

SAN FRANCISCO
FILED



2018 AUG 13 PM 4:17

ELECTIONS

OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

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

August 13, 2018

RE: Proposition D - Ordinance amending the Business Tax & Regulations Code – Additional gross receipts tax on cannabis; additional conditions subjecting persons to business taxes


Dear Mr. Arntz,

Should this ordinance be approved, in my opinion, it would result in a tax revenue increase to the City of an estimated \$2-4 million in 2019, growing to \$7-16 million annually beginning in 2021. The tax is a general tax and proceeds would be deposited into the General Fund.

The measure would amend the City's Business Tax and Regulations Code to impose a cannabis business tax rate of between one percent and five percent depending on the type of cannabis business activity and amount of a business's gross receipts, beginning on January 1, 2021. In addition, the measure would exempt the first \$500,000 of gross receipts and exempt retail sales of medicinal cannabis. The tax rate may be adjusted between zero percent and seven percent at any time by a two-thirds vote of the Board of Supervisors, but the rate cannot be increased by more than 1 percent annually. This portion of the ordinance is estimated to generate \$5-12 million annually beginning in 2021.

Additionally, the ordinance would permit the City to tax businesses that do not have a physical presence here, provided those businesses' sales exceed \$500,000 annually. The revenue implications of this provision depend on the extent to which local wholesalers, retailers, and consumers directly receive shipments from these non-local businesses, as opposed to shipping through other distributors already subject to business tax. Currently, this is largely unknown to the City. We estimate shorter-term revenues of \$2 to 4 million annually as a result of this change, with the potential for significant additional tax revenue depending on the total sales from new required business tax payers. For each additional \$1 billion from such sales, City revenues would increase by approximately \$1.5 million.

Sincerely,


for Ben Rosenfield
Controller