

**“Local Small Business Tax Cut Ordinance”**

**Be it ordained by the People of the City and County of San Francisco:**

**NOTE:** **Unchanged Code text and uncodified text** are in plain font.  
**Additions to Codes** are in *single-underline italics Times New Roman font*.  
**Deletions to Codes** are in ~~*strikethrough italics Times New Roman font*~~.  
**Asterisks (\* \* \* \*)** indicate the omission of unchanged Code subsections or parts of tables.

Section 1. Title. This initiative is known and may be referred to as the “Local Small Business Tax Cut Ordinance.”

Section 2. Article 2 of the Business and Tax Regulations Code is hereby amended by revising Section 76.3 to read as follows:

**SEC. 76.3. WAIVER OF FIRST-YEAR PERMIT, LICENSE, AND BUSINESS REGISTRATION FEES.**

(a) **Definitions.** Unless otherwise defined in this Section 76.3, the terms used in this Section shall have the meanings given to them in Article 6 of the Business and Tax Regulations Code, as amended from time to time. For purposes of this Section 76.3, the following definitions shall apply:

\* \* \* \*

~~“San Francisco Gross Receipts” has the same meaning as used in Section 855 of Article 12 of the Business and Tax Regulations Code, as may be amended from time to time.~~

\* \* \* \*

Section 3. Article 6 of the Business and Tax Regulations Code is hereby amended by revising Sections 6.8-2, 6.9-1, 6.9-4, 6.11-2, 6.15-1, 6.15-2, and 6.17-1.1, and adding Sections 6.2-15.1, 6.2-17.1, and 6.25-1, to read as follows:

**SEC. 6.2-15.1. REGISTRATION YEAR; 2025-2026 REGISTRATION YEAR.**

(a) For registration periods ending on or before June 30, 2025, the term “registration year” means the fiscal year commencing July 1 of each calendar year and ending on June 30 of the subsequent calendar year.

(b) The term “2025-2026 registration year” means the period commencing on July 1, 2025 and ending on March 31, 2026.

(c) For registration periods commencing on or after April 1, 2026, the term “registration year” means the period commencing April 1 of each calendar year and ending on March 31 of the subsequent calendar year.

**SEC. 6.2-17.1. “SAN FRANCISCO GROSS RECEIPTS.”**

The term “San Francisco Gross Receipts” means gross receipts attributable to the City as described in Sections 955 and 956 of Article 12-A-1 of this Business and Tax Regulations Code.

**SEC. 6.8-2. CREDITS AND EXEMPTIONS; TAX DIFFERENCES.**

The credits, ~~and exemptions,~~ and differences in tax treatment set forth in Articles 6, 7, 8, 9, 10, 10B, 11, 12, 12-A-1, 12-C, 21, 28, 29, 29A, 30, 32, and 33 of this Business and Tax Regulations Code, in laws applicable to fees administered pursuant to this Article 6, and in laws applicable to assessments levied pursuant to the Property and Business Improvement District Law of 1994 (California Streets and Highways Code sections 36600 *et seq.*) or Article 15 of this Code, are provided on the assumption that the City has the power to ~~authorize~~ offer such

credits, ~~and~~ exemptions, and differences in tax treatment. If a credit, ~~or~~ exemption, or difference in tax treatment is invalidated by a court of competent jurisdiction, the taxpayer must pay any additional amount that the taxpayer would have owed but for such invalid credit, ~~or~~ exemption, or difference in tax treatment. Amounts owed as a result of the invalidation of a credit, ~~or~~ exemption, or difference in tax treatment that are paid within three years after the decision of the court becomes final shall not be subject to interest or penalties.

#### **SEC. 6.9-1. RETURNS AND PAYMENTS.**

(a) **Returns Generally.** Except as otherwise provided in this Business and Tax Regulations Code, on or before the due date, or in the event of cessation of business within ~~30~~ days of such cessation, each taxpayer shall file a return for the subject period on a form provided by the Tax Collector, regardless of whether there is a tax liability owing. A taxpayer who has not received a return form from the Tax Collector is responsible for obtaining such form and filing a return, and the failure of the Tax Collector to furnish the taxpayer with a return shall not relieve the taxpayer of any payment or filing obligation. Returns shall show the amount of tax paid, collected, or otherwise due for the subject period and such other information as the Tax Collector may require. Each taxpayer shall transmit the return, together with the remittance of the tax due, to the Tax Collector at the Tax Collector's Office on or before the due date specified in this Section 6.9-1. Filing a return that the Tax Collector determines to be incomplete in any material respect may be deemed failure to file a return in violation of this Section 6.9-1(a).

\* \* \* \*

**(c) Gross Receipts Tax, Early Care and Education Commercial Rents Tax, Homelessness Gross Receipts Tax, Cannabis Business Tax, and Overpaid Executive Gross Receipts Tax.**

(1) **Annual Due Date.** Except for any extensions granted under Section 6.9-4 or as otherwise provided in this Business and Tax Regulations Code, returns and payments of the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28) (including the homelessness administrative office tax imposed under Section 2804(d) or Section 2804.9 of Article 28), the Cannabis Business Tax (Article 30), and the Overpaid Executive Gross Receipts Tax (Article 33) (including the overpaid executive administrative office tax imposed under Section 3303(dg) of Article 33) are due and payable, and shall be delinquent if not submitted and paid to the Tax Collector, on or before the last day of February of the succeeding year.

(2) **Small Business Exemption.** A person or combined group that qualifies for the small business exemption in Section 954.1 of Article 12-A-1 shall be exempt from filing a Gross Receipts Tax return, an Early Care and Education Commercial Rents Tax return, a Homelessness Gross Receipts Tax return, and, except for a person or combined group subject to the overpaid executive administrative office tax imposed under Section 3303(d) of Article 33, an Overpaid Executive Gross Receipts Tax return. Notwithstanding the preceding sentence, any person taking the Payroll Expense Tax Exclusion Credit in Section 960 of Article 12-A-1 must file a Gross Receipts Tax return, and any person taking the credit for child care facilities in Section 2106.1 of Article 21 must file an Early Care and Education Commercial Rents Tax return, regardless of whether such person qualifies for the small business exemption from the Gross Receipts Tax. This subsection (c)(2) shall not apply to persons or combined groups subject to

taxes on administrative office business activities in Section 953.8 of Article 12-A-1, Sections 2804(d) or 2804.9 of Article 28, or Section 3303(g) of Article 33.

(3) **Estimated Tax Payments.** Except as provided in Section 6.9-1(c)(3)(D) with respect to estimated tax payments of the Gross Receipts Tax, Homelessness Gross Receipts Tax, and Overpaid Executive Gross Receipts Tax, every person or combined group liable for payment of the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28) (including the homelessness administrative office tax imposed under Section 2804(d) or Section 2804.9 of Article 28), the Cannabis Business Tax (Article 30), or the Overpaid Executive Gross Receipts Tax (Article 33) (including the overpaid executive administrative office tax imposed under Section 3303(*dg*) of Article 33) shall make three estimated tax payments, in addition to the annual payments in Section 6.9-1(c)(1), as follows:

(A) **Due Dates.** The first, second, and third estimated tax payments for a tax year shall be due and payable, and shall be delinquent if not paid on or before, April 30, July 31, and October 31, respectively, of that tax year. Estimated tax payments shall be a credit against the person or combined group's total annual liability, as applicable, for the Gross Receipts Tax (including the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1), Early Care and Education Commercial Rents Tax, Homelessness Gross Receipts Tax (including the homelessness administrative office tax imposed under Section 2804(d) or Section 2804.9 of Article 28), Cannabis Business Tax, or Overpaid Executive Gross Receipts Tax (including the overpaid executive administrative office tax imposed under Section 3303(*dg*) of Article 33), for the tax year in which such estimated tax payments are due.

**(B) Gross Receipts Tax Estimated Tax Payments.** A person or combined group's estimated tax payments of Gross Receipts Tax, including the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1, shall each equal the lesser of:

(i) 25% of the Gross Receipts Tax liability (including any liability for the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1) shown on the person or combined group's return for the tax year (or, if no return is filed, 25% of the person or combined group's actual Gross Receipts Tax liability for the tax year); or

(ii) 25% of the Gross Receipts Tax liability (including any liability for the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1) ~~as determined by applying the applicable Gross Receipts Tax rates and small business exemption in Section 954.1 of Article 12-A-1 for the current tax year to the taxable gross receipts shown on the person or combined group's return for the preceding tax year (or, if subject to the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1 for the preceding tax year, by applying the applicable administrative office tax rate for the current tax year to the total payroll expense attributable to the City shown on the person or combined group's return for the preceding tax year).~~ If the person or combined group did not file a return for the preceding tax year and timely requested an extension under Section 6.9-4 of this Article 6 to file that return, the person or combined group's Gross Receipts Tax liability (including any liability for the tax on administrative office business activities) for the preceding tax year for purposes of this subsection (c)(3)(B)(ii) shall be deemed to be the amount of any payment required under Section 6.9-4 as a condition of such extension. If the person or combined group did not file a return for the preceding tax year and did not request an extension under Section 6.9-4 to file that return, the person or combined group shall owe no estimated tax payments of Gross Receipts Taxes (or

estimated tax payments of the tax on administrative office business activities imposed under Section 953.8 of Article 12-A-1) for the current tax year. For purposes of this ~~Section 6.9-4~~ subsection (c)(3)(B)(ii), "taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 954 of Article 12-A-1, attributable to the City.

**(C) Estimated Tax Payments for Early Care and Education**

**Commercial Rents Tax, Homelessness Gross Receipts Tax, Cannabis Business Tax, and Overpaid Executive Gross Receipts Tax.** A person or combined group's estimated tax payments of the Early Care and Education Commercial Rents Tax, Homelessness Gross Receipts Tax (including the homelessness administrative office tax imposed under Section 2804(d) ~~or Section 2804.9~~ of Article 28), Cannabis Business Tax, and Overpaid Executive Gross Receipts Tax (including the overpaid executive administrative office tax imposed under Section 3303(dg) of Article 33), shall each equal the lesser of:

(i) 25% of the applicable tax liability shown on the person or combined group's return for the tax year (or, if no return is filed, 25% of the person or combined group's actual tax liability for the tax year); or

(ii) 25% of the applicable tax liability shown on the person or combined group's return for the preceding tax year. *If the person or combined group did not file a return for the preceding tax year and timely requested an extension under Section 6.9-4 of this Article 6 to file that return, the person or combined group's applicable tax liability for the preceding tax year for purposes of this subsection (c)(3)(C)(ii) shall be deemed to be the amount of any payment required under Section 6.9-4 as a condition of such extension.* If the person or combined group did not file a return for the preceding tax year *and did not request an extension under Section 6.9-4 to file that return,* the person or combined group shall be deemed to have filed a return showing no

liability for purposes of this ~~Section 6.9-1~~subsection (c)(3)(C)(ii), and no estimated tax payments of that tax shall be due for the current tax year.

(D) **Lessor of Residential Real Estate Exemption.** Notwithstanding any other provision in this Section 6.9-1(c)(3), a lessor of residential real estate, as defined in Section 954.1 of Article 12-A-1, shall not be required to make estimated tax payments under this Section 6.9-1(c)(3), but shall pay its full Gross Receipts Tax liability, Homelessness Gross Receipts Tax liability, and Overpaid Executive Gross Receipts Tax liability on or before the last day of February of the succeeding year, or the extended deadline in Section 6.9-4, if the lessor's gross receipts within the City shown on the lessor's return for either the current tax year or the preceding tax year did not exceed the threshold in Section 954.1(b) of Article 12-A-1.

\* \* \* \*

(g) **Business Registration Certificate; Annual Due Date.**

(1) For registration years ending on or before June 30, 2025 and the 2025-2026 registration year, eExcept for any extensions granted under Section 6.9-4 or as otherwise provided in this Business and Tax Regulations Code, returns and payments of the Business Registration Fee (Article 12) shall be filed annually and are due and payable, and shall be delinquent if not submitted and paid to the Tax Collector, on or before the last day of May preceding the registration year commencing July 1 of that year.

(2) For registration years beginning on or after April 1, 2026, except for any extensions granted under Section 6.9-4 or as otherwise provided in this Business and Tax Regulations Code, returns and payments of the Business Registration Fee shall be filed annually and are due and payable, and shall be delinquent if not submitted and paid to the Tax Collector, on or before the last day of February preceding the registration year commencing April 1 of that year.

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**SEC. 6.9-4. EXTENSION OF TIME FOR FILING A RETURN AND PAYING TAX.**

(a) The following shall apply to tax years and tax periods ending on or before December 31, 2024, registration years ending on or before June 30, 2025, and the 2025-2026 registration year:

(1) For good cause, the Tax Collector, in the Tax Collector's discretion, may extend, for a period not to exceed 60 days, the time for filing any return, other than a Vacancy Tax (Article 29) or Empty Homes Tax (Article 29A) return, pursuant to this Article 6 or regulations prescribed by the Tax Collector. For taxes required to be deposited monthly, or for the Sugary Drinks Distributor Tax (Article 8), the Tax Collector may only extend the time for filing a return for a period not to exceed 30 days. As a condition of such extension, the person seeking the extension shall make a payment of not less than 100% of such person's liability for such period.

(2b) Failure to make the required 100% payment will result in the automatic denial of the person's extension and the person being subject to the standard due dates in this Article 6, including any penalties, interest, fees, and other consequences of failing to file and pay by those due dates.

(b) The following shall apply to tax years and tax periods beginning on or after January 1, 2025, and registration years beginning on or after April 1, 2026:

(1) For good cause, the Tax Collector, in the Tax Collector's discretion, may extend, for a period not to exceed 60 days, the time for filing any return, other than returns for the Business Registration Fee (Article 12), Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1), Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office business activities in Section 2804(d) or Section 2804.9 of Article 28), Early Care and Education Commercial Rents Tax (Article 21), Vacancy Tax (Article 29), Empty Homes Tax (Article 29A), Cannabis Business Tax (Article 30), or Overpaid

Executive Gross Receipts Tax (Article 33) (including the tax on administrative office business activities in Section 3303(g)), pursuant to this Article 6 or regulations prescribed by the Tax Collector. For taxes required to be deposited monthly, or for the Sugary Drinks Distributor Tax (Article 8), the Tax Collector may only extend the time for filing a return for a period not to exceed 30 days. As a condition of the extensions under this subsection (b)(1), the person seeking the extension shall make a payment of not less than 100% of such person's liability for such period. Failure to make the required 100% payment will result in the automatic denial of the person's extension and the person being subject to the standard due dates in this Article 6, including any penalties, interest, fees, and other consequences of failing to file and pay by those due dates.

(2) For returns of the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1), Early Care and Education Commercial Rents Tax (Article 21), Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office business activities in Section 2804(d) or Section 2804.9 of Article 28), Cannabis Business Tax (Article 30), or Overpaid Executive Gross Receipts Tax (Article 33) (including the tax on administrative office business activities in Section 3303(g)), persons may request from the Tax Collector an extension of time to file one or more such returns, which extension would extend the deadline to file such return to November 30 of the calendar year in which the return was originally due under Section 6.9-1 of this Article 6. As a condition of such extension, the person seeking the extension shall, by the original due date under Section 6.9-1 for filing the return, for each tax type, request the extension and make the Required Payment, and, by the November 30 extended deadline, file the return. An extension for the Gross Receipts Tax (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1) return shall also extend to November 30 the deadline to pay any Business Registration Fee liability in excess of the Required Payment necessary for the extension.

(3) For purposes of this subsection (b), the “Required Payment” means:

(A) For an extension of a Gross Receipts Tax return, a payment of not less than the sum of:

(i) 110% of such person’s Gross Receipts Tax liability, prior to the application of any payments, as reported on the later of:

a. Such person’s original return for the tax year immediately preceding the tax year for which the extension is being requested; or

b. Such person’s amended return, filed on or before the due date for the extension request, for the tax year immediately preceding the tax year for which the extension is being requested; and

(ii) Such person’s Business Registration Fee, calculated by applying the current registration year rates to 110% of such person’s San Francisco Gross Receipts or San Francisco payroll expense, as applicable, as reported on the later of:

a. Such person’s original Gross Receipts Tax return for the tax year immediately preceding the tax year for which the extension is being requested; or

b. Such person’s amended Gross Receipts Tax return, filed on or before the due date for the extension request, for the tax year immediately preceding the tax year for which the extension is being requested; and

(B) For an extension of an Early Care and Education Commercial Rents Tax, Homelessness Gross Receipts Tax, Cannabis Business Tax, or Overpaid Executive Gross Receipts Tax return, a payment of not less than 110% of such person’s liability, prior to the application of any payments, for each tax type for which an extension is being requested, as reported on the later of:

(i) Such person’s original return for the tax year immediately preceding the tax year for which the extension is being requested; or

(ii) Such person's amended return, filed on or before the due date for the extension request, for the tax year immediately preceding the tax year for which the extension is being requested.

(4) For purposes of determining the amount of the Required Payment, if a person did not file a return for a tax type and tax year before the due date for the extension request, the person's liability and San Francisco Gross Receipts for that tax type and tax year shall be deemed to be zero.

(5) For purposes of extensions requested under subsection (b)(2), failure to timely make the Required Payment for a tax type, or failure to file the return by the November 30 extended deadline for a tax type, will result in the automatic denial of the person's extension request for that tax type and the person being subject to the standard due dates in this Article 6, including any penalties, interest, and fees, each calculated from those standard due dates, and other consequences of failing to file and pay by those due dates.

(c) Notwithstanding subsections (a) and (b) of this Section 6.9-4, the Tax Collector may extend any time for filing any return or payment of tax or excuse penalties for any late filing or late payment by a period not to exceed 60 days if billing or other administrative duties of the Tax Collector cannot be performed in a timely manner.

#### **SEC. 6.11-2. DEFICIENCY DETERMINATIONS; REVOCATION DETERMINATIONS; NOTICE AND SERVICE.**

(a) Upon making a determination pursuant to Section 6.11-1 or Section 6.11-1.1, as applicable, or upon making a determination pursuant to Section 6.6-1 that a certificate shall not be issued or to revoke a registration, the Tax Collector shall give to the taxpayer or other person affected written notice of the Tax Collector's determination. Except in the case of fraud, intent to evade the Business and Tax Regulations Code or rules and regulations issued by the Tax Collector, or failure to file a return, in all of which cases there is no statute of

limitations, every notice of a deficiency determination shall be served within three years after the date that a return was due for a tax for the reporting period or three years after the return was actually filed for that reporting period, whichever is later. The taxpayer may agree in writing to extend said period for service of a notice of a deficiency determination. For purposes of serving a notice of a deficiency determination under this Section 6.11-2, the date that a return was due shall be:

(1) For tax years and tax periods ending on or before December 31, 2021, and registration years ending on or before June 30, 2023, the due date of the return without regard to any extensions under Section 6.9-4;

(2) For tax years and tax periods beginning on or after January 1, 2022, and registration years beginning on or after July 1, 2023 and ending on or before March 31, 2026, except for the taxes for the years and periods subject to subsection (a)(3) of this Section 6.11-2, the due date of the return including any extensions; or

(3) For the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office business activities in Section 2804(d) or Section 2804.9 of Article 28), the Cannabis Business Tax (Article 30), and the Overpaid Executive Gross Receipts Tax (Article 33) (including the tax on administrative office business activities in Section 3303(g)) for tax years beginning on or after January 1, 2025, and for the Business Registration Fee (Article 12) for registration years beginning on or after April 1, 2026, November 30 of the calendar year in which the return for such respective tax was originally due.

(b) The notice of any determination under this Section 6.11-2 may be served upon the taxpayer or other affected person personally or by mail; if by mail, service shall be:

(1) to the last known address that appears in the Tax Collector's records, provided there is such an address in the Tax Collector's records, or

(2) to an address that the Tax Collector concludes, in the Tax Collector's discretion, is the last known address of the person(s).

(c) In case of service by mail of any notice required by this Article 6 to be served upon the taxpayer or other person, the service is complete at the time of deposit with the United States Postal Service.

#### **SEC. 6.15-1. REFUNDS.**

(a) **Claims for Refund; Limitations.** Except as otherwise provided in subsections (f) and (g) of this Section 6.15-1, the Controller shall refund or cause to be refunded the amount of any tax, interest, or penalty that has been overpaid or paid more than once, or has been erroneously or illegally collected or received by the City, provided the person that paid such amount files a claim in writing with the Controller within ~~*the one year of the date specified in subsection (h) of this Section later of one year of: (1) payment of such amount; (2) the date the return accompanying such payment was due, without regard to any extensions under Section 6.9-4; or (3) the date on which such amount requested on a return, amended return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied under that subsection (g).*~~

(b) **Claims for Refund; Contents.** Any claim filed under subsections (a)-(f) of this Section 6.15-1 must state: (1) the specific amount claimed to have been overpaid or paid more than once, or erroneously or illegally collected or received by the City; (2) the tax periods at issue; (3) the grounds upon which the claim is founded, with specificity sufficient to enable the responsible City officials to understand and evaluate the claim; and (4) the date on

which the amount requested on a return, amended return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied under that subsection (g), if the person filing the claim filed such a return, amended return, or request for refund.

**(c) Claims for Refund; Third-Party Taxes.** The customer who pays a third-party tax to an operator is the proper party to seek the refund of a disputed third-party tax. No operator or other person responsible for collecting or remitting a disputed third-party tax may obtain a tax refund unless that operator or other person proves that the tax has not been passed on to its customers or any other person.

**(d) Claims for Refund; Applicable Law.** Claims for refund shall be made according to California Government Code, Title I, Division 3.6, Part 3. For purposes of subsections (a)-(f) of this Section 6.15-1, a claim shall be deemed to accrue on the date specified in subsection (h) of this Section~~later of: (1) the date the return was due, without regard to any extensions under Section 6.9-4; (2) the date the tax was paid; or (3) the date the refund requested on a return, amended return, or request for refund timely filed pursuant to subsection (g) of this Section 6.15-1 was denied under said subsection (g).~~ The Controller shall furnish a form to be used for claims.

**(e) Claims for Refund; Actions by the City.** The Controller shall enter the claim in the claim register, and shall forthwith forward it to the City Attorney. The City Attorney is designated to take such actions on claims as authorized by California Government Code, Title 1, Division 3.6, Part 3, Chapter 2, except that the City Attorney's authority with regard to rejecting or allowing claims shall be as provided in this Section 6.15-1. The City Attorney may reject the claim, and shall notify the claimant of such rejection. Allowance or compromise and settlement of claims under this Section 6.15-1 in excess of \$25,000 shall require the written approval of the City Attorney and approval of the Board of Supervisors by resolution. The City Attorney may allow or compromise and settle such claims if the amount is \$25,000 or less. No claim may be paid until the Controller certifies that monies are available from the proper

funds or appropriations to pay the claim as allowed or as compromised and settled. If the City approves the claim, the City may refund the excess amount collected or paid, or may credit such amount toward any amount due and payable to the City from the person from whom it was collected or by whom it was paid, and the balance may be refunded to such person, or the person's administrator or executor.

**(f) Claims for Refund; Waiver of Written Filing Requirement.** The City Attorney, in ~~his or her~~ the City Attorney's discretion and upon good cause shown, prior to the expiration of the one-year limitations period, may waive the requirement set forth in subsection (a) of this Section 6.15-1 that a taxpayer file a written claim for a refund in any case in which the Tax Collector and City Attorney determine on the basis of other evidence that:

(1) an amount of tax, interest, or penalty has been overpaid or paid more than once, or has been erroneously or illegally collected or received by the City; and

(2) all other conditions precedent to the payment of a refund to the taxpayer have been satisfied.

**(g) Requests for Refund; Refunds Permissible Without a Claim.**

(1) The Tax Collector may authorize the Controller to refund tax, interest, or penalty payments, without a refund claim having been filed and without review by the City Attorney, if the Tax Collector determines that the amount paid exceeds the tax, penalties, and interest due.

(2) The person that made the overpayment may request such a refund from the Tax Collector on a return, amended return, or request for refund form that is issued by the Tax Collector and that is filed with the Tax Collector within the later of one year of:

(A) For tax years and tax periods ending on or before December 31, 2021, and registration years ending on or before June 30, 2023:

(i) the payment of such amount; or



(ii) the date the return accompanying such payment was due, without regard to any extensions under Section 6.9-4.

(B) For tax years and tax periods beginning on or after January 1, 2022, and registration years beginning on or after July 1, 2023 and ending on or before March 31, 2026, except for requests for refund subject to subsection (g)(2)(C):

(i) the payment of such amount; or

(ii) the date the return accompanying such payment was due, including any extensions.

(C) For requests for refund of the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office business activities in Section 2804(d) or Section 2804.9 of Article 28), the Cannabis Business Tax (Article 30), and the Overpaid Executive Gross Receipts Tax (Article 33) (including the tax on administrative office business activities in Section 3303(g)) for tax years beginning on or after January 1, 2025, and for requests for refund of the Business Registration Fee (Article 12) for registration years beginning on or after April 1, 2026:

(i) the payment of such amount; or

(ii) November 30 of the calendar year in which the return for such respective tax was originally due.

(3) The Tax Collector may also authorize the Controller to refund the overpaid tax, interest, or penalty payments on its own initiative within ~~this~~ the one-year period in subsection (g)(2).

(4) A refund requested on a return, amended return, or request for refund form under this subsection (g) shall automatically be deemed denied for purposes of subsections (a), (b), and (d) of this Section 6.15-1 if the Tax Collector does not grant or deny

the refund request within one year of the date it was filed. The Tax Collector may not grant a request for refund after this one-year period, and any action by the Tax Collector after a refund request under this subsection (g) has been deemed denied shall not constitute a denial and shall have no effect on the statute of limitations for filing a claim for refund under subsections (a)-(f) and (h) of this Section 6.15-1.

(5) In lieu of requesting a refund on a return, amended return, or request for refund form, a taxpayer may elect to apply an overpayment of the business registration fee in Article 12, the Gross Receipts Tax in Article 12-A-1 (including the tax on administrative office business activities under Section 953.8 of Article 12-A-1), the Sugary Drinks Distributor Tax in Article 8, the Early Care and Education Commercial Rents Tax in Article 21, the Homelessness Gross Receipts Tax in Article 28 (including the homelessness administrative office tax under Section 2804(d) of Article 28), the Cannabis Business Tax in Article 30, or the Overpaid Executive Gross Receipts Tax in Article 33 (including the tax on administrative office business activities under Section 3303(g)) as a credit against the taxpayer's immediately succeeding payment or payments due for tax years or periods ending on or before December 31, 2024, of the respective tax type, for up to one year. Any election to apply an overpayment to the taxpayer's future liability shall be binding and may not later be changed by the taxpayer.

(h) The date from which the deadline for filing a claim under subsection (a) of this Section 6.15-1 is determined and the date on which a claim shall be deemed to accrue under subsection (d) of this Section shall be the later of:

(1) For tax years and tax periods ending on or before December 31, 2021, and registration years ending on or before June 30, 2023:

(A) the payment of such amount;

(B) the date the return accompanying such payment was due, without regard to any extensions under Section 6.9-4; or

(C) the date on which such amount requested on a return, amended return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied under that subsection (g).

(2) For tax years and tax periods beginning on or after January 1, 2022, and registration years beginning on or after July 1, 2023 and ending on or before March 31, 2026, except for claims for refund subject to subsection (h)(3):

(A) the payment of such amount;

(B) the date the return accompanying such payment was due, including any extensions; or

(C) the date on which such amount requested on a return, amended return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied under that subsection (g).

(3) For claims for refund of the Gross Receipts Tax (Article 12-A-1) (including the tax on administrative office business activities in Section 953.8 of Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28) (including the tax on administrative office business activities in Section 2804(d) or Section 2804.9 of Article 28), the Cannabis Business Tax (Article 30), and the Overpaid Executive Gross Receipts Tax (Article 33) (including the tax on administrative office business activities in Section 3303(g)) for tax years beginning on or after January 1, 2025, and for claims for refund of the Business Registration Fee (Article 12) for registration years beginning on or after April 1, 2026:

(A) the payment of such amount;

(B) November 30 of the calendar year in which the return for such respective tax was originally due; or

(C) the date on which such amount requested on a return, amended return, or request for refund timely filed under subsection (g) of this Section 6.15-1 was denied under that subsection (g).

**SEC. 6.15-2. REFUNDS; INTEREST.**

(a) Any amounts refunded prior to entry of a final judgment in a judicial proceeding shall bear interest at the rate for prejudgment interest on refunds of local taxes or fees provided by Section 3287(c) of the California Civil Code, as amended from time to time, and shall be computed from the date of payment to the date of refund.

(b) If the Controller offsets overpayments for a period or periods against another liability or liabilities currently owed to the City, or against penalties or interest on the other liability or liabilities currently owed to the City, the taxpayer will be credited with interest on the amount so applied at the rate of interest set forth above, computed from the date of payment.

(c) If a taxpayer elects to apply all or part of an overpayment of the business registration fee in Article 12, the Gross Receipts Tax in Article 12-A-1 (including the tax on administrative office business activities under Section 953.8 of Article 12-A-1), the Sugary Drinks Distributor Tax in Article 8, the Early Care and Education Commercial Rents Tax in Article 21, the Homelessness Gross Receipts Tax in Article 28 (including the homelessness administrative office tax under Section 2804(d) of Article 28), the Cannabis Business Tax in Article 30, or the Overpaid Executive Gross Receipts Tax in Article 33 (including the tax on administrative office business activities in Section 3303(g)) as a credit against the taxpayer's immediately succeeding payment or payments due for tax years or periods ending on or before December 31, 2024, of the respective tax type, the taxpayer will not be credited with interest on the amount so applied.

**SEC. 6.17-1.1. PENALTIES AND INTEREST FOR FAILURE TO PAY.**

(a) Any person who fails to pay, collect, or remit to the City any tax shown on a return or required to be shown on a return shall pay a penalty of 5% of the unpaid tax, if the failure is for not more than one month after the tax was due and unpaid, plus an additional 5% for each following month or fraction of a month during which such failure continues, up to 25% in the aggregate, until the date of payment.

(b) Any person who fails to pay, collect, or remit to the City any tax shown on a return or required to be shown on a return shall also pay interest on the unpaid tax at the rate of 1% per month, or fraction of a month, from the date the taxes were due and unpaid through the date the person pays in full the delinquent taxes, penalties, interest, and fees accrued to the date of payment.

(c) No penalties or interest imposed by this Section 6.17-1.1 shall apply to the failure to make any estimated tax payments of Gross Receipts Taxes, Early Care and Education Commercial Rents Taxes, Homelessness Gross Receipts Taxes, Cannabis Business Taxes, or Overpaid Executive Gross Receipts Taxes under Section 6.9-1(c)(3).

(d) This Section 6.17-1.1 shall apply as follows:

(1) to all returns and payments for tax periods ending and taxable events occurring on or after January 1, 2021, except as provided in subsections (d)(2) and (d)(3) of this Section 6.17-1.1;

(2) to all returns and payments for registration years ending on or after July 1, 2021 with respect to the registration fee imposed under Section 855 of Article 12; and

(3) to all returns and payments for fiscal years ending on or after July 1, 2021 with respect to fees, assessments, and other charges subject to this Article 6 that are imposed on a fiscal year basis.

(e) For purposes of this Section 6.17-1.1, for registration years beginning on or after April 1, 2026, if the deadline for a person or combined group to file its Gross Receipts Tax return was extended under Section 6.9-4(b)(2) of this Article 6, the date the Business Registration Fee (Article 12) originally due on the same date as that Gross Receipts Tax return was due shall be November 30.

**SEC. 6.25-1. ADVANCE DETERMINATIONS.**

Subject to annual appropriations to cover its costs that exceed any fees charged, by June 30, 2025, the Tax Collector shall establish a program to provide advance determinations to taxpayers for the Business Registration Fee (Article 12), the Gross Receipts Tax (Article 12-A-1), the Early Care and Education Commercial Rents Tax (Article 21), the Homelessness Gross Receipts Tax (Article 28), the Cannabis Business Tax (Article 30), and the Overpaid Executive Gross Receipts Tax (Article 33) (including any tax on administrative office business activities imposed under any of the foregoing) regarding: (a) the Business Activity Category for a particular business activity; (b) whether a person or combined group may use an alternative apportionment formula under Sections 957, 2108, 2807, 3007, and 3306; and (c) any other issues that the Tax Collector, in the Tax Collector's sole discretion, deems appropriate. The Tax Collector shall have the sole discretion as to whether to issue an advance determination on any of (a) through (c) above to any particular request for an advance determination, and shall have sole discretion to determine the parameters of the program, but shall hold a public hearing and comment process to solicit feedback from taxpayers prior to establishing the program. The Tax Collector may charge a fee for requests for advance determinations to cover some or all of its costs of issuing such determinations.

Section 4. Article 12 of the Business and Tax Regulations Code is hereby amended by revising Sections 852, 855, and 856, and deleting Section 852.4, to read as follows:

**SEC. 852. OPERATION OF DEFINITIONS.**

Except where the context otherwise requires, ~~(a#)~~ the terms used in this Article 12 shall have the meanings given to them in Sections 852.1 ~~through and 852.24, inclusive,~~ of this Article, ~~and (b#)~~ terms not defined in this Article that are defined in Article 6 of the Business and Tax Regulations Code shall have the same meaning as given to them in that Article.

**~~SEC. 852.4. "REGISTRATION YEAR."~~**

~~The term "Registration Year" means the fiscal year commencing July 1 of each calendar year and ending on June 30 of the subsequent calendar year.~~

**SEC. 855. REGISTRATION CERTIFICATE – FEE.**

\* \* \* \*

(b) **Fee for Registration Years Beginning On or After July 1, 2021, and On or Before June 30, 2025.**

(1) **General Rule.** Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate, for the registration years beginning on or after July 1, 2021, and on or before June 30, 2025, payable in advance, shall be as follows:

| <b>San Francisco Gross Receipts for the Immediately Preceding Tax Year</b> | <b>Annual Registration Fee</b> |
|--|--------------------------------|
| \$0 to \$100,000   | \$52                           |
| \$100,000.01 to \$250,000  | \$86                           |

|                                   |          |
|-----------------------------------|----------|
| \$250,000.01 to \$500,000         | \$144    |
| \$500,000.01 to \$750,000         | \$288    |
| \$750,000.01 to \$1,000,000       | \$403    |
| \$1,000,000.01 to \$1,500,000     | \$575    |
| \$1,500,000.01 to \$2,000,000     | \$805    |
| \$2,000,000.01 to \$2,500,000     | \$345    |
| \$2,500,000.01 to \$7,500,000     | \$575    |
| \$7,500,000.01 to \$15,000,000    | \$1,725  |
| \$15,000,000.01 to \$25,000,000   | \$5,751  |
| \$25,000,000.01 to \$50,000,000   | \$14,379 |
| \$50,000,000.01 to \$100,000,000  | \$25,882 |
| \$100,000,000.01 to \$200,000,000 | \$34,510 |
| \$200,000,000.01 and over         | \$40,261 |

(2) **Fee for Retail Trade, Wholesale Trade, and Certain Services.** Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this *Business and Tax Regulations* Code, for registration years beginning on or after July 1, 2021, and on or before June 30, 2025, the annual fee for obtaining a registration certificate, payable in advance, for a person or combined group that was required to report all of its gross receipts pursuant to Section 953.1 of Article 12-A-1 for the preceding tax year, shall be as follows:

| <b>San Francisco Gross Receipts for the Immediately Preceding Tax Year</b> | <b>Annual Registration Fee</b> |
|--|--------------------------------|
| \$0 to \$100,000   | \$43                           |
| \$100,000.01 to \$250,000  | \$72                           |
| \$250,000.01 to \$500,000  | \$115                          |
| \$500,000.01 to \$750,000  | \$230                          |
| \$750,000.01 to \$1,000,000  | \$345                          |



|                                   |          |
|-----------------------------------|----------|
| \$1,000,000.01 to \$1,500,000     | \$475    |
| \$1,500,000.01 to \$2,000,000     | \$665    |
| \$2,000,000.01 to \$2,500,000     | \$230    |
| \$2,500,000.01 to \$7,500,000     | \$460    |
| \$7,500,000.01 to \$15,000,000    | \$1,294  |
| \$15,000,000.01 to \$25,000,000   | \$4,313  |
| \$25,000,000.01 to \$50,000,000   | \$8,627  |
| \$50,000,000.01 to \$100,000,000  | \$17,255 |
| \$100,000,000.01 to \$200,000,000 | \$23,006 |
| \$200,000,000.01 and over         | \$34,510 |

*(c) Fee for 2025-2026 Registration Year. Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for the 2025-2026 registration year, payable in advance, shall be as follows:*

| <u>San Francisco Gross Receipts for the Immediately Preceding Tax Year</u> | <u>Annual Registration Fee</u> |
|--|--------------------------------|
| <u>\$0 to \$100,000</u>  | <u>\$41</u>                    |
| <u>\$100,000.01 to \$250,000</u>   | <u>\$71</u>                    |
| <u>\$250,000.01 to \$500,000</u>   | <u>\$120</u>                   |
| <u>\$500,000.01 to \$750,000</u>   | <u>\$240</u>                   |
| <u>\$750,000.01 to \$1,000,000</u>   | <u>\$330</u>                   |
| <u>\$1,000,000.01 to \$1,500,000</u>                                       | <u>\$469</u>                   |
| <u>\$1,500,000.01 to \$2,000,000</u>                                       | <u>\$656</u>                   |
| <u>\$2,000,000.01 to \$2,500,000</u>                                       | <u>\$848</u>                   |
| <u>\$2,500,000.01 to \$5,000,000</u>                                       | <u>\$1,414</u>                 |
| <u>\$5,000,000.01 to \$7,500,000</u>                                       | <u>\$600</u>                   |
| <u>\$7,500,000.01 to \$15,000,000</u>                                      | <u>\$1,500</u>                 |
| <u>\$15,000,000.01 to \$25,000,000</u>                                     | <u>\$4,875</u>                 |

|  |                 |
|--|-----------------|
| <u>\$25,000,000.01 to \$50,000,000</u>   | <u>\$15,000</u> |
| <u>\$50,000,000.01 to \$100,000,000</u>  | <u>\$30,000</u> |
| <u>\$100,000,000.01 to \$200,000,000</u> | <u>\$37,500</u> |
| <u>\$200,000,000.01 and over</u>         | <u>\$45,000</u> |

***(d) Fee for Registration Years Beginning On or After April 1, 2026. Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for registration years beginning on or after April 1, 2026, payable in advance, shall be as follows:***

| <u><b>San Francisco Gross Receipts for the Immediately Preceding Tax Year</b></u> | <u><b>Annual Registration Fee</b></u> |
|---|---------------------------------------|
| <u>\$0 to \$100,000</u>   | <u>\$55</u>                           |
| <u>\$100,000.01 to \$250,000</u>  | <u>\$95</u>                           |
| <u>\$250,000.01 to \$500,000</u>  | <u>\$160</u>                          |
| <u>\$500,000.01 to \$750,000</u>  | <u>\$320</u>                          |
| <u>\$750,000.01 to \$1,000,000</u>  | <u>\$440</u>                          |
| <u>\$1,000,000.01 to \$1,500,000</u>  | <u>\$625</u>                          |
| <u>\$1,500,000.01 to \$2,000,000</u>  | <u>\$875</u>                          |
| <u>\$2,000,000.01 to \$2,500,000</u>  | <u>\$1,130</u>                        |
| <u>\$2,500,000.01 to \$5,000,000</u>  | <u>\$1,885</u>                        |
| <u>\$5,000,000.01 to \$7,500,000</u>  | <u>\$800</u>                          |
| <u>\$7,500,000.01 to \$15,000,000</u>   | <u>\$2,000</u>                        |
| <u>\$15,000,000.01 to \$25,000,000</u>  | <u>\$6,500</u>                        |
| <u>\$25,000,000.01 to \$50,000,000</u>  | <u>\$20,000</u>                       |
| <u>\$50,000,000.01 to \$100,000,000</u>   | <u>\$40,000</u>                       |
| <u>\$100,000,000.01 to \$200,000,000</u>  | <u>\$50,000</u>                       |
| <u>\$200,000,000.01 and over</u>  | <u>\$60,000</u>                       |

~~(e) Except as provided in subsection (d) (Fee for Persons Subject to Administrative Office Tax), in the event that an applicant for a registration certificate, for a registration year ending after June 30, 2015, has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's estimated gross receipts under Article 12-A-1 (Gross Receipts Tax Ordinance) for the period covered by the registration certificate.~~

~~(e)~~ **Fee for Persons Subject to Administrative Office Tax.**

(1) Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for registration years ending on or before June 30, 2025, payable in advance, for a person or combined group that was required to pay the Administrative Office Tax under Section 953.8 of Article 12-A-1 for the preceding tax year, shall be as follows:

| <b>San Francisco Payroll Expense for the Immediately Preceding Tax Year</b> | <b>Annual Registration Fee</b> |
|---|--------------------------------|
| \$0 to \$2,500,000  | \$15,000                       |
| \$2,500,000.01 to \$25,000,000  | \$25,000                       |
| \$25,000,000.01 or more   | \$35,000                       |

(2) Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for the 2025-2026 registration year, payable in advance, for a person or combined group that was required to pay the Administrative Office Tax under Section 953.8 of Article 12-A-1 for the preceding tax year, shall be as follows:

| <u><i>San Francisco Payroll Expense for the Immediately Preceding Tax Year</i></u> | <u><i>Annual Registration Fee</i></u> |
|--|---------------------------------------|
| <u><i>\$0 to \$500,000</i></u>   | <u><i>\$375</i></u>                   |
| <u><i>\$500,000.01 to \$1,500,000</i></u>  | <u><i>\$750</i></u>                   |
| <u><i>\$1,500,000.01 to \$2,500,000</i></u>  | <u><i>\$11,250</i></u>                |
| <u><i>\$2,500,000.01 to \$25,000,000</i></u>                                       | <u><i>\$18,750</i></u>                |
| <u><i>\$25,000,000.01 or more</i></u>  | <u><i>\$26,250</i></u>                |

*(3) Except as otherwise provided in this Section 855 and Section 856 of this Article 12, and Section 76.3 of Article 2 of this Business and Tax Regulations Code, the annual fee for obtaining a registration certificate for registration years beginning on or after April 1, 2026, payable in advance, for a person or combined group that was required to pay the Administrative Office Tax under Section 953.8 of Article 12-A-1 for the preceding tax year, shall be as follows:*

| <u><i>San Francisco Payroll Expense for the Immediately Preceding Tax Year</i></u> | <u><i>Annual Registration Fee</i></u> |
|--|---------------------------------------|
| <u><i>\$0 to \$500,000</i></u>   | <u><i>\$500</i></u>                   |
| <u><i>\$500,000.01 to \$1,500,000</i></u>  | <u><i>\$1,000</i></u>                 |
| <u><i>\$1,500,000.01 to \$2,500,000</i></u>  | <u><i>\$15,000</i></u>                |
| <u><i>\$2,500,000.01 to \$25,000,000</i></u>                                       | <u><i>\$25,000</i></u>                |
| <u><i>\$25,000,000.01 or more</i></u>  | <u><i>\$35,000</i></u>                |

~~*(e) In the event that an applicant for a registration certificate that was required to pay the Administrative Office Tax under Section 953.8 of Article 12 A 1 for the preceding tax year has not filed a tax return for the immediately preceding tax year as required by Section 6.9-2 of Article 6, the Tax Collector shall determine the amount of the registration fee required based on the applicant's estimated payroll expense under Article 12 A 1 for the period covered by the registration certificate.*~~

(f) The amount of annual registration fee under subsections (a) and ~~(e)~~(1) of this Section 855, for all registration years ending after June 30, 2016, shall be adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31~~st~~ of the preceding year, beginning July 1, 2016.

(g) The amount of annual registration fee under subsection (b) of this Section 855, for all registration years ending after June 30, 2022, shall be adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning July 1, 2022.

(h) The amount of annual registration fee under subsections (d) and (e)(3) of this Section 855, for all registration years ending after March 31, 2027, shall be adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the calendar year two years prior to the beginning of the registration year, beginning April 1, 2027, rounded to the nearest five dollars.

(i~~h~~) An organization that is exempt from income taxation by Chapter 4 (commencing with Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or Subchapter F (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as amended, shall be exempt from the registration fee under this Article 12, only so long as those exemptions continue to exist under state or federal law.

(i) A person shall be exempt from paying the registration fee required by this Section 855 if and to the extent that, and only so long as, federal or state law prohibits the imposition of the registration fee upon such person.

(k) The business registration fee is a tax imposed for general governmental purposes and may not be extended or increased without a vote of the people, as provided in Article XIII C of the California Constitution. This tax may be collected in any manner legally permitted to the City.

#### **SEC. 856. REGISTRATION CERTIFICATE – APPLICATION AND ISSUANCE.**

(a) Each person engaging in business within the City shall apply to the Tax Collector for a registration certificate, using the form prescribed by the Tax Collector. The application shall be accompanied by the person's registration fee as determined under this Article 12, except for the initial application filed for a person that is part of a combined group (as described in Section 956.3 of Article 12-A-1) where the combined group has already paid the fee on a combined basis. A combined group as described in Section 956.3 of Article 12-A-1 shall apply for a separate certificate for each person in the combined group that is engaging in business within the City, but shall calculate and remit its fee on a combined basis and shall file only one application for renewal for all entities in the combined group.

(b) A person shall have ~~30~~45 days after commencing business within the City to apply for a registration certificate. The registration fee for newly-established businesses shall be prorated as follows:

(1) For registration years commencing on or after July 1, 2015, but ending on or before June 30, 2021, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855(a) of this Article 12 using the applicant's estimated gross receipts under Article 12-A-1 (Gross Receipts Tax Ordinance) for

the tax year in which the person commences such business within the City. For persons commencing business between January 1 and March 31, the registration fee shall be 50% of the annual fee; for persons commencing business between April 1 and June 30, the registration fee shall be 25% of the annual fee; for persons commencing business between July 1 and September 30, the registration fee shall be 100% of the annual fee; and for persons commencing business between October 1 and December 31, the registration fee shall be 75% of the annual fee.

(2) For registration years commencing on or after July 1, 2021, and ending on or before June 30, 2025, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855(b) of this Article 12 using the applicant's estimated gross receipts under Article 12-A-1 (Gross Receipts Tax Ordinance) for the tax year in which the person commences such business within the City. The registration fee shall be prorated as follows: For persons commencing business between January 1 and March 31, the registration fee shall be 50% of the annual fee; for persons commencing business between April 1 and June 30, the registration fee shall be 25% of the annual fee; for persons commencing business between July 1 and September 30, the registration fee shall be 100% of the annual fee; and for persons commencing business between October 1 and December 31, the registration fee shall be 75% of the annual fee. ~~Where a registration certificate is issued for a period other than for a registration year, the Tax Collector shall have discretion to prorate the registration fee in accordance with this model.~~

(3) For the 2025-2026 registration year, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855(c) of this Article 12 using the applicant's estimated San Francisco Gross Receipts for the tax year in which the person commences such business within the City. The registration fee for the 2025-2026 registration year shall not be prorated.

(4) For registration years commencing on or after April 1, 2026, the fee for obtaining a registration certificate for a newly established business shall be determined pursuant to Section 855(d) of this Article 12 using the applicant's estimated San Francisco Gross Receipts for the tax year in which the person commences such business within the City. The registration fee shall be prorated as follows: For persons commencing business between January 1 and March 31, the registration fee shall be 25% of the annual fee; for persons commencing business between April 1 and June 30, the registration fee shall be 100% of the annual fee; for persons commencing business between July 1 and September 30, the registration fee shall be 75% of the annual fee; and for persons commencing business between October 1 and December 31, the registration fee shall be 50% of the annual fee.

(52) Notwithstanding any other provision of this Article 12, no person obtaining a registration certificate for a newly established business that qualifies for the minimum registration fee set forth in Section 855 of this Article shall be entitled to prorate the registration fee under this Section 856, but instead shall pay the minimum registration fee.

(c) Except as provided in Section 6.9-4(b) of Article 6 of this Business and Tax Regulations Code, ~~a~~All applications for renewal of registration certificates shall be accompanied by the full amount of the applicant's annual registration fee for the period covered by the registration certificate. A combined group shall file only one application for renewal for all entities in the combined group.

(d) Promptly after receiving a properly completed application and registration fee (or Required Payment under Section 6.9-4(b)) from any person, the Tax Collector shall determine whether the applicant has paid all outstanding: (1) gross receipts taxes; ~~(2) payroll expense taxes;~~ ~~(23)~~ costs and/or charges assessed pursuant to Article 5.1 of the Public Works Code, as amended from time to time, for failure to abate a nuisance regarding the cleanliness of an abutting public sidewalk or right-of-way; and ~~(34)~~ other taxes and license fees due to the City. In addition, the Tax Collector may investigate whether the applicant has paid other amounts



owing to the City as a result of fines, penalties, interest, assessments, or any other financial obligations imposed by law, regulation, or contract. If the Tax Collector determines that all liabilities have been paid, the Tax Collector shall issue a registration certificate to the applicant for each place of business maintained by the applicant.

\* \* \* \*

Section 5. Article 12-A-1 of the Business and Tax Regulations Code is hereby amended by revising Sections 952.4, 953, 953.1, 953.2, 953.3, 953.4, 953.5, 953.6, 953.7, 953.8, 953.9, 954.1, 956, 956.1, 956.2, and 960.1, adding Sections 953.20, 953.21, 953.22, 953.23, 953.24, 953.25, 953.26, 953.27, 960.2, 960.3, and 960.4, and deleting Sections 950 and 953.10, to read as follows:

**~~SEC. 950. FINDINGS AND PURPOSE.~~**

*The voters hereby find and declare as follows:*

- 1. San Francisco is the only major city in California that levies its entire business tax on payroll expense. This exclusive payroll-based tax discourages job creation and economic growth, lowers wages, and provides an unstable revenue stream.*
- 2. San Francisco currently charges a flat rate on its payroll expense tax base. Instituting a tiered rate structure, in which businesses are taxed based on their gross receipts, will better distribute the tax burden according to a business's ability to pay.*
- 3. Gross receipts is the most common business tax base among California's largest cities.*
- 4. Amending San Francisco's business tax system to include a gross receipts tax will promote revenue stability by diversifying the tax base.*
- 5. The rate schedules and the small business exemption for businesses with receipts under \$1,000,000 provide particular tax relief to small businesses.*

~~6. The legislation will gradually phase in the new gross receipts tax over a five-year period, beginning in tax year 2014, to allow businesses time to adjust to the change and to minimize the risk to the City and to taxpayers of instability in City revenues during the transition from the payroll expense tax to a gross receipts tax.~~

~~7. Also beginning in tax year 2014, the payroll expense tax will be adjusted, over the same period, in increments that are consistent with the phase in of the gross receipts tax.~~

~~8. Each year during the phase-in period, the formula dictates an increase in the gross receipts tax rate and an adjustment in the payroll expense tax rate that is expected to reduce the payroll expense tax rate to zero by or before 2018. The Controller will calculate the annual increase in the gross receipts tax rate and the adjustment in the payroll expense tax rate by applying formulas specified in this legislation.~~

#### **SEC. 952.4. NAICS CODE.**

“NAICS code” means the numerical classification for business activities established in the North American Industry Classification System used by federal governmental agencies to classify business establishments; References in Sections 953.1 through 953.7 of this Article 12-A-1 to particular numerical NAICS codes are intended to apply the definitions and descriptions adopted in that system as of December 15, 2012~~the effective date of this Article.~~ References in Sections 953.20 through 953.26, 960.1, and 960.3 of this Article to particular numerical NAICS codes are intended to apply the definitions and descriptions adopted in that system as of January 1, 2022.

#### **SEC. 953. IMPOSITION OF GROSS RECEIPTS TAX.**

(a) Except as otherwise provided under this Article 12-A-1, the City imposes and every person engaging in business within the City shall pay an annual gross receipts tax measured

by the person's gross receipts from all taxable business activities attributable to the City. A person's liability for the gross receipts tax shall be calculated according to this Article 12-A-1 Sections 953.1 through 953.7.

(b) The gross receipts tax is a privilege tax imposed upon persons engaging in business within the City for the privilege of engaging in a business or occupation in the City. The gross receipts tax is imposed for general governmental purposes. Proceeds from the tax shall be deposited in the City's general fund and may be expended for any purposes of the City.

(c) The voters intend by adopting this measure to authorize application of the gross receipts tax in the broadest manner consistent with the provisions of this Article 12-A-1 and the requirements of the California Constitution, the United States Constitution, and any other applicable provision of federal and state law.

(d) The tax on Administrative Office Business Activities imposed by Section 953.8 is intended as a complementary tax to the gross receipts tax, and shall be considered a gross receipts tax for purposes of this Article 12-A-1.

#### **SEC. 953.1. GROSS RECEIPTS TAX APPLICABLE TO RETAIL TRADE; WHOLESALE TRADE; AND CERTAIN SERVICES.**

(a) The gross receipts tax rates applicable to the business activities of retail trade, wholesale trade, and certain services are:

\* \* \* \*

(2) For the business activities of retail trade and certain services:

~~(A)~~ For tax years 2021 through and including 2024:

0.053% (e.g., \$0.53 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.07% (e.g., \$0.70 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.095% (e.g., \$0.95 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

~~(B) For tax year 2025:~~

~~0.079% (e.g., \$0.79 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.142% (e.g., \$1.42 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~(C) For tax years beginning on or after January 1, 2026:~~

~~0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.14% (e.g., \$1.40 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.189% (e.g., \$1.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000~~

(3) For the business activity of wholesale trade for tax years ~~beginning on or after January 1, 2021 through and including 2024:~~

0.105% (e.g., \$1.05 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.14% (e.g., \$1.40 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.189% (e.g., \$1.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.224% (e.g., \$2.24 per \$1,000) for taxable gross receipts over \$25,000,000

\* \* \* \*

**SEC. 953.2. GROSS RECEIPTS TAX APPLICABLE TO MANUFACTURING; TRANSPORTATION AND WAREHOUSING; INFORMATION; BIOTECHNOLOGY; CLEAN TECHNOLOGY; AND FOOD SERVICES.**

(a) The gross receipts tax rates applicable to the business activities of manufacturing, transportation and warehousing, information, biotechnology, clean technology, and food services are:

\* \* \* \*

(2) For the business activities of manufacturing and food services:

~~(A) For tax years 2021 through and including 2024:~~

0.088% (e.g., \$0.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.144% (e.g., \$1.44 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.259% (e.g., \$2.59 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

~~(B) For tax year 2025:~~

~~0.131% (e.g., \$1.31 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.215% (e.g., \$2.15 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.389% (e.g., \$3.89 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~(C) For tax years beginning on or after January 1, 2026:~~

~~0.175% (e.g., \$1.75 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.287% (e.g., \$2.87 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.518% (e.g., \$5.18 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000~~

(3) For the business activities of transportation and warehousing and clean technology for tax years *beginning on or after January 1, 2021 through and including 2024*:

0.175% (e.g., \$1.75 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.287% (e.g., \$2.87 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.518% (e.g., \$5.18 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts over \$25,000,000

(4) For the business activity of biotechnology:

\* \* \* \*

(B) For tax year~~s~~ 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023~~:

0.181% (e.g., \$1.81 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.297% (e.g., \$2.97 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.537% (e.g., \$5.37 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.689% (e.g., \$6.89 per \$1,000) for taxable gross receipts over \$25,000,000

*(C) For tax year 2023 if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:*

0.188% (e.g., \$1.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.308% (e.g., \$3.08 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.555% (e.g., \$5.55 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.713% (e.g., \$7.13 per \$1,000) for taxable gross receipts over \$25,000,000

*(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:*

~~0.194% (e.g., \$1.94 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.318% (e.g., \$3.18 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.574% (e.g., \$5.74 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.736% (e.g., \$7.36 per \$1,000) for taxable gross receipts over \$25,000,000~~

(5) For the business activity of information:

\* \* \* \*

(B) For tax years 2022 and, *if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:*

0.573% (e.g., \$5.73 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.665% (e.g., \$6.65 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.751% (e.g., \$7.51 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.832% (e.g., \$8.32 per \$1,000) for taxable gross receipts over \$25,000,000

(C) For tax year ~~2023~~ *if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:*

0.579% (e.g., \$5.79 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.675% (e.g., \$6.75 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.77% (e.g., \$7.70 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.855% (e.g., \$8.55 per \$1,000) for taxable gross receipts over \$25,000,000

~~(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:~~

~~0.585% (e.g., \$5.85 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~



~~0.685% (e.g., \$6.85 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.788% (e.g., \$7.88 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.879% (e.g., \$8.79 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~\* \* \* \*~~

**SEC. 953.3. GROSS RECEIPTS TAX APPLICABLE TO ACCOMMODATIONS; UTILITIES; AND ARTS, ENTERTAINMENT AND RECREATION.**

(a) The gross receipts tax rates applicable to the business activities of accommodations; utilities; and arts, entertainment and recreation are:

\* \* \* \*

(2) For the business activities of accommodations and arts, entertainment and recreation:

~~(A) For tax years 2021 through and including 2024:~~

0.21% (e.g., \$2.10 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.228% (e.g., \$2.28 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.228% (e.g., \$2.28 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000

~~(B) For tax year 2025:~~

~~0.315% (e.g., \$3.15 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.341% (e.g., \$3.41 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.341% (e.g., \$3.41 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~(C) For tax years beginning on or after January 1, 2026:~~

~~0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.455% (e.g., \$4.55 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts over \$25,000,000~~

(3) For the business activity of utilities:

\* \* \* \*

(B) For tax years 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:~~

0.435% (e.g., \$4.35 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.471% (e.g., \$4.71 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.471% (e.g., \$4.71 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.58% (e.g., \$5.80 per \$1,000) for taxable gross receipts over \$25,000,000

(C) For tax year ~~2023~~ *if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:*

0.45% (e.g., \$4.50 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.488% (e.g., \$4.88 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.488% (e.g., \$4.88 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.6% (e.g., \$6 per \$1,000) for taxable gross receipts over \$25,000,000

~~(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:~~

~~0.465% (e.g., \$4.65 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.504% (e.g., \$5.04 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.504% (e.g., \$5.04 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.62% (e.g., \$6.20 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~\* \* \* \*~~

**SEC. 953.4. GROSS RECEIPTS TAX APPLICABLE TO PRIVATE EDUCATION AND HEALTH SERVICES; ADMINISTRATIVE AND SUPPORT SERVICES; AND MISCELLANEOUS BUSINESS ACTIVITIES.**

(a) The gross receipts tax rates applicable to the business activities of private education and health services, administrative and support services, and all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate or an administrative office tax by this Article 12-A-1 are:

\* \* \* \*

(2) For the business activities of private education and health services and administrative and support services:

\* \* \* \*

(B) For tax year~~s~~ 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year~~ 2023:

0.761% (e.g., \$7.61 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.798% (e.g., \$7.98 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.87% (e.g., \$8.70 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.943% (e.g., \$9.43 per \$1,000) for taxable gross receipts over \$25,000,000

(C) For tax year ~~2023 if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:~~

0.788% (e.g., \$7.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.825% (e.g., \$8.25 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.9% (e.g., \$9 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.975% (e.g., \$9.75 per \$1,000) for taxable gross receipts over \$25,000,000

~~(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:~~

~~0.814% (e.g., \$8.14 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.853% (e.g., \$8.53 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.93% (e.g., \$9.30 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~1.008% (e.g., \$10.08 per \$1,000) for taxable gross receipts over \$25,000,000~~

(3) For all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate or an administrative office tax by this Article 12-A-1:

\* \* \* \*

(B) For tax year 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:~~

0.788% (e.g., \$7.88 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.825% (e.g., \$8.25 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.9% (e.g., \$9 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.975% (e.g., \$9.75 per \$1,000) for taxable gross receipts over \$25,000,000

(C) For tax year ~~2023~~ *if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:*

0.814% (e.g., \$8.14 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000  
0.853% (e.g., \$8.53 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.93% (e.g., \$9.30 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

1.008% (e.g., \$10.08 per \$1,000) for taxable gross receipts over \$25,000,000

*(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:*

~~0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.88% (e.g., \$8.80 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.96% (e.g., \$9.60 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~1.04% (e.g., \$10.40 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~\* \* \* \*~~

**SEC. 953.5. GROSS RECEIPTS TAX APPLICABLE TO CONSTRUCTION.**

(a) The gross receipts tax rates applicable to the business activity of construction are:

\* \* \* \*

(2) For tax years beginning on or after January 1, 2021 through and including 2024:

0.42% (e.g., \$4.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.49% (e.g., \$4.90 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.56% (e.g., \$5.60 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.63% (e.g., \$6.30 per \$1,000) for taxable gross receipts over \$25,000,000

\* \* \* \*

**SEC. 953.6. GROSS RECEIPTS TAX APPLICABLE TO FINANCIAL SERVICES;  
INSURANCE; AND PROFESSIONAL, SCIENTIFIC AND TECHNICAL SERVICES.**

(a) The gross receipts tax rates applicable to the business activities of financial services; insurance; and professional, scientific and technical services are:

\* \* \* \*

(2) For the business activity of insurance:

\* \* \* \*

(B) For tax year 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:~~

0.58% (e.g., \$5.80 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.667% (e.g., \$6.67 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.74% (e.g., \$7.40 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.812% (e.g., \$8.12 per \$1,000) for taxable gross receipts over \$25,000,000

(C) For tax year ~~2023~~ ~~if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:~~

0.6% (e.g., \$6 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.69% (e.g., \$6.90 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.765% (e.g., \$7.65 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts over \$25,000,000

*(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:*

*0.62% (e.g., \$6.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000*

*0.713% (e.g., \$7.13 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000*

*0.791% (e.g., \$7.91 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000*

*0.868% (e.g., \$8.68 per \$1,000) for taxable gross receipts over \$25,000,000*

(3) For the business activities of financial services and professional, scientific and technical services:

\* \* \* \*

*(B) For tax year 2022 and, if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:*

0.6% (e.g., \$6 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.69% (e.g., \$6.90 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000



0.765% (e.g., \$7.65 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.84% (e.g., \$8.40 per \$1,000) for taxable gross receipts over \$25,000,000

*(C) For tax year 2023 if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:*

0.62% (e.g., \$6.20 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.713% (e.g., \$7.13 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.791% (e.g., \$7.91 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.868% (e.g., \$8.68 per \$1,000) for taxable gross receipts over \$25,000,000

*(D) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:*

~~0.64% (e.g., \$6.40 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.736% (e.g., \$7.36 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$2,500,000~~

~~0.816% (e.g., \$8.16 per \$1,000) for taxable gross receipts between \$2,500,000.01 and \$25,000,000~~

~~0.896% (e.g., \$8.96 per \$1,000) for taxable gross receipts over \$25,000,000~~

\* \* \* \*

**SEC. 953.7. GROSS RECEIPTS TAX APPLICABLE TO REAL ESTATE AND RENTAL AND LEASING SERVICES.**

(a) The gross receipts tax rates applicable to the business activities of real estate and rental and leasing services are:

\* \* \* \*

(3) For tax year 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year 2023:~~

0.413% (e.g., \$4.13 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.413% (e.g., \$4.13 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$5,000,000

0.435% (e.g., \$4.35 per \$1,000) for taxable gross receipts between \$5,000,000.01 and \$25,000,000

0.435% (e.g., \$4.35 per \$1,000) for taxable gross receipts over \$25,000,000

(4) For tax year ~~2023 if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024:~~

0.428% (e.g., \$4.28 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000

0.428% (e.g., \$4.28 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$5,000,000

0.45% (e.g., \$4.50 per \$1,000) for taxable gross receipts between \$5,000,000.01 and \$25,000,000

0.45% (e.g., \$4.50 per \$1,000) for taxable gross receipts over \$25,000,000

~~(5) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025:~~

~~0.442% (e.g., \$4.42 per \$1,000) for taxable gross receipts between \$0 and \$1,000,000~~

~~0.442% (e.g., \$4.42 per \$1,000) for taxable gross receipts between \$1,000,000.01 and \$5,000,000~~

~~0.465% (e.g., \$4.65 per \$1,000) for taxable gross receipts between \$5,000,000.01 and \$25,000,000~~

~~0.465% (e.g., \$4.65 per \$1,000) for taxable gross receipts over \$25,000,000~~

~~\* \* \* \*~~

#### **SEC. 953.8. TAX ON ADMINISTRATIVE OFFICE BUSINESS ACTIVITIES.**

(a) Except as provided in this Section 953.8, notwithstanding any other provision of this Article 12-A-1 and in lieu of the other taxes provided by this Article for any person or combined group, every person engaging in business within the City as an administrative office, as defined below, shall pay an annual administrative office tax measured by its total payroll expense that is attributable to the City. If a person is a member of a combined group, then its tax shall be measured by the total payroll expense of the combined group attributable to the City. Such combined group shall pay only the administrative office tax. The administrative office tax rate is:

(1) For tax years beginning on or after January 1, 2014 and ending on or before December 31, 2021: 1.4%.

(2) For tax year 2022 and, ~~if the Controller does not certify under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, for tax year~~ 2023: 1.47%.

~~(3) For tax year 2023 if the Controller certifies under Section 953.10 that the 90% gross receipts threshold has been met for tax year 2023, and for tax year 2024 if the Controller does not certify under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024: 1.54%.~~

~~(4) For tax year 2024 if the Controller certifies under Section 953.10 that the 95% gross receipts threshold has been met for tax year 2024, and for tax years beginning on or after January 1, 2025 and 2026: 1.47~~1.61~~%.~~

(5) For tax year 2027: 1.59%.

(6) For tax years beginning on or after January 1, 2028: 1.68%.

(7) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this subsection (a)(7). Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(5) and (a)(6) of this Section 953.8. Nothing in this subsection (a)(7) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

**(b) Administrative Office Business Activity.**

(1) “Engaging in business within the City as an administrative office” means that:

(A) a person is engaging in business within the City during the tax year and over 50% percent of the total combined payroll expense within the City of that person and its related entities for the preceding tax year was associated with providing administrative or management services exclusively to that person or related entities;

(~~B~~2) the total combined number of employees of that person and its related entities within the United States as of the last day of the *preceding* tax year exceeded 1,000; and

(~~C~~3) the total combined gross receipts of that person and its related entities reported on United States federal income tax return(s) for the *preceding* tax year exceeded \$1,000,000,000.

(2) For tax years beginning on or after January 1, 2025:

(A) For a person or combined group's classification as engaging in business within the City as an administrative office to change from one tax year to the next, the person or combined group must fail to satisfy at least one of the conditions in subsections (A), (B), and (C) of subsection (b)(1) for the current tax year and the immediately preceding two tax years.

(B) For a person or combined group's classification as not engaging in business within the City as an administrative office to change from one tax year to the next, the person or combined group must satisfy all three of the conditions in subsections (A), (B), and (C) of subsection (b)(1) for the current tax year and the immediately preceding two tax years.

\* \* \* \*

## **SEC. 953.9. PERSONS OR COMBINED GROUPS ENGAGED IN MULTIPLE BUSINESS ACTIVITIES.**

If a person, or a combined group as described in Section 956.3, engages in business activities described in more than one of Sections 953.1 through 953.7, inclusive, or engages in business activities listed in more than one of subsections 953.1(a)(2), 953.1(a)(3), 953.2(a)(2), 953.2(a)(3), 953.2(a)(4), 953.2(a)(5), 953.3(a)(2), 953.3(a)(3), 953.4(a)(2), 953.4(a)(3), 953.6(a)(2), and 953.6(a)(3), the rate or rates of gross receipts tax to be applied

to that person or combined group, and the method for determining gross receipts in the City, shall be determined as follows:

\* \* \* \*

(c) This Section 953.9 shall not apply to tax years beginning on or after January 1, 2025.

**SEC. 953.10. CONTROLLER TO PUBLISH AND CERTIFY TAXABLE GROSS RECEIPTS AMOUNTS.**

~~(a) On or before October 3, 2022, for purposes of determining the applicable tax rates for tax year 2023, the Controller shall publish the total amount of taxable gross receipts for tax year 2021 reported by taxpayers as of June 30, 2022, and if that amount is equal to or greater than 90% of taxable gross receipts for tax year 2019 reported by taxpayers as of June 30, 2020, the Controller shall certify that the 90% gross receipts threshold has been met for tax year 2023.~~

~~(b) On or before October 2, 2023, for purposes of determining the applicable tax rates for tax year 2024, the Controller shall publish the total amount of taxable gross receipts for tax year 2022 reported by taxpayers as of June 30, 2023, and if that amount is equal to or greater than 95% of taxable gross receipts for tax year 2019 reported by taxpayers as of June 30, 2020, the Controller shall certify that the 95% gross receipts threshold has been met for tax year 2024.~~

~~(c) For purposes of this Section 953.10, "taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 954, attributable to the City.~~

**SEC. 953.20. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 1 BUSINESS ACTIVITIES.**

(a) The gross receipts tax rates applicable to Category 1 Business Activities are:

(1) For tax years 2025 and 2026:

0.1% for taxable gross receipts between \$0 and \$1,000,000

0.13% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
0.18% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.336% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
0.336% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
0.336% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
0.336% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
0.504% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
0.672% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
0.84% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.008% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

0.104% for taxable gross receipts between \$0 and \$1,000,000  
0.135% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
0.187% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.356% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
0.356% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
0.356% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
0.356% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
0.534% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
0.712% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
0.89% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.068% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

0.107% for taxable gross receipts between \$0 and \$1,000,000  
0.139% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.193% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.372% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
0.372% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
0.372% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
0.372% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
0.557% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
0.743% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
0.929% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.115% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.20. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 1 Business Activities" means one or more of the business activities described in NAICS codes 42 (Wholesale Trade), 44 and 45 (Retail Trade), 532 (Rental and Leasing Services), 71 (Arts, Entertainment, and Recreation), 722 (Food Services and Drinking Places), 811 (Repair and Maintenance), 812 (Personal and Laundry Services) but not including 812930 (Parking Lots and Garages), and 813 (Religious, Grantmaking, Civic, Professional, and Similar Organizations).

(c) The amount of taxable gross receipts from Category 1 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.



**SEC. 953.21. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 2 BUSINESS ACTIVITIES.**

*(a) The gross receipts tax rates applicable to Category 2 Business Activities are:*

*(1) For tax years 2025 and 2026:*

*0.185% for taxable gross receipts between \$0 and \$1,000,000*

*0.201% for taxable gross receipts between \$1,000,000.01 and \$2,500,000*

*0.253% for taxable gross receipts between \$2,500,000.01 and \$25,000,000*

*0.331% for taxable gross receipts between \$25,000,000.01 and \$50,000,000*

*0.582% for taxable gross receipts between \$50,000,000.01 and \$75,000,000*

*0.582% for taxable gross receipts between \$75,000,000.01 and \$100,000,000*

*0.582% for taxable gross receipts between \$100,000,000.01 and \$150,000,000*

*0.582% for taxable gross receipts between \$150,000,000.01 and \$250,000,000*

*0.582% for taxable gross receipts between \$250,000,000.01 and \$500,000,000*

*0.582% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000*

*0.582% for taxable gross receipts over \$1,000,000,000*

*(2) For tax year 2027:*

*0.192% for taxable gross receipts between \$0 and \$1,000,000*

*0.209% for taxable gross receipts between \$1,000,000.01 and \$2,500,000*

*0.264% for taxable gross receipts between \$2,500,000.01 and \$25,000,000*

*0.351% for taxable gross receipts between \$25,000,000.01 and \$50,000,000*

*0.617% for taxable gross receipts between \$50,000,000.01 and \$75,000,000*

*0.617% for taxable gross receipts between \$75,000,000.01 and \$100,000,000*

*0.617% for taxable gross receipts between \$100,000,000.01 and \$150,000,000*

*0.617% for taxable gross receipts between \$150,000,000.01 and \$250,000,000*

*0.617% for taxable gross receipts between \$250,000,000.01 and \$500,000,000*

0.617% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.617% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

0.198% for taxable gross receipts between \$0 and \$1,000,000

0.215% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.271% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.366% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.644% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.644% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.644% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.644% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.644% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.644% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.644% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.21. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 2 Business Activities" means the business activities described in NAICS code 721 (Accommodation).

(c) The amount of taxable gross receipts from Category 2 Business Activities subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

**SEC. 953.22. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 3 BUSINESS ACTIVITIES.**

(a) The gross receipts tax rates applicable to Category 3 Business Activities are:

(1) For tax years 2025 and 2026:

0.413% for taxable gross receipts between \$0 and \$1,000,000

0.413% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.435% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.435% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.435% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.435% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.435% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.435% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.435% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.435% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.435% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

0.43% for taxable gross receipts between \$0 and \$1,000,000

0.43% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.452% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.452% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.465% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.465% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
0.465% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
0.465% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
0.465% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
0.465% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
0.465% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

0.442% for taxable gross receipts between \$0 and \$1,000,000  
0.442% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
0.466% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.466% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
0.489% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
0.489% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
0.489% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
0.489% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
0.489% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
0.489% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
0.489% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.22. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 3 Business Activities" means one or more of the business activities described in NAICS codes 531 (Real Estate), 5612 (Facilities Support Services), 5617 (Services to Buildings and Dwellings), and 812930 (Parking Lots and Garages).

(c) The amount of taxable gross receipts from Category 3 Business Activities subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

**SEC. 953.23. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 4 BUSINESS ACTIVITIES.**

(a) The gross receipts tax rates applicable to Category 4 Business Activities are:

(1) For tax years 2025 and 2026:

0.25% for taxable gross receipts between \$0 and \$1,000,000

0.25% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.3% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.504% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.84% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.84% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.176% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.176% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.344% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.344% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.512% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

0.26% for taxable gross receipts between \$0 and \$1,000,000

0.26% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.312% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.534% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
0.89% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
0.89% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
1.246% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
1.246% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
1.424% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
1.424% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.602% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

0.268% for taxable gross receipts between \$0 and \$1,000,000  
0.268% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
0.321% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.557% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
0.929% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
0.929% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
1.301% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
1.301% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
1.486% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
1.486% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.672% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.23. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of

subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 4 Business Activities" means one or more of the business activities described in NAICS codes 11 (Agriculture, Forestry, Fishing and Hunting), 21 (Mining, Quarrying, and Oil and Gas Extraction), 22 (Utilities), 31 through 33 (Manufacturing), 48 and 49 (Transportation and Warehousing), 524 (Insurance Carriers and Related Activities), 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 5611 (Office Administrative Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5619 (Other Support Services), and 92 (Public Administration).

(c) The amount of taxable gross receipts from Category 4 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

**SEC. 953.24. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 5 BUSINESS ACTIVITIES.**

(a) The gross receipts tax rates applicable to Category 5 Business Activities are:

(1) For tax years 2025 and 2026:

1% for taxable gross receipts between \$0 and \$1,000,000

1% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

1.5% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

1.176% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

1.344% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1.344% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.344% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
1.512% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
1.68% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
1.68% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.68% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

1.04% for taxable gross receipts between \$0 and \$1,000,000  
1.04% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
1.56% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
1.246% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
1.424% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
1.424% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
1.424% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
1.602% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
1.78% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
1.78% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.78% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

1.071% for taxable gross receipts between \$0 and \$1,000,000  
1.071% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
1.607% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
1.301% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
1.486% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
1.486% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
1.486% for taxable gross receipts between \$100,000,000.01 and \$150,000,000



1.672% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.858% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.858% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.858% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.24. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 5 Business Activities" means one or more of the business activities described in NAICS codes 51 (Information), 5222 (Nondepository Credit Intermediation), 5223 (Activities Related to Credit Intermediation), 533 (Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)), 54 (Professional, Scientific, and Technical Services) but not including 541714 (Research and Development in Biotechnology (except Nanobiotechnology)), 55 (Management of Companies and Enterprises), 562 (Waste Management and Remediation Services), 61 (Educational Services), 62 (Health Care and Social Assistance), and all business activities not otherwise exempt and not elsewhere subjected to a gross receipts tax rate by Sections 953.20 through 953.26 or an administrative office tax under Section 953.8.

(c) The amount of taxable gross receipts from Category 5 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

**SEC. 953.25. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 6 BUSINESS ACTIVITIES.**

*(a) The gross receipts tax rates applicable to Category 6 Business Activities are:*

*(1) For tax years 2025 and 2026:*

*1.5% for taxable gross receipts between \$0 and \$1,000,000*

*1.5% for taxable gross receipts between \$1,000,000.01 and \$2,500,000*

*3% for taxable gross receipts between \$2,500,000.01 and \$25,000,000*

*2.352% for taxable gross receipts between \$25,000,000.01 and \$50,000,000*

*3.024% for taxable gross receipts between \$50,000,000.01 and \$75,000,000*

*3.024% for taxable gross receipts between \$75,000,000.01 and \$100,000,000*

*3.36% for taxable gross receipts between \$100,000,000.01 and \$150,000,000*

*3.36% for taxable gross receipts between \$150,000,000.01 and \$250,000,000*

*3.36% for taxable gross receipts between \$250,000,000.01 and \$500,000,000*

*3.36% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000*

*3.36% for taxable gross receipts over \$1,000,000,000*

*(2) For tax year 2027:*

*1.56% for taxable gross receipts between \$0 and \$1,000,000*

*1.56% for taxable gross receipts between \$1,000,000.01 and \$2,500,000*

*3.12% for taxable gross receipts between \$2,500,000.01 and \$25,000,000*

*2.492% for taxable gross receipts between \$25,000,000.01 and \$50,000,000*

*3.204% for taxable gross receipts between \$50,000,000.01 and \$75,000,000*

*3.204% for taxable gross receipts between \$75,000,000.01 and \$100,000,000*

*3.56% for taxable gross receipts between \$100,000,000.01 and \$150,000,000*

*3.56% for taxable gross receipts between \$150,000,000.01 and \$250,000,000*

*3.56% for taxable gross receipts between \$250,000,000.01 and \$500,000,000*

3.56% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

3.56% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

1.607% for taxable gross receipts between \$0 and \$1,000,000

1.607% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

3.214% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

2.601% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

3.344% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

3.344% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

3.716% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

3.716% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

3.716% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

3.716% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

3.716% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.25. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 6 Business Activities" means one or more of the business activities described in NAICS codes 521 (Monetary Authorities-Central Bank), 5221 (Depository Credit Intermediation), 523 (Securities, Commodity Contracts, and Other Financial Investments and Related Activities), and 525 (Funds, Trusts, and other Financial Vehicles).

(c) The amount of taxable gross receipts from Category 6 Business Activities subject to the gross receipts tax shall be three-quarters of the amount determined under Section 956.1 plus one-quarter of the amount determined under Section 956.2.

**SEC. 953.26. GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 7 BUSINESS ACTIVITIES.**

(a) The gross receipts tax rates applicable to Category 7 Business Activities are:

(1) For tax years 2025 and 2026:

0.5% for taxable gross receipts between \$0 and \$1,000,000

0.5% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.75% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.672% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

1.008% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1.008% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.344% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.344% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.512% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.512% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.68% for taxable gross receipts over \$1,000,000,000

(2) For tax year 2027:

0.52% for taxable gross receipts between \$0 and \$1,000,000

0.52% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0.78% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.712% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

1.068% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1.068% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
1.424% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
1.424% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
1.602% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
1.602% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.78% for taxable gross receipts over \$1,000,000,000

(3) For tax years beginning on or after January 1, 2028:

0.536% for taxable gross receipts between \$0 and \$1,000,000  
0.536% for taxable gross receipts between \$1,000,000.01 and \$2,500,000  
0.803% for taxable gross receipts between \$2,500,000.01 and \$25,000,000  
0.743% for taxable gross receipts between \$25,000,000.01 and \$50,000,000  
1.115% for taxable gross receipts between \$50,000,000.01 and \$75,000,000  
1.115% for taxable gross receipts between \$75,000,000.01 and \$100,000,000  
1.486% for taxable gross receipts between \$100,000,000.01 and \$150,000,000  
1.486% for taxable gross receipts between \$150,000,000.01 and \$250,000,000  
1.672% for taxable gross receipts between \$250,000,000.01 and \$500,000,000  
1.672% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000  
1.858% for taxable gross receipts over \$1,000,000,000

(4) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system revised by the voters in the ballot measure adding this Section 953.26. Upon receipt of those reports, the Board of Supervisors may by ordinance delay implementation of the rate increases in one or both of subsections (a)(2) or (a)(3) of this Section. Nothing in this subsection (a)(4) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 12-A-1, to the extent constitutionally permitted, for any tax year for any other reason.

(b) "Category 7 Business Activities" means the business activities described in NAICS code 23 (Construction).

(c) Except as otherwise provided in subsection (d), the amount of taxable gross receipts from Category 7 Business Activities subject to the gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

(d) The amount of taxable gross receipts determined under subsection (c) shall be reduced by any amounts that were included in a person or combined group's gross receipts under subsection (c) and that the person or combined group paid to a subcontractor for work related to the real properties located with the City during the tax year. There shall be no deduction for any other costs, including without limitation costs for materials, fees, equipment, or other services. To claim such a deduction, a person must maintain an itemized schedule of payments to subcontractors.

**SEC. 953.27. PERSONS OR COMBINED GROUPS ENGAGED IN MULTIPLE BUSINESS ACTIVITY CATEGORIES.**

For tax years beginning on or after January 1, 2025, if a person, or a combined group as described in Section 956.3, derives gross receipts from more than one of Business Activity Categories 1 through 7, inclusive:

(a) If the person or combined group has \$10,000 or less in gross receipts from any one of Business Activity Categories 1 through 7, inclusive, before allocating or apportioning gross receipts under Section 956, such person or combined group may combine those gross receipts for all purposes related to computing the gross receipts tax with the gross receipts from whichever of Business Activity Categories 1 through 7, inclusive, generated the most gross receipts for the person or combined group, before allocating or apportioning gross receipts under Section 956. If there is no Business Activity Category that generated the most gross receipts for the person or combined group because the person or combined group generated the same amount of gross receipts from one or more Business Activity

Categories, then such person or combined group may combine the gross receipts in this subsection (a) for all purposes related to computing the gross receipts tax with the gross receipts from whichever Business Activity Category has the highest rates among the Business Activity Categories that generated the same amount of gross receipts.

(b) If the person or combined group continues to derive gross receipts from more than one of Business Activity Categories 1 through 7, inclusive, after applying subsection (a) of this Section 953.27, then such person or combined group shall separately compute the gross receipts tax for each Business Activity Category as provided in the Section applicable to that particular Business Activity Category as follows:

(1) The small business exemption provided in Section 954.1 shall apply only if the sum of receipts within the City from all Business Activity Categories does not exceed the applicable threshold in Section 954.1 in total; and

(2) The gross receipts tax liability for the person or combined group shall be the sum of the liabilities for each Business Activity Category.

## **SEC. 954.1. SMALL BUSINESS EXEMPTION.**

(a) Notwithstanding any other provision of this Article 12-A-1, a “small business enterprise,” as hereinafter defined for purposes of this Article, shall be exempt from payment of the gross receipts tax, nevertheless, a small business enterprise shall pay the annual registration fee pursuant to Section 855 of Article 12.

(b) For purposes of this Article 12-A-1, the term “small business enterprise” shall mean:

(1) For tax years beginning on or after January 1, 2014 and ending on or before December 31, 2020, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$1,000,000, adjusted annually in

accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning with December 31, 2014.

(2) For tax years beginning on or after January 1, 2021 and ending on or before December 31, 2024, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$2,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/San Jose Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the preceding year, beginning with December 31, 2021.

(3) For tax years beginning on or after January 1, 2025, any person or combined group, except for a lessor of residential real estate, whose gross receipts within the City did not exceed \$5,000,000, adjusted annually in accordance with the increase in the Consumer Price Index: All Urban Consumers for the San Francisco/Oakland/Hayward Area for All Items as reported by the United States Bureau of Labor Statistics, or any successor to that index, as of December 31 of the calendar year two years prior to the tax year, beginning with tax year 2026, and rounded to the nearest \$10,000.

\* \* \* \*



**SEC. 956. ALLOCATION AND APPORTIONMENT FOR ALL PERSONS DERIVING GROSS RECEIPTS FROM BUSINESS ACTIVITIES BOTH WITHIN AND OUTSIDE THE CITY.**

All persons deriving gross receipts from business activities both within and outside the City shall allocate and/or apportion their gross receipts to the City, as follows:

(a) for taxable years ending on or before December 31, 2024, using the rules set forth in Sections 956.1 and 956.2, in the manner directed in Sections 953.1 through 953.7, inclusive, and in Section 953.9 of this Article 12-A-1; and

(b) for taxable years beginning on or after January 1, 2025, in the manner directed in Sections 953.20 through 953.26, inclusive, and using the rules set forth in Sections 956.1 and 956.2, as applicable.

**SEC. 956.1. ALLOCATION OF RECEIPTS FROM REAL, PERSONAL, TANGIBLE AND INTANGIBLE PROPERTY.**

(a) For all persons required to determine an amount of gross receipts pursuant to this Section 956.1, that amount shall be all non-exempt gross receipts within the City as determined hereunder.

(b) Gross receipts from the sale, lease, rental, or licensing of real property are in the City if the real property is located in the City.

(c) Gross receipts from sales of tangible personal property are in the City if the property is delivered or shipped to a purchaser within the City regardless of the f.o.b. point or other conditions of the sale.

(d) Gross receipts from the rental, lease, or licensing of tangible personal property are in the City if the property is located in the City.

(e) Gross receipts from services are in the City to the extent the purchaser of the services received the benefit of the services in the City. The Tax Collector shall promulgate regulations interpreting whether the purchaser of services received the benefit of services in the City for purposes of this Section 956.1(e). In promulgating such regulations, the Tax Collector shall comply with the requirements of Section 6.16-1 of Article 6 of this Business and Tax Regulations Code, including but not limited to the requirement that the Tax Collector hold a public hearing and allow public comment prior to the adoption of the regulations. Further, in promulgating such regulations, the Tax Collector shall review and consider sourcing rules and safe harbor provisions adopted by the State of California and other jurisdictions.

(f) Gross receipts from intangible property are in the City to the extent the property is used in the City. In the case of financial instruments, sales are in the City if the customer is located in the City. The Tax Collector shall promulgate regulations interpreting whether intangible property is used in the City for purposes of this Section 956.1(f) and whether, in the case of financial instruments, the customer is located in the City. In promulgating such regulations, the Tax Collector shall comply with the requirements of Section 6.16-1 of Article 6 of this Business and Tax Regulations Code, including but not limited to the requirement that the Tax Collector hold a public hearing and allow public comment prior to the adoption of the regulations. Further, in promulgating such regulations, the Tax Collector shall review and consider sourcing rules and safe harbor provisions adopted by the State of California and other jurisdictions.

## **SEC. 956.2. APPORTIONMENT OF RECEIPTS BASED ON PAYROLL.**

(a) For all persons required to determine an amount of gross receipts pursuant to this Section 956.2, that amount shall be all non-exempt combined gross receipts of the person multiplied by a fraction, the numerator of which is payroll in the City and the denominator of which is combined payroll.

(b) Combined gross receipts are the total worldwide gross receipts of the person and all related entities to the person, unless the election provided for in California Revenue and Taxation Code Section 25110 is in effect for the person, in which case combined gross receipts shall be computed consistently with the water's edge election, as set forth therein.

(c) Combined payroll is the total worldwide compensation paid by the person and all related entities to the person, unless the election provided for in California Revenue and Taxation Code Section 25110 is in effect for the person, in which case combined payroll shall be computed consistently with the water's edge election, as set forth therein. A person who has no combined payroll in a tax year shall have no gross receipts under this Section for that tax year.

(d) Payroll in the City is the total amount paid for compensation in the City by the person and by all related entities to the person.

(e) Compensation paid in the City shall be determined as ~~follows: set forth in Section 953.8(f)(4).~~

(1) Where compensation is paid by reason of work performed or services rendered by an individual wholly within the City, all of the compensation for such individual shall be attributable to the City.

(2) Where compensation is paid by reason of work performed or services rendered by an individual partly within and partly without the City, the portion of such compensation attributable to the City shall be determined as follows:

(A) Except as otherwise provided in this Section 956.2(e), the portion of such compensation attributable to the City shall be the portion of such compensation which the total number of working hours employed within the City bears to the total number of working hours within and without the City.

(B) If the amount of such compensation depends on the volume of business transacted by such individual, then the portion of such compensation attributable to the City shall be the portion of such compensation which the volume of business transacted by such individual in the City bears to the volume of business transacted by such individual within and without the City.

(C) If it is impracticable, unreasonable, or improper to apportion such compensation as aforesaid either because of the particular nature of the services of such individual, or on account of the unusual basis of compensation, or for any other reason, then the amount of such compensation reasonably attributable to work performed or services rendered in the City shall be determined on the basis of all relevant facts and circumstances of the particular case, in accordance with any rulings or regulations issued or promulgated by the Tax Collector for the purpose.

(D) If the Tax Collector determines that the percentage of compensation attributable to the City, for any one or more persons, is a relatively stable percentage, the Tax Collector may establish that percentage as a prima facie evidence of compensation attributable to the City; provided, that the Tax Collector shall condition the establishment of such fixed percentage upon the obligation of the taxpayer to report immediately to the Tax Collector any significant change in the taxpayer's mode of business which may impact the portion of the person's compensation which is attributable to the City; and, provided further, that the Tax Collector may rescind any such fixed percentage at any time by providing written notice to the taxpayer of such rescission.

(f) "Compensation" means wages, salaries, commissions and any other form of remuneration paid to employees for services. In the case of any person who has no employees, compensation shall also include all taxable income for federal income tax purposes of the owners or proprietors of such person who are individuals. Those owners or proprietors shall be treated as individuals to whom compensation is paid for purposes of subsection (e).

(g) The apportionment provided by this Section 956.2 shall not include in either the numerator or the denominator any payroll of persons exempt from tax under subsections (a) or (e) of Section 954.

**SEC. 960.1. TAX CREDIT FOR OPENING A PHYSICAL LOCATION IN DESIGNATED AREAS IN THE CITY.**

(a) A person or combined group that opens a physical location in the Designated Areas on or after January 1, 2023 through and including December 31, 2027, shall be allowed a credit against that person or combined group's Gross Receipts Tax if the person or combined group did not have a physical location in the City for at least three years prior to opening the physical location. The credit under this Section 960.1 shall be an annual credit for each of up to three tax years immediately following the tax year in which the person or combined group opened the physical location in the Designated Areas, provided the person or combined group maintains a physical location in the Designated Areas in the tax year that the credit is taken. To be eligible for the credit, the person or combined group must take the credit for each tax year on an original Gross Receipts Tax return filed with the Tax Collector. The credit shall be in an amount per tax year, not to exceed \$1,000,000 per tax year, calculated as follows:

(1) ~~For~~ a person or combined group not engaged in business within the City as an administrative office, as defined in Section 953.8 of Article 12-A-1~~;~~

(A) For tax years ending on or before December 31, 2024, 0.45% of the person or combined group's taxable gross receipts during the tax year from one or more of the business activities of information, administrative and support services, financial services, insurance, and professional, scientific and technical services, as those activities are defined in

Sections 953.2, 953.4, and 953.6 of this Article 12-A-1, without regard to any application of Section 953.9 of Article 12-A-1; and

(B) For tax years beginning on or after January 1, 2025, 0.45% of the person or combined group's taxable gross receipts during the tax year from one or more of Business Activity Categories 5 and 6, as described in Sections 953.24 and 953.25 of this Article 12-A-1, and business activities described in NAICS codes 524 (Insurance Carriers and Related Activities), 5611 (Office Administrative Services), 5612 (Facilities Support Services), 5613 (Employment Services), 5614 (Business Support Services), 5615 (Travel Arrangement and Reservation Services), 5616 (Investigation and Security Services), 5617 (Services to Buildings and Dwellings), and 5619 (Other Support Services); or

(2) Efor a person or combined group engaged in business within the City as an administrative office, as defined in Section 953.8 of Article 12-A-1, 0.7% of the person or combined group's taxable payroll expense during the tax year.

\* \* \* \*

(h) Commencing with a report filed no later than October 31, 2024~~;~~:

(1) ~~f~~For the 2023 tax years 2023 and 2024, the Tax Collector shall submit an annual report by October 31 of the calendar year following each tax year to the Board of Supervisors for each tax year for which the credit under this Section 960.1 is in effect that sets forth aggregate information on the dollar amount of the credits taken each year and the number of businesses taking the credit; and

(2) For tax years 2025 through and including 2028, the Tax Collector shall submit an annual report by March 31 of the calendar year two years after each tax year to the Board of Supervisors that sets forth aggregate information on the dollar amount of the credits taken each year and the number of businesses taking the credit.

**SEC. 960.2. TAX CREDIT FOR STADIUM OPERATOR ADMISSION TAXES PAID.**

For tax years beginning on or after January 1, 2025, a person or combined group shall be allowed a credit against that person or combined group's Gross Receipts Tax (including the administrative office tax imposed under Section 953.8) for 50% of Stadium Operator Admission Taxes under Article 11 of this Business and Tax Regulations Code paid to the City during the tax year and 50% of taxes paid to another local government during the tax year that are substantially similar to the Stadium Operator Admission Tax under Article 11 of this Code. In no event shall the credit under this Section 960.2 reduce a person or combined group's Gross Receipts Tax liability to less than \$0 for any tax year. The credit under this Section shall not be refundable and may not be carried forward to a subsequent year.

**SEC. 960.3. TAX CREDIT FOR SUPERMARKETS AND OTHER GROCERY RETAILERS.**

(a) For tax years beginning on or after January 1, 2025, a person or combined group shall be allowed a credit against that person or combined group's Gross Receipts Tax equal to 0.5% of such person or combined group's taxable gross receipts from business activities described in NAICS code 445110 (Supermarkets and Other Grocery Retailers (except Convenience Retailers)), up to a maximum annual credit of \$4,000,000.

(b) For purposes of this Section 960.3, "taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 954 of this Article 12-A-1, attributable to the City.

(c) In no event shall the credit under this Section 960.3 reduce a person or combined group's Gross Receipts Tax liability to less than \$0 for any tax year. The credit under this Section shall not be refundable and may not be carried forward to a subsequent year.

(d) Notwithstanding subsection (a), the credit under this Section 960.3 shall not be allowed against the Administrative Office Tax imposed under Section 953.8.

**SEC. 960.4. CREDIT FOR FIRST LESSEES IN QUALIFIED BUILDINGS.**

(a) The first person or combined group to both enter into a binding agreement to lease all or a portion of each Qualified Building and require at least 100 employees to occupy that Qualified Building shall be allowed a credit against that person or combined group's Gross Receipts Tax (including any tax on administrative office business activities under Section 953.8). Any other person or combined group that meets these requirements for such Qualified Building shall not be entitled to the credit, even if their lease is for a different portion of the Qualified Building. The credit shall be an annual credit commencing in the tax year following the tax year in which the person or combined group entered into the lease of all or a portion of the Qualified Building and first required at least 100 employees to occupy the Qualified Building, and continuing for the lesser of 15 years or until the end of the tax year in which the person or combined group's original lease term without extensions expires (the "Credit Term"); provided, however, that the person or combined group may only take the credit for each tax year during the Credit Term in which the person or combined group continues to lease the Qualified Building and continues to require at least 100 employees to occupy the Qualified Building. The person or combined group must take the credit for each tax year on an original Gross Receipts Tax return filed with the Tax Collector. The credit shall equal the lesser of: (1) the Gross Receipts Tax liability of the person or combined group for that tax year; and (2) \$4,000,000.

(b) For purposes of this Section 960.4, "Qualified Building" means a building located within the City that meets all of the following requirements:

(1) The building contains at least 450,000 gross square feet, exclusive of any space provided under subsection (b)(7);

(2) Construction began on the building between November 5, 2024 and November 4, 2029, inclusive;



(3) Construction of the building incorporated at least 50% of the remains of the exterior walls of a prior structure (measured by the state of the structure when its owner of record on November 5, 2024 acquired it) that was at least 100 years old on November 5, 2024;

(4) Construction on the building created at least 500 construction jobs over the course of construction;

(5) At least \$500,000,000 (not including the cost of the land or financing costs) was expended for the development and construction of the building;

(6) Except as provided in subsection (b)(7), the building is used exclusively for non-residential purposes;

(7) The building is part of a project that provided (prior to issuance of the building's first temporary certificate of occupancy) at least 50,000 gross square feet of publicly accessible open space or affordable housing, or that designated building space to be leased to or occupied by any organization that: (A) serves the community, including but not limited to an organization dedicated to educating youth, childcare, the arts, or serving low-income, unemployed, or unhoused persons; or (B) is tax exempt under Internal Revenue Code Section 501(c)(3). The requirement in this subsection (b)(7) may be satisfied with space that is not within or adjacent to the Qualified Building.

(c) The Planning Department shall, by January 1, 2025, establish procedures for developers and other persons to obtain certification that a building is a Qualified Building under subsection (b). To be eligible for the credit, the person or combined group claiming the credit must submit a copy of that certification with the person or combined group's Gross Receipts Tax return.

(d) In no event shall the credit under this Section 960.4 reduce a person or combined group's Gross Receipts Tax liability to less than \$0 for any tax year. The credit under this Section shall not be refundable and may not be carried forward to a subsequent year.

Section 6. Article 28 of the Business and Tax Regulations Code is hereby amended by revising Sections 2802, 2804, 2805, 2807, and 2813 and adding Sections 2804.1, 2804.2, 2804.3, 2804.4, 2804.5, 2804.6, 2804.7, 2804.8, 2804.9, 2804.10, 2804.11, 2805.3, and 2805.4, to read as follows:

**SEC. 2802. FINDINGS AND PURPOSE.**

\* \* \* \*

(c) In December, 2017 Donald Trump signed the "Tax Cuts and Jobs Act" into law which reduced the federal corporate rate from 35% to 21%, a 14% reduction. ~~By comparison, this measure would be an average of less than a half of a percent tax for the gross receipts of San Francisco businesses over \$50 million.~~

\* \* \* \*

**SEC. 2804. IMPOSITION OF TAX.**

(a) Except as otherwise provided in this Article 28, for the privilege of engaging in business in the City, the City imposes an annual Homelessness Gross Receipts Tax on each person engaged in business in the City that receives or is a member of a combined group that receives, more than \$50,000,000 in total taxable gross receipts.

(b) If, after applying any rules or elections used to assign receipts to a business activity in Section 953.9 of Article 12-A-1, a person or combined group derives gross receipts from business activities described in only one of Sections 953.1 through 953.7 of Article 12-A-1, inclusive, the Homelessness Gross Receipts Tax shall be calculated by applying to the person or combined group's taxable gross receipts in excess of \$50,000,000 the following percentage that corresponds to the person or combined group's business activities, as described in Sections 953.1 through 953.7 of Article 12-A-1, inclusive:

| <b><i>Business Activity Set</i></b> | <b><i>Tax Rate</i></b> |
|-------------------------------------|------------------------|
| Section 953.1                       | .175%                  |
| Section 953.2                       | .500%                  |
| Section 953.3                       | .425%                  |
| Section 953.4                       | .690%                  |
| Section 953.5                       | .475%                  |
| Section 953.6                       | .600%                  |
| Section 953.7                       | .325%                  |

(c) If, after applying any rules or elections used to assign receipts to a business activity in Section 953.9 of Article 12-A-1, a person or combined group derives gross receipts from business activities described in more than one of Sections 953.1 through 953.7 of Article 12-A-1, inclusive, the taxable gross receipts and rate or rates of tax to be applied to that person or combined group shall be determined as follows:

(1) The taxable gross receipts shall be determined on an aggregate basis in numbered order of Sections 953.1 through 953.7, inclusive, i.e., the taxable gross receipts for business activities described in Section 953.1 of Article 12-A-1 should be determined first, Section 953.2 of Article 12-A-1 second, and so on;

(2) The rates in subsection (b) shall apply to the gross receipts from the corresponding sets of business activities described in Sections 953.1 through 953.7 of Article 12-A-1, inclusive, except that the rate shall be 0% for the first \$50,000,000 of the person or combined group's total taxable gross receipts from all taxable business activities;

(3) Whether the 0% rate for the first \$50,000,000 of the person or combined group's total taxable gross receipts from all taxable business activities applies to any set of business activities after the first shall be determined by adding to the taxable gross receipts

from that set of business activities all of the taxable gross receipts from all previous sets of business activities; and

(4) The Homelessness Gross Receipts Tax for the person or combined group shall be the sum of the liabilities for each set of business activities determined under subsections (c)(1) through (3).

(d) Notwithstanding any other subsection of this Section 2804, every person engaging in business within the City as an administrative office, as defined in Section 953.8 of Article 12-A-1, shall pay an annual homelessness administrative office tax measured by its total payroll expense, as defined in Section 953.8(f) of Article 12-A-1, that is attributable to the City. If a person is a member of a combined group, then its tax shall be measured by the total payroll expense of the combined group attributable to the City. Such combined group shall pay only the homelessness administrative office tax, and not the tax imposed under other subsections of this Section 2804, but a person or combined group may be liable for both the administrative office tax imposed by Section 953.8 of Article 12-A-1 and the homelessness administrative office tax imposed by this subsection (d). The homelessness administrative office tax rate for each tax year is 1.5%.

Unless specified otherwise, this homelessness administrative office tax shall be considered part of the Homelessness Gross Receipts Tax for all purposes.

(e) "Taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 2805, attributable to the City. The person or combined group's gross receipts that are attributable to the City shall be determined in the same manner as in Article 12-A-1, as amended from time to time.

~~(f) If the voters adopt any measure adding a business activity category in Section 953.7.5 of Article 12-A-1 at the November 6, 2018 consolidated general election, any receipts from business activities described in that Section 953.7.5 shall be assigned, for purposes of this Article 28, to one or~~

~~more of Sections 953.1 through 953.7 of Article 12-A-1, inclusive, as if Section 953.7.5 were not added to Article 12-A-1.~~

(f) This Section 2804 shall apply to tax years ending on or before December 31, 2024.

**SEC. 2804.1. IMPOSITION OF TAX.**

(a) Except as otherwise provided under this Article 28, the City imposes and every person engaging in business within the City shall pay an annual homelessness gross receipts tax measured by the person's gross receipts from all taxable business activities attributable to the City. A person's liability for the homelessness gross receipts tax shall be calculated according to this Article 28.

(b) The homelessness gross receipts tax is a privilege tax imposed upon persons engaging in business within the City for the privilege of engaging in a business or occupation in the City.

(c) The tax on Administrative Office Business Activities imposed by Section 2804.9 is intended as a complementary tax to the homelessness gross receipts tax, and shall be considered a homelessness gross receipts tax for purposes of this Article 28.

(d) This Section 2804.1 shall apply to tax years beginning on or after January 1, 2025.

**SEC. 2804.2. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 1 BUSINESS ACTIVITIES.**

(a) The homelessness gross receipts tax rates applicable to Category 1 Business Activities for tax years beginning on or after January 1, 2025 are:

0% for taxable gross receipts between \$0 and \$1,000,000

0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.164% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.164% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.164% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.164% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.246% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.328% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.41% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.492% for taxable gross receipts over \$1,000,000,000

(b) "Category 1 Business Activities" has the same meaning as in Section 953.20(b) of Article 12-A-1 of this Business and Tax Regulations Code.

(c) The amount of taxable gross receipts from Category 1 Business Activities subject to the homelessness gross receipts tax shall be three-quarters of the amount determined under Section 956.1 of Article 12-A-1 plus one-quarter of the amount determined under Section 956.2 of Article 12-A-1.

**SEC. 2804.3. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 2 BUSINESS ACTIVITIES.**

(a) The homelessness gross receipts tax rates applicable to Category 2 Business Activities for tax years beginning on or after January 1, 2025 are:

0% for taxable gross receipts between \$0 and \$1,000,000

0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.162% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.284% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.284% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.284% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.284% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.284% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.284% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.284% for taxable gross receipts over \$1,000,000,000

(b) "Category 2 Business Activities" has the same meaning as in Section 953.21(b) of Article 12-A-1 of this Business and Tax Regulations Code.

(c) The amount of taxable gross receipts from Category 2 Business Activities subject to the homelessness gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

**SEC. 2804.4. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 3 BUSINESS ACTIVITIES.**

(a) The homelessness gross receipts tax rates applicable to Category 3 Business Activities for tax years beginning on or after January 1, 2025 are:

0% for taxable gross receipts between \$0 and \$1,000,000

0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.325% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.325% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.325% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.325% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.325% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.325% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.325% for taxable gross receipts over \$1,000,000,000

(b) "Category 3 Business Activities" has the same meaning as in Section 953.22(b) of Article 12-A-1 of this Business and Tax Regulations Code.

(c) The amount of taxable gross receipts from Category 3 Business Activities subject to the homelessness gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

**SEC. 2804.5. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 4 BUSINESS ACTIVITIES.**

(a) The homelessness gross receipts tax rates applicable to Category 4 Business Activities for tax years beginning on or after January 1, 2025 are:

0% for taxable gross receipts between \$0 and \$1,000,000

0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.246% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.41% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.41% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.574% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.574% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.656% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.656% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.738% for taxable gross receipts over \$1,000,000,000

(b) "Category 4 Business Activities" has the same meaning as in Section 953.23(b) of Article 12-A-1 of this Business and Tax Regulations Code.

(c) The amount of taxable gross receipts from Category 4 Business Activities subject to the homelessness gross receipts tax shall be three-quarters of the amount determined under Section 956.1 of Article 12-A-1 plus one-quarter of the amount determined under Section 956.2 of Article 12-A-1.



**SEC. 2804.6. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 5 BUSINESS ACTIVITIES.**

*(a) The homelessness gross receipts tax rates applicable to Category 5 Business Activities for tax years beginning on or after January 1, 2025 are:*

*0% for taxable gross receipts between \$0 and \$1,000,000*

*0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000*

*0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000*

*0.574% for taxable gross receipts between \$25,000,000.01 and \$50,000,000*

*0.656% for taxable gross receipts between \$50,000,000.01 and \$75,000,000*

*0.656% for taxable gross receipts between \$75,000,000.01 and \$100,000,000*

*0.656% for taxable gross receipts between \$100,000,000.01 and \$150,000,000*

*0.738% for taxable gross receipts between \$150,000,000.01 and \$250,000,000*

*0.82% for taxable gross receipts between \$250,000,000.01 and \$500,000,000*

*0.82% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000*

*0.82% for taxable gross receipts over \$1,000,000,000*

*(b) "Category 5 Business Activities" has the same meaning as in Section 953.24(b) of Article 12-A-1 of this Business and Tax Regulations Code.*

*(c) The amount of taxable gross receipts from Category 5 Business Activities subject to the homelessness gross receipts tax shall be three-quarters of the amount determined under Section 956.1 of Article 12-A-1 plus one-quarter of the amount determined under Section 956.2 of Article 12-A-1.*

**SEC. 2804.7. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 6 BUSINESS ACTIVITIES.**

(a) The homelessness gross receipts tax rates applicable to Category 6 Business Activities for tax years beginning on or after January 1, 2025 are:

0% for taxable gross receipts between \$0 and \$1,000,000

0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

1.148% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

1.476% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

1.476% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

1.64% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

1.64% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

1.64% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

1.64% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

1.64% for taxable gross receipts over \$1,000,000,000

(b) "Category 6 Business Activities" has the same meaning as in Section 953.25(b) of Article 12-A-1 of this Business and Tax Regulations Code.

(c) The amount of taxable gross receipts from Category 6 Business Activities subject to the homelessness gross receipts tax shall be three-quarters of the amount determined under Section 956.1 of Article 12-A-1 plus one-quarter of the amount determined under Section 956.2 of Article 12-A-1.

**SEC. 2804.8. HOMELESSNESS GROSS RECEIPTS TAX APPLICABLE TO CATEGORY 7 BUSINESS ACTIVITIES.**

(a) The homelessness gross receipts tax rates applicable to Category 7 Business Activities for tax years beginning on or after January 1, 2025 are:

0% for taxable gross receipts between \$0 and \$1,000,000

0% for taxable gross receipts between \$1,000,000.01 and \$2,500,000

0% for taxable gross receipts between \$2,500,000.01 and \$25,000,000

0.328% for taxable gross receipts between \$25,000,000.01 and \$50,000,000

0.492% for taxable gross receipts between \$50,000,000.01 and \$75,000,000

0.492% for taxable gross receipts between \$75,000,000.01 and \$100,000,000

0.656% for taxable gross receipts between \$100,000,000.01 and \$150,000,000

0.656% for taxable gross receipts between \$150,000,000.01 and \$250,000,000

0.738% for taxable gross receipts between \$250,000,000.01 and \$500,000,000

0.738% for taxable gross receipts between \$500,000,000.01 and \$1,000,000,000

0.82% for taxable gross receipts over \$1,000,000,000

(b) "Category 7 Business Activities" has the same meaning as in Section 953.26(b) of Article 12-A-1 of this Business and Tax Regulations Code.

(c) Except as otherwise provided in subsection (d), the amount of taxable gross receipts from Category 7 Business Activities subject to the homelessness gross receipts tax shall be the total amount of gross receipts derived from or related to real properties located within the City.

(d) The amount of taxable gross receipts determined under subsection (c) shall be reduced by any amounts that were included in a person or combined group's gross receipts under subsection (c) and that the person or combined group paid to a subcontractor for work related to the real properties located with the City during the tax year. There shall be no deduction for any other costs, including

without limitation costs for materials, fees, equipment, or other services. To claim such a deduction, a person must maintain an itemized schedule of payments to subcontractors.

**SEC. 2804.9. TAX ON ADMINISTRATIVE OFFICE BUSINESS ACTIVITIES.**

For tax years beginning on or after January 1, 2025, notwithstanding Sections 2804.1 through 2804.8 and in lieu of the other taxes imposed under Sections 2804.1 through 2804.8, every person engaging in business within the City as an administrative office, as defined in Section 953.8 of Article 12-A-1, shall pay an annual homelessness administrative office tax in the manner set forth in Section 953.8, except that the homelessness administrative office tax rate shall be 1.5%.

**SEC. 2804.10. PERSONS OR COMBINED GROUPS ENGAGED IN MULTIPLE BUSINESS ACTIVITY CATEGORIES.**

For tax years beginning on or after January 1, 2025, if a person, or a combined group as described in Section 956.3 of Article 12-A-1 of this Business and Tax Regulations Code, derives gross receipts from more than one of Business Activity Categories 1 through 7, inclusive:

(a) If the person or combined group has \$10,000 or less in gross receipts from any one of Business Activity Categories 1 through 7, inclusive, before allocating or apportioning gross receipts under Section 956 of Article 12-A-1, such person or combined group may combine those gross receipts for all purposes related to computing the homelessness gross receipts tax with the gross receipts from whichever of Business Activity Categories 1 through 7, inclusive, generated the most gross receipts for the person or combined group, before allocating or apportioning gross receipts under Section 956. If there is no Business Activity Category that generated the most gross receipts for the person or combined group because the person or combined group generated the same amount of gross receipts from one or more Business Activity Categories, then such person or combined group may combine the gross receipts in this subsection (a) for all purposes related to computing the homelessness gross

receipts tax with the gross receipts from whichever Business Activity Category has the highest rates among the Business Activity Categories that generated the same amount of gross receipts.

(b) If the person or combined group continues to derive gross receipts from more than one of Business Activity Categories 1 through 7, inclusive, after applying subsection (a) of this Section 2804.10, then such person or combined group shall separately compute the homelessness gross receipts tax for each Business Activity Category as provided in the Section applicable to that particular Business Activity Category as follows:

(1) The small business exemption provided in Section 2805.4 shall apply only if the sum of receipts within the City from all Business Activity Categories does not exceed the applicable threshold in Section 2805.4 in total; and

(2) The homelessness gross receipts tax liability for the person or combined group shall be the sum of the liabilities for each Business Activity Category.

**SEC. 2804.11. PERSONS DERIVING NO GROSS RECEIPTS FROM BUSINESS ACTIVITIES OUTSIDE THE CITY.**

(a) Notwithstanding any other provision of this Article 28, any person subject to the homelessness gross receipts tax who derives non-exempt gross receipts from business activities within the City and derives no gross receipts from business activities outside the City is subject to tax on all non-exempt gross receipts.

(b) This Section 2804.11 shall apply to tax years beginning on or after January 1, 2025.

**SEC. 2805. EXEMPTIONS AND EXCLUSIONS.**

(a) An organization that is exempt from income taxation by Chapter 4 (commencing with Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or Subchapter F (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal

Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as amended, shall be exempt from taxation under this Article 28, only so long as those exemptions continue to exist under state or federal law.

(b) For only so long as and to the extent that the City is prohibited from imposing the Homelessness Gross Receipts Tax, any person upon whom the City is prohibited under the Constitution or laws of the State of California or the Constitution or laws of the United States from imposing the Homelessness Gross Receipts Tax shall be exempt from the Homelessness Gross Receipts Tax.

(c) For purposes of this Article 28, gross receipts shall not include receipts that are excluded from gross receipts for purposes of the gross receipts tax imposed by Article 12-A-1, and also shall not include receipts subject to a gross receipts tax on commercial rents imposed as a result of a measure adopted by the voters of San Francisco in the June 5, 2018 election.

*(d) This Section 2805 shall apply to tax years ending on or before December 31, 2024.*

**SEC. 2805.3. EXEMPTIONS AND EXCLUSIONS.**

*(a) An organization that is exempt from income taxation by Chapter 4 (commencing with Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or Subchapter F (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as amended, shall be exempt from taxation under this Article 28, only so long as those exemptions continue to exist under state or federal law.*

*(b) For purposes of this Article 28, gross receipts as defined in Section 952.3 shall not include receipts from business activities if, and only so long as and to the extent that, the City is prohibited*

from taxing such receipts under the Constitution or laws of the United States or under the Constitution or laws of the State of California.

(c) **Rent Controlled Buildings Exclusion.** A person subject to the homelessness gross receipts tax may exclude from gross receipts in any tax year 50% of the total amount received from the rental of real property to tenants in occupancy at any location in the City, which is subject to limits on rent increases pursuant to the Residential Rent Stabilization and Arbitration Ordinance, Administrative Code, Chapter 37, Section 37.1 et seq.

(d) **Exclusion of Certain Sales of Real Property.** For purposes of this Article 28, gross receipts as defined in Section 952.3 shall not include receipts from any sales of real property with respect to which the Real Property Transfer Tax imposed by Article 12-C has been paid to the City.

(e) For only so long as and to the extent that the City is prohibited from imposing the tax under this Article 28, the following persons shall be exempt from the homelessness gross receipts tax:

(1) Banks and financial corporations exempt from local taxation under Article XIII, Section 27 of the California Constitution and Revenue and Taxation Code Section 23182;

(2) Insurance companies exempt from local taxation under Article XIII, Section 28 of the California Constitution;

(3) Persons engaging in business as a for-hire motor carrier of property under Revenue and Taxation Code Section 7233;

(4) Persons engaging in intercity transportation as a household goods carrier under Public Utilities Code Section 5327;

(5) Charter-party carriers operating limousines that are neither domiciled nor maintain a business office within the City under Public Utilities Code Section 5371.4; and

(6) Any person upon whom the City is prohibited under the Constitution or laws of the State of California from imposing the homelessness gross receipts tax.

(f) For purposes of this Article 28, gross receipts shall not include receipts subject to the Early Care and Education Commercial Rents Tax under Article 21 of this Business and Tax Regulations Code.

(g) This Section 2805.3 shall apply to tax years beginning on or after January 1, 2025.

**SEC. 2805.4. SMALL BUSINESS EXEMPTION.**

(a) Notwithstanding any other provision of this Article 28, a person or combined group exempt from payment of the gross receipts tax under Section 954.1 of Article 12-A-1, as amended from time to time, shall also be exempt from payment of the homelessness gross receipts tax.

(b) This Section 2805.4 shall apply to tax years beginning on or after January 1, 2025.

**SEC. 2807. TAX COLLECTOR AUTHORIZED TO DETERMINE GROSS RECEIPTS.**

(a) For tax years ending on or before December 31, 2024, ~~t~~The Tax Collector may, in his or her reasonable discretion, independently establish a person or combined group's gross receipts within the City and establish or reallocate gross receipts among related entities so as to fairly reflect the gross receipts within the City of all persons and combined groups.

(b) For tax years beginning on or after January 1, 2025, the Tax Collector shall have the same authority with respect to the homelessness gross receipts tax as the Tax Collector has with respect to the gross receipts tax under Section 957 of Article 12-A-1 of this Business and Tax Regulations Code.

**SEC. 2813. SEVERABILITY.**

(a) Except as provided in Section 2813(b), below, if any section, subsection, sentence, clause, phrase, or word of this Article 28, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by an unappealable decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or



applications of this Article. The People of the City and County of San Francisco hereby declare that, except as provided in Section 2813(b), they would have adopted this Article 28 and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this Article or application thereof would be subsequently declared invalid or unconstitutional.

(b) If the imposition of the Homelessness Gross Receipts Tax in Section 2804 for tax years ending on or before December 31, 2024, or in Sections 2804.1 through 2804.11, inclusive, for tax years beginning on or after January 1, 2025, is held in its entirety to be facially invalid or unconstitutional in a final unappealable court determination, the remainder of this Article 28 shall be void and of no force and effect, and the City Attorney shall cause it to be removed from the Business and Tax Regulations Code, and likewise cause Section 10.100-164 to be removed from the Administrative Code.

Section 7. Article 33 of the Business and Tax Regulations Code is hereby amended by revising Sections 3302, 3303, and 3304, to read as follows:

#### **SEC. 3302. DEFINITIONS.**

(a) Unless otherwise defined in this Article 33, the terms used in this Article shall have the meanings given to them in Articles 6, 12-A, and 12-A-1 of the Business and Tax Regulations Code, as amended from time to time.

(b) For purposes of this Article 33:

~~(1)~~ The following definitions apply for tax years ending on or before December 31, 2024:

“Compensation” means wages, salaries, commissions, bonuses, property issued or transferred in exchange for the performance of services (including but not limited to stock

options), compensation for services to owners of pass-through entities, and any other form of remuneration paid to employees for services.

“Executive Pay Ratio” means the ratio of the annual Compensation paid to the person or combined group’s Highest-Paid Managerial Employee for a tax year to the median Compensation paid to the person or combined group’s full-time and part-time employees based in the City for that tax year, determined on a full-time equivalency and annualized basis. For purposes of this definition:

(*ai*) An employee is “based in the City for [a] tax year” if the employee’s total working hours in the City for the person or combined group during the tax year exceeds the employee’s total working hours in any other local jurisdiction for the person or combined group during the tax year.

(*bii*) Compensation paid to a part-time employee for the tax year shall be converted to a “full-time equivalency” by multiplying the part-time employee’s Compensation for the tax year by 40, and dividing the result by the average number of hours the part-time employee worked per week during the tax year for the person or combined group.

(*eiii*) Compensation paid to an employee who was employed by the person or combined group for only a portion of the tax year shall be “annualized” by multiplying the employee’s Compensation (or, as stated, for a part-time employee, full-time equivalent Compensation) for the tax year by 52, and dividing the result by the number of weeks that the employee was employed by that person or combined group during the tax year.

“Highest-Paid Managerial Employee” means the individual employee or officer of a person or combined group with managerial responsibility in a business function who received the most Compensation for a tax year.

(2) The following definitions apply for tax years beginning on or after January 1, 2025:

“Compensation” means wages, salaries, commissions, bonuses, property issued or transferred in exchange for the performance of services (including but not limited to stock options), compensation for services to owners of pass-through entities, and any other form of remuneration paid to employees for services.

“Executive Pay Ratio” means the ratio of the Compensation paid to the person or combined group’s Highest-Paid Managerial Employee for a tax year to the median Compensation paid to the person or combined group’s full-time and part-time employees based in the City for that tax year. The median Compensation paid to the person or combined group’s full-time and part-time employees based in the City for that tax year shall be determined on a full-time equivalency and annualized basis, and shall be determined without regard to any Compensation paid to the Highest-Paid Managerial Employee who may be based in the City for that tax year. For purposes of this definition:

(i) An employee is “based in the City for [a] tax year” if the employee’s total working hours in the City for the person or combined group during the tax year exceeds the employee’s total working hours in any other local jurisdiction for the person or combined group during the tax year.

(ii) Compensation paid to a part-time employee for the tax year shall be converted to a “full-time equivalency” by multiplying the part-time employee’s Compensation for the tax year by 40, and dividing the result by the average number of hours the part-time employee worked per week during the tax year for the person or combined group.

(iii) Compensation paid to an employee who was employed by the person or combined group for only a portion of the tax year shall be “annualized” by multiplying the employee’s Compensation (or, as stated, for a part-time employee, full-time equivalent Compensation) for the tax

year by 52, and dividing the result by the number of weeks that the employee was employed by that person or combined group during the tax year.

"Highest-Paid Managerial Employee" means the individual employee or officer of a person or combined group with managerial responsibility in a business function who received the most Compensation for a tax year. For purposes of determining the Highest-Paid Managerial Employee and the Compensation of such employee, Compensation shall not be annualized or converted to a full-time equivalency.

### **SEC. 3303. IMPOSITION OF TAX.**

(a) Except as otherwise provided in this Article 33, commencing with tax years beginning on or after January 1, 2022, for the privilege of engaging in business in the City, the City imposes an annual Overpaid Executive Gross Receipts Tax on each person engaging in business within the City where the Executive Pay Ratio for the tax year of that person or the combined group of which it is a part exceeds 100:1.

(b) For tax years ending on or before December 31, 2024, tThe Overpaid Executive Gross Receipts Tax shall be calculated as follows:

(1) 0.1% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(2) 0.2% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(3) 0.3% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(4) 0.4% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(5) 0.5% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(6) 0.6% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(c) For tax years 2025 and 2026, the Overpaid Executive Gross Receipts Tax shall be calculated as follows:

(1) 0.02% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(2) 0.04% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(3) 0.06% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(4) 0.08% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(5) 0.1% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(6) 0.12% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(d) For tax year 2027, the Overpaid Executive Gross Receipts Tax shall be calculated as follows:

(1) 0.021% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(2) 0.042% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(3) 0.062% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(4) 0.083% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(5) 0.104% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(6) 0.125% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(e) For tax years beginning on or after January 1, 2028, the Overpaid Executive Gross Receipts Tax shall be calculated as follows:

(1) 0.021% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(2) 0.043% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(3) 0.064% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(4) 0.086% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(5) 0.107% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(6) 0.129% of the person or combined group's taxable gross receipts for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(ef) For purposes of this Section 3303, "taxable gross receipts" means a person or combined group's gross receipts, not excluded under Section 3304, attributable to the City. The person or combined group's gross receipts that are attributable to the City shall be determined in the same manner as in Article 12-A-1, as amended from time to time.

(dg) Notwithstanding any other subsection of this Section 3303, every person engaging in business within the City as an administrative office, as defined in Section 953.8 of

Article 12-A-1, shall pay an annual overpaid executive administrative office tax if the Executive Pay Ratio for the tax year of that person or the combined group of which it is a part exceeds 100:1. This overpaid executive administrative office tax shall be measured by the person's total payroll expense, as defined in Section 953.8(f) of Article 12-A-1, that is attributable to the City. If a person is a member of a combined group, then its tax shall be measured by the total payroll expense of the combined group attributable to the City. Such person or combined group shall pay only the overpaid executive administrative office tax, and not the tax imposed under other subsections of this Section 3303, but a person or combined group may be liable for the administrative office tax imposed by Section 953.8 of Article 12-A-1 and the homelessness administrative office tax imposed by Section 2804(d) or Section 2804.9 of Article 28 in addition to the overpaid executive administrative office tax imposed by this subsection (~~dg~~). Unless specified otherwise, this overpaid executive administrative office tax shall be considered part of the Overpaid Executive Gross Receipts Tax for all purposes.

(1) For tax years ending on or before December 31, 2024, tThe overpaid executive administrative office tax shall be calculated as follows:

~~(1A)~~ 0.4% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

~~(2B)~~ 0.8% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

~~(3C)~~ 1.2% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;



(4D) 1.6% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(5E) 2% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(6F) 2.4% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(2) For tax years 2025 and 2026, the overpaid executive administrative office tax shall be calculated as follows:

(A) 0.08% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(B) 0.16% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(C) 0.24% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(D) 0.32% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(E) 0.4% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(F) 0.48% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(3) For tax year 2027, the overpaid executive administrative office tax shall be calculated as follows:

(A) 0.083% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(B) 0.166% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(C) 0.25% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(D) 0.333% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(E) 0.416% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(F) 0.499% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(4) For tax years beginning on or after January 1, 2028, the overpaid executive administrative office tax shall be calculated as follows:

(A) 0.086% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 100:1, but less than or equal to 200:1;

(B) 0.171% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 200:1, but less than or equal to 300:1;

(C) 0.257% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 300:1, but less than or equal to 400:1;

(D) 0.343% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 400:1, but less than or equal to 500:1;

(E) 0.428% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 500:1, but less than or equal to 600:1; or

(F) 0.514% of the person or combined group's total payroll expense attributable to the City for a tax year if the person or combined group has an Executive Pay Ratio for that tax year of greater than 600:1.

(h) The Controller shall prepare reports by September 1, 2026, and September 1, 2027, respectively, that discuss current economic conditions in the City and the performance of the tax system

revised by the voters in the ballot measure adding this subsection (h). Upon receipt of those reports, the Board of Supervisors may by ordinance delay the implementation of the rate increases in one or more of subsections (d), (e), (g)(3), or (g)(4) of this Section 3303. Nothing in this subsection (h) shall limit the authority of the Board of Supervisors to reduce tax rates or otherwise revise this Article 33, to the extent constitutionally permitted, for any tax year for any other reason.

#### **SEC. 3304. EXEMPTIONS AND EXCLUSIONS.**

(a) An organization that is exempt from income taxation by Chapter 4 (commencing with Section 23701) of Part 11 of Division 2 of the California Revenue and Taxation Code or Subchapter F (commencing with Section 501) of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended, as qualified by Sections 502, 503, 504, and 508 of the Internal Revenue Code of 1986, as amended, shall be exempt from taxation under this Article 33, only so long as those exemptions continue to exist under state or federal law.

(b) For only so long as and to the extent that the City is prohibited from imposing the Overpaid Executive Gross Receipts Tax, any person upon whom the City is prohibited under the Constitution or laws of the State of California or the Constitution or laws of the United States from imposing the Overpaid Executive Gross Receipts Tax shall be exempt from the Overpaid Executive Gross Receipts Tax.

(c) For purposes of this Article 33, gross receipts shall not include receipts that are excluded from gross receipts for purposes of the gross receipts tax imposed by Article 12-A-1.

(d) A person or combined group exempt from the gross receipts tax as a small business enterprise under Section 954.1 of Article 12-A-1 shall also be exempt from taxation under this Article 33. But the exemption in this subsection (d) of Section 3304 shall not apply to persons subject to the overpaid executive administrative office tax in subsection (dg) of Section 3303.

(e) For tax years commencing on or after January 1, 2025, persons or combined groups that meet both of the following two requirements shall be exempt from the Overpaid Executive Gross Receipts Tax in this Article 33:

(1) The total combined number of employees of the person and its related entities within the United States as of the last day of the tax year was 1,000 or less; and

(2) The total combined gross receipts of that person and its related entities reported on United States federal income tax return(s) for the tax year was \$1,000,000,000 or less.

Section 8. Amendment of Ordinance by Board of Supervisors. Sections 6.24-1, 863, 962, 2811, and 3310 of Articles 6, 12, 12-A-1, 28, and 33, respectively, of the Business and Tax Regulations Code shall apply to those Articles as amended by this ordinance.

Section 9. Appropriations Limit Increase. Pursuant to California Constitution Article XIII B and applicable laws, for four years from November 5, 2024, the appropriations limit for the City shall be increased by the revenues collected under Articles 12, 12-A-1, 28, and 33 of the Business and Tax Regulations Code.

Section 10. Scope of Ordinance. In enacting this ordinance, the People of the City and County of San Francisco intend to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions or deletions, in accordance with the "Note" that appears under the official title of the ordinance.

Section 11. Severability. If any section, subsection, sentence, clause, phrase, or word of this ordinance, or any application thereof to any person or circumstance, is held to be invalid or unconstitutional by a decision of a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions or applications of the ordinance. The People of the City and County of San Francisco hereby declare that they would have adopted this ordinance and each and every section, subsection, sentence, clause, phrase, and word not declared invalid or unconstitutional without regard to whether any other portion of this ordinance or application thereof would be subsequently declared invalid or unconstitutional.

Section 12. Effective Date. The effective date of this ordinance shall be ten days after the date the official vote count is declared by the Board of Supervisors.

Section 13. Conflicting Measures. If both this ordinance and another ballot measure or measures imposing, amending, or repealing a San Francisco tax measured by gross receipts appear on the same ballot, and this ordinance obtains more votes than the other measure or measures, the other measure or measures shall be deemed to conflict with this ordinance. In such case, the provisions of this ordinance shall prevail in their entirety, and the provisions of the other measure or measures shall be null and void.

Section 14. Termination and Reinstatement. At any time before January 1, 2025, the Mayor, upon recommendation from the City Attorney, Controller, and Treasurer, may terminate implementation of this ordinance by issuing a written notice to the Board of Supervisors and the Controller. If the Mayor terminates this ordinance, the Board of Supervisors, upon recommendation from the City Attorney, Controller, and Treasurer, shall have the authority to reinstate this ordinance commencing on January 1 of a future calendar year by approving an ordinance that becomes effective no later than December 1 prior to the

calendar year in which this ordinance is to be reinstated. The authority of the Board of Supervisors to reinstate this ordinance shall terminate following approval of a subsequent ballot measure that amends any of the taxes amended by this ordinance.

Section 15. Legal Defense. The People of the City and County of San Francisco desire that this ordinance, if approved by the voters and thereafter challenged in court, be defended by the City. The People, by approving this ordinance, hereby declare that the proponents of this ordinance have a direct and personal stake in defending this ordinance from constitutional or statutory challenges to the ordinance's validity or implementation. In the event that the City fails to defend this ordinance, or the City fails to appeal an adverse judgment against the constitutionality, statutory permissibility or implementation of this ordinance, in whole or in part, in any court of law, the ordinance's proponents shall be entitled to assert their direct personal stake by defending the ordinance's validity and implementation in any court of law and shall be empowered by the People through this ordinance to act as agents of the People. The City shall indemnify the proponents for reasonable expenses and any losses incurred by the proponents, as agents, in defending the validity and/or implementation of the challenged ordinance. The rate of indemnification shall be no more than the amount it would cost the City to perform the defense itself.

DEPARTMENT OF PUBLIC WORKS  
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