



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

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

August 16, 2022

RE: Proposition K – gross receipts taxes for guaranteed income programs, small business assistance, and homeless services

Dear Mr. Arntz,

Should the proposed ordinance be approved by the voters, in my opinion, it would generate tax revenue of approximately \$48 to \$72 million annually to the Guaranteed Income Fund. Fifteen percent (\$7.2 to \$10.8 million) of this revenue would go to the General Fund; however, this tax would also redirect \$15.2 to \$22.8 million of business tax revenues from the General Fund to the Guaranteed Income Fund, resulting in a net loss of \$8 to \$12 million annually to the General Fund. Additionally, funding for dedicated homelessness services would increase by an estimated \$14 to \$21 million per year.

The proposed measure would raise the Gross Receipts Tax and Homelessness Gross Receipts Tax rates on the gross receipts of certain retail and wholesale trade businesses activities that involve transporting, delivering, or shipping goods to addresses in San Francisco. Based on 2021 gross receipts tax filing information, the proposed measure would generate an estimated \$48 to \$72 million per year. The new section applying the higher rates to these business activities would not apply to the gross receipts from orders placed in person, or to the gross receipts from the transportation, delivery, or shipment of food, health, cannabis, or medical products.

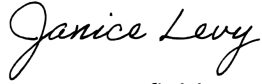
Revenue from the tax would be deposited into the Guaranteed Income Fund, which the measure establishes. Fifteen percent of these revenues, or an estimated \$7.2 to \$10.8 million, would be transferred to the General Fund for general uses, an additional 15 percent would be used to support locally-owned small businesses, and the remainder would be used to create and support a guaranteed income program for city residents.

The measure would reduce business tax revenues currently flowing into the General Fund for general government purposes by an estimated \$15.2 to \$22.8 million per year because it shifts certain gross receipts from the business activities of retail and wholesale trade that are currently being taxed to support the General Fund, into a new business activity of retail or wholesale trade that involves transporting, delivering, or shipping goods to addresses in San Francisco to support the Guaranteed Income Fund. Given the dedication of 15 percent, or approximately \$7.2 to \$10.8 million, to general uses, the net effect on the General Fund is an annual loss of approximately \$8 to \$12 million.

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Additionally, funding for homelessness services would increase by an estimated \$14 to \$21 million per year based on the increase in the Homelessness Gross Receipts Tax rates applicable to the affected business activities.

Sincerely,



FOR 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.