

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, July 28, 2020
Members: Packard, Anderson, Girardin, Patterson

Deadline to Request Reconsideration: TBD

The Way It Is Now: The City collects a tax on gross receipts from many businesses in San Francisco (Gross Receipts Tax) at a rate between 0.16 percent and 0.65 percent.

Certain businesses with more than \$1 billion in gross receipts, 1,000 employees nationwide, and administrative offices in San Francisco pay an administrative office tax based on their payroll expense instead of their gross receipts (Administrative Office Tax). For those businesses, the tax rate is 1.4 percent of their payroll expense.

State law limits the amount of revenue, including tax revenue, the City can spend each year. State law authorizes San Francisco voters to approve increases to this limit for a maximum of four years.

The Proposal: Proposition __ would create a tax that generally applies to a business in San Francisco when its compensation for its highest paid executive (Top Executive Pay) is more than 100 times the median compensation for its employees based in San Francisco (Employee Pay).

- For a business that pays the Gross Receipts Tax, if its Top Executive Pay is over 100 times Employee Pay, then the business would pay an additional tax between 0.1 and 0.6 percent of its San Francisco gross receipts.
- For a business that pays the Administrative Office Tax, if its Top Executive Pay is over 100 times Employee Pay, then the business would pay an additional tax between 0.4 and 2.4 percent of its San Francisco payroll expense.

Proposition __ would also increase the state's limit on the City's annual tax revenue spending by the amount of additional taxes collected under the proposed tax. The increased limit would last for four years.

A "YES" Vote Means: If you vote "yes," you want to place an additional tax on businesses in San Francisco when their highest-paid managerial employee earns more than 100 times the median compensation paid to their employees based in the City.

A "NO" Vote Means: If you vote "no," you do not want to make this change.

**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.*