

ADDITIONAL TAX ON GROSS RECEIPTS OF BUSINESSES TO FUND HOMELESS SERVICES

The City collects a gross receipts tax on businesses. That tax is generally based on the total gross amount a business receives in San Francisco. The maximum rates for the City's gross receipts tax range from 0.16% to 0.65%, depending on the business' activities. Certain businesses with more than \$1 billion in total gross receipts, 1,000 employees nationwide, and administrative offices in San Francisco pay the tax based on the amount of their payroll instead of gross receipts. For these businesses, the tax rate is 1.4% of their payroll expense. Some businesses, including certain non-profit organizations, banks, and insurance companies, are exempt from the tax.

This measure would impose an additional tax on businesses' gross receipts. The additional tax would apply only to gross receipts above \$50 million. For most businesses, the rate of the additional tax would vary between 0.175% and 0.69% depending on the business' activities. For businesses that pay the tax based on their payroll, the measure would impose an additional tax of 1.5% on those businesses' payroll expense.

The additional tax generally would not apply to:

- businesses exempt from the City's existing gross receipts tax, and
- gross receipts that a business receives from commercial rents if a ballot measure adopted in June 2018 requires the business to pay tax on those gross receipts.

This measure would require the City to deposit all the revenue from the additional tax into a new special fund ("Fund"). The City could use up to 3% per year of the tax revenue to administer the tax, and could use the remaining money in the Fund only for the following purposes:

- Up to 50% for programs that help homeless people secure permanent housing, including rental subsidies lasting up to five years; construction, rehabilitation, acquisition, and operation of permanent housing with supportive services; and acquisition and operation of single-room occupancy buildings;
- Up to 10% for programs that help homeless people secure short-term shelter;
- Up to 15% for programs serving people who have recently become homeless or are at risk of becoming homeless; and
- Up to 25% to provide mental health services to homeless people with severe behavioral health impairments, such as mental illness or drug or alcohol addiction.

The Board of Supervisors would determine each year how to distribute tax revenues in the Fund between these categories. The measure would also create an advisory committee to make recommendations to the Board of Supervisors and the Mayor on the uses of the tax revenues.

The measure would state the voters' intent that revenue from the additional tax will supplement existing City funding for programs serving homeless people and preventing homelessness, instead of replacing or reducing that funding.