

GROSS RECEIPTS TAXES FOR GUARANTEED INCOME PROGRAMS AND SMALL BUSINESS ASSISTANCE

The Way It Is Now

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

The City imposes several gross receipts taxes, including:

- the City's 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 imposes different tax rates on a range of business activities, depending on the amount of gross receipts the business generates. The homelessness gross receipts tax is an additional tax that applies to businesses with gross receipts in San Francisco over \$50 million in a calendar year.

The City has pilot programs that provide guaranteed income to certain residents, including programs for:

- low-income pregnant and postpartum African-American, Black American, and Pacific Islander mothers;
- local artists; and
- the City's transgender community.

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

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

The Proposal

This proposal would increase the City's gross receipts tax rates to provide additional funding for guaranteed income programs and small business assistance.

The proposal would make the following changes, starting on January 1, 2023, for the primary receipts tax and homelessness gross receipts tax that apply to retail or wholesale sales involving transportation, delivery, or shipment of goods to an address in San Francisco:

- the primary gross receipts tax rate for these business activities would increase from a range of 0.079%-0.224% in 2023, to 0.665%; and
- the homelessness gross receipts tax rate for these business activities would increase from 0.175% to 0.5%.

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

The new increased tax rates would not have a sunset date.

The City may use the revenues from these tax rate increases for the following purposes:

- 15% for general government uses;
- 15% to support locally-owned small businesses; and
- the remaining amount to fund a guaranteed income program for City residents.

To use any new revenues for a guaranteed income program, the City would need to establish that program by ordinance. The City must engage in a community process to solicit recommendations from the public before doing so.

This proposal would also increase the City's spending limit for four years.