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

RE: Proposition X – Ordinance providing for an additional business tax on businesses with disproportionate executive pay

Dear Mr. Arntz,

Should the proposed ordinance be approved by the voters, in my opinion, it would result in additional annual revenue to the City in the range of $60 million to $140 million, although results in a given year could vary from this due to economic conditions and the volatility of the tax. The proposed tax is a general tax that would be deposited in the City’s General Fund.

The proposed ordinance would create an additional tax that would generally apply to all businesses engaged in any business in the City where the compensation of the business’s highest-paid managerial employee (“executive pay”) compared to the median compensation paid to the business’s employees based in the City exceeds a ratio of 100:1. For businesses other than an administrative office, the tax rates would be a percentage of gross receipts attributable to the City and, depending on the executive pay ratio, would range from 0.1% to 0.6%. For businesses engaged in business as an administrative office, the tax rates would be a percentage payroll expense attributable to the City and, depending on its executive pay ratio, would range from 0.4% to 2.4%. For context, current City gross receipts tax rates range from 0.075% to 0.650% depending on a business’s industry and size. The ordinance increases the City’s appropriations limit by the amount collected for four years.

It is important to note this tax would be a highly volatile revenue source to the City. The narrow base of expected payers, annual fluctuations in the value and form of executive compensation, and potential relocation risk associated with tax increases contribute to high volatility of the proposed tax, and estimates based on prior years’ activity may not be predictive of future revenues.

Sincerely,

Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller’s statement appears in the Voter Information Pamphlet.