, either within the same building or other buildings, which is not residential real estate. The Tax Collector is authorized to determine what constitutes a separate building and the number of units in a building.

- (c) This Section 954.2 shall not apply to any person or combined group whose gross receipts within the City exceed \$50,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year. Those persons or combined groups shall be subject to all other provisions of Article 12-A-1, as applicable.

SECTION 4. Internal Consistency.

It is the intent of the people of the City and County of San Francisco that the amendments contained in Section 3 of this Initiative be read and construed in full harmony with the rest of the San Francisco Business and Tax Regulations Code or other provisions of the City's municipal codes. To the extent that any provisions of the San Francisco Business and Tax Regulations Code, or any other ordinances or provisions of law of the City and County of San Francisco, may be inconsistent with this Initiative, the provisions of this Initiative shall govern.

SECTION 5. Implementation of this Initiative.

A. This Initiative is considered adopted and shall be effective upon the earliest date legally possible after the elections official certifies the vote on the Initiative by San Francisco voters. The City is directed to promptly take all appropriate actions needed to timely implement this Initiative, including but not limited to taking any administrative steps, as required by law, to implement this Initiative.

B. Upon the effective date of this Initiative, the provisions of Section 3 of this Initiative are hereby inserted into and/or repealed from the San Francisco Business and Tax Regulations Code. The City may reorganize, renumber, and/or reformat the Code provisions included in Section 3 of this Initiative, provided that the full text of Section 3 is inserted into and/or repealed from the San Francisco Business and Tax Regulations Code without alteration.

C. To ensure that the San Francisco Business and Tax Regulations Code remains an integrated, internally consistent, and compatible statement of policies for the City, any provision that is adopted between the date on which this Initiative is first filed with the City Clerk for an official title and summary and the Initiative's effective date shall, to the extent that such interim-enacted provision is inconsistent with or would diminish, render invalid, defeat, or impair the provisions adopted by this Initiative, be amended as soon as possible.

SECTION 6. Effect of Other Measures on the Same Ballot.

To ensure that the intent of the voters is not frustrated, this Initiative is presented to the voters as an alternative to, and with the express intent that it will compete with or take precedence over, any and all voter initiatives or City/Board of Supervisors-sponsored measures placed on the same ballot as this Initiative and which, if approved, would regulate the subject matter of this Initiative, including but not limited to any measures pertaining to amendments to the San Francisco Business and Tax Regulations Code, in any manner that would frustrate the purpose and intent of this Initiative, including but not limited to measures in any way pertaining to small or medium-

sized business taxes (including the business registration fee) (each, a "Conflicting Initiative"). In the event that this Initiative and one or more Conflicting Initiatives are adopted by the voters at the same election, then it is the voters' intent that only the measure which receives the greatest number of affirmative votes shall control in its entirety and said other measure or measures shall be rendered void and without any legal effect with respect to such requirements. If this Initiative is prevented from going into effect by a Conflicting Initiative approved by the voters at the same election, and such Conflicting Initiative is later held invalid, this Initiative shall be self-executing and given full force of law. Notwithstanding the foregoing provisions of this Section, in the event that both this Initiative and another measure(s) are adopted by the voters at the same election, but the two measures can be harmonized in a manner that permits this Initiative to be implemented upon its adoption without imposing any additional or inconsistent requirement(s) on the subject matter of this Initiative, then it is the voters' intent that both the other measure and this Initiative shall be given full force and effect regardless of which measure receives the greatest number of affirmative votes.

SECTION 7. Interpretation and Severability.

A. This Initiative must be interpreted to be consistent with all federal and state laws, rules, and regulations. If any section, sub-section, sentence, clause, phrase, part, or portion of this Initiative is held to be invalid or unconstitutional by a final judgment of a court of competent jurisdiction, such decision does not affect the validity of the remaining portions of this Initiative. The voters declare that this Initiative, and each section, sub-section, sentence, clause, phrase, part, or portion thereof, would have been adopted or passed irrespective of the fact that any one or more sections, sub-sections, sentences, clauses, phrases, part, or portion is found to be invalid. If any provision of this Initiative is held invalid as applied to any person or circumstance, such invalidity does not affect any application of this Initiative that can be given effect without the invalid application.

B. If any portion of this Initiative is held by a court of competent jurisdiction to be invalid, we the People of the City and County of San Francisco indicate our strong desire that: (i) the Board of Supervisors use its best efforts to sustain and re-enact that portion, and (ii) the Board of Supervisors implement this Initiative by taking all steps possible to cure any inadequacies or deficiencies identified by the court in a manner consistent with the express and implied intent of this Initiative, including adopting or reenacting any such portion in a manner consistent with this Initiative.

C. This Initiative must be broadly construed to achieve the purposes stated above. It is the intent of the voters that the provisions of this Initiative be interpreted or implemented by the City and others in a manner that facilitates the purpose set forth in this Initiative.

SECTION 8. Amendment.

The amendments to the San Francisco Business and Tax Regulations Code set forth in Section 3 of this Initiative may be amended or repealed only by (1) a majority of San Francisco voters of the City voting in a regular municipal election held in accordance with state and local law, or (2) by an affirmative vote of a majority of the Board of Supervisors, provided that such amendment is permitted by law pertaining to voter approval of tax increases and is consistent with and furthers the voters' stated purpose and intent in enacting this Initiative.