

## **Gross Receipts Taxes for Guaranteed Income Programs, Small Business Assistance and Homeless Services \***

**Digest** by the Ballot Simplification Committee

**Status:** Final Digest

**On:** Wednesday July 27, 2022

**Members:** Packard, Anderson, Merrill

**Deadline to Request Reconsideration:** 4:30pm Thursday July 28, 2022

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**The Way It Is Now:** The City collects taxes on gross receipts from businesses operating in San Francisco. Gross receipts are the revenues a business receives from any source. Some businesses, including certain nonprofit organizations, banks and insurance companies, are exempt from these taxes.

The City has several gross receipts taxes, including:

- a primary gross receipts tax that the City can use for any general governmental use; and
- a homelessness gross receipts tax that the City uses to provide services to persons experiencing homelessness and to prevent homelessness.

The City's primary gross receipts tax has different tax rates on business activities, depending on the amount of gross receipts of the business. The homelessness gross receipts tax applies to businesses with gross receipts in San Francisco over \$50 million in a calendar year.

In 2023, the primary gross receipts tax rate for retail and wholesale business activities will range from 0.079%-0.224%.

The homelessness gross receipts tax rate for these business activities is 0.175%.

The City has programs that assist its small businesses. For example, the Office of Small Business provides resources and referrals to small businesses and the Office of Economic and Workforce Development provides them with access to grants and loans.

The City also has pilot programs that provide guaranteed income to certain residents, including low-income pregnant and postpartum Black American and Pacific Islander mothers, local artists and the transgender community.

**The Proposal:** Proposition \_\_\_ would increase the City's gross receipts tax rates to provide additional funding for small-business assistance, guaranteed income programs and homeless services.

Beginning on January 1, 2023, Proposition \_\_\_ would change the primary gross receipts tax and homelessness gross receipts tax that apply to retail and wholesale business activities involving transportation, delivery or shipment of goods to a San Francisco address:

- the primary gross receipts tax rate for these business activities would increase to 0.665%; and
- the homelessness gross receipts tax rate for these business activities would increase to 0.5%.

These new higher tax rates would not apply to any orders placed in person at a business. These higher tax rates would also not apply to revenues from the transportation, delivery, or shipment of food, health, cannabis or medical products.

The new higher tax rates will affect only those businesses with over \$2.5 million in total gross receipts. The new rates would not have an expiration date.

*\*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.*

The City would use revenues from the new primary gross receipts tax rates as follows:

- 15% for the general fund;
- 15% to support locally owned small businesses; and
- 70% to fund a guaranteed income program for City residents to be established by future legislation.

The City would use revenues from the new homelessness gross receipts tax rate for:

- permanent housing and short-term shelter for homeless people;
- mental health services for homeless people with severe behavioral health issues;
- services for people who have recently become homeless or are at risk of becoming homeless; and
- access to hygiene programs for homeless people.

Proposition \_\_\_ would increase the City's spending limit, set by state law, for four years.

**A "YES" Vote Means:** If you vote "yes," you want to increase gross receipts tax rates on retail and wholesale business activities involving the transportation, delivery or shipment of goods to a San Francisco address. Revenues from these taxes would provide funding for small-business assistance, future guaranteed income programs and services for people experiencing homelessness.

**A "NO" Vote Means:** If you vote "no," you do not want to make these changes.