

## **TAX ON COMMERCIAL RENTS TO FUND CHILD CARE AND EDUCATION**

The City collects a gross receipts tax on many businesses operating in San Francisco. That tax is generally based on the total gross revenues a business receives in San Francisco. Those revenues include rents from leasing commercial property, such as office buildings, warehouses and other industrial buildings, and retail spaces.

For gross receipts between zero and five million dollars, the maximum rate for the City's gross receipts tax applicable to commercial rents is 0.285%. For gross receipts above five million dollars, the maximum rate for the City's gross receipts tax applicable to commercial rents is 0.3%. Beginning in 2021, for gross receipts over \$25 million, the maximum rate for the City's gross receipts tax applicable to commercial rents will be 0.325%.

Businesses with one million dollars or less in total gross receipts within San Francisco are generally exempt from the gross receipts tax. Certain other businesses, including certain non-profit organizations, banks, insurance companies, are also exempt.

The State Median Income ("SMI") is a level of income based on all incomes earned within the State of California. Half of all households in the state have incomes above this level and half have incomes below it. The Area Median Income ("AMI") is a level of income based on all incomes earned within San Francisco. Half of all households in San Francisco have incomes above this level and half have incomes below it.

In addition to the existing gross receipts tax, this measure would impose a new gross receipts tax of:

- 1% on the amounts a business receives from the lease of warehouse space in the City; and
- 3.5% on the amounts a business receives from the lease of other commercial spaces in the City.

This additional tax would generally not apply to businesses exempt from the existing gross receipts tax or to amounts received from leases to non-formula retail sales establishments or industrial or arts spaces.

85% of the revenues the City collects from this additional tax would fund:

- child care and education for children from newborns through age five whose parents earn 85% or less of the SMI;
- child care and education for children from newborns through age three whose parents earn 200% or less of the AMI;
- investment in services that support the physical, emotional and cognitive development of children from newborns through age five; and
- increased compensation for people who provide child care and education for children from newborns through age five.

The City could use the remaining 15% of funds collected from this additional tax for any public purpose.