

May 20, 2025



Treasurer & Tax Collector
CITY AND COUNTY OF SAN FRANCISCO

Proposition M (2024) Business Tax Reform



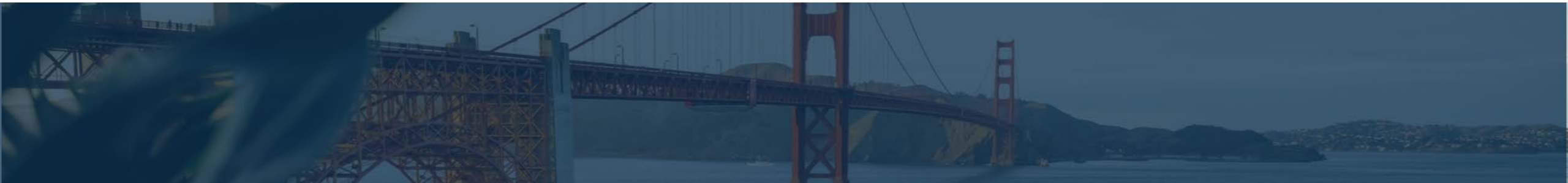
Housekeeping

- Recording
 - Today's webinar will be recorded.
- Audio and Video
 - By default, all participants will be muted upon entry and video is disabled.
- Q&A
 - At any time during the webinar, you may provide questions in the Q&A section by selecting the **Q&A** button at the top of your screen.
- Closed Captions
 - To enable closed captioning, go to your meeting controls at the top of the screen and select **More Actions > Language and Speech > Show Live Captions.**



What is Proposition M?

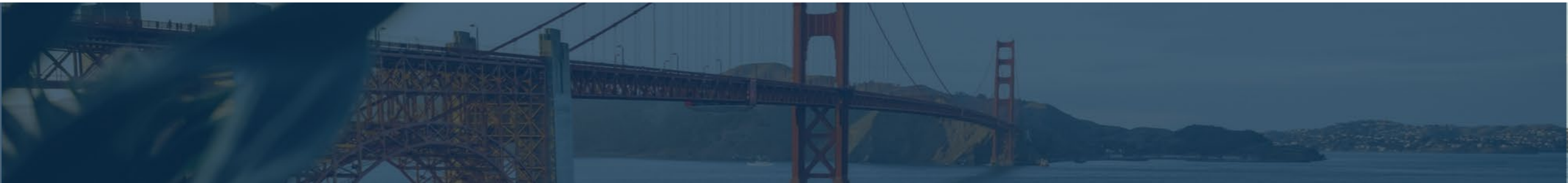
- Approved by San Francisco voters on November 5, 2024.
- Comprehensive restructuring of San Francisco's business tax system.





Why Proposition M?

1. Promote greater equity for small businesses;
2. Simplify the overall tax structure to achieve greater predictability;
3. Reduce risk of tax loss from remote work and business relocation;
and
4. Reduce volatility stemming from overconcentration of business taxes on a small number of payers.



Agenda



1. Changing Tax and Fee Deadlines
2. Changes for Small Businesses
3. Key Business Tax Reforms
 - Gross Receipts Tax
 - Other Business Taxes
4. Q&A





Changing Tax and Fee Deadlines

Pre-Prop M (2025)

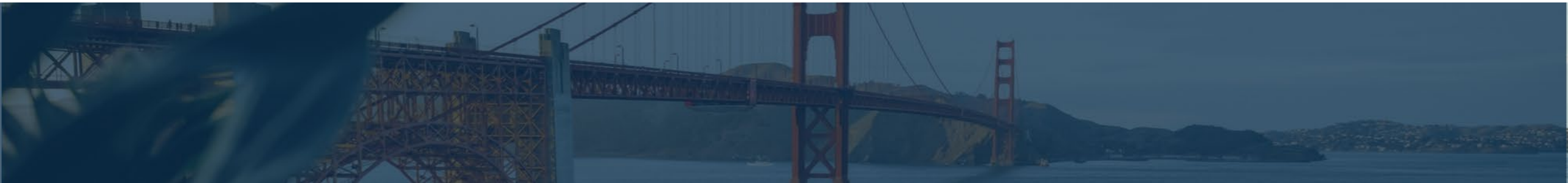
Business Registration
Renewal
Last Day of May

Annual Business Taxes
(e.g., Gross Receipts Tax)
Last Day of February

Nine Month Transition

Prop M (2026)

**Last Day of
February**





Increase Small Business Exemption

- Increases the Gross Receipts Tax Small Business Exemption ceiling from \$2,250,000 to **\$5 million**.
- Beginning with 2025 filing (due in 2026), if you have San Francisco gross receipts of \$5 million or less, unless you are a lessor of residential real estate:
 - You do **NOT** need to file the Gross Receipts Tax Overpaid Executive Gross Receipts Tax, or Homelessness Gross Receipts Tax Return.
 - You will continue to renew and pay your annual business registration with new deadline - last day of February starting in 2026.





Elimination of \$10 million in certain fees

- 49 license fees waived.
- Primarily benefits restaurant and nightlife businesses.
 - Approximately 91% of restaurants and 87% of nightlife businesses will have their annual license bill fully eliminated.
 - At least \$1,400 in annual license fees savings for a mid-size restaurant.

\$10 Million

49 Licenses

Effective 2026





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Sample Business Impacts



Restaurant

Flasko's Restaurant operates solely in San Francisco and has an annual Gross Receipts of \$6 million.

	2024 Payments*	2026 Payments**
Gross Receipts Tax	\$12,105	\$9,250
Business Registration Fee	\$644	\$800
License Fees***	\$2,121	\$0
Total Obligations	\$14,870	\$10,050

*Includes Gross Receipts Tax year 2023 and the 2024-2025 Registration year.

**Includes Gross Receipts Tax year 2025 and 2026-2027 Registration year.

***Projected fees for purposes of this example. Other fees may apply depending on the business.



Retail Store

Sally's Boutique operates solely in San Francisco and has an annual Gross Receipts of \$3 million.

	2024 Payments*	2026 Payments**
Gross Receipts Tax	\$2,055	\$0
Business Registration Fee	\$515	\$1,885
License Fees***	\$103	\$0
Total Obligations	\$2,673	\$1,885

*Includes Gross Receipts Tax year 2023 and the 2024-2025 Registration year.

**Includes Gross Receipts Tax year 2025 and 2026-2027 Registration year.

***Projected fees for purposes of this example. Other fees may apply depending on the business.



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Key Business Tax Reforms



Overview



Gross Receipts Tax

Sets Small Business Exemption at \$5M, reduces business activity categories for the Gross Receipts Tax from 14 to 7, and changes apportionment rules.



Overpaid Executive Tax Gross Receipts Tax

Exempts more business and lowers rates.



Review Quarterly Payments

April 30, July 31, and October 31



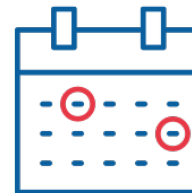
Homelessness Gross Receipts Tax

Applies the Homelessness Gross Receipts Tax to business activities with San Francisco gross receipts over \$25 million.



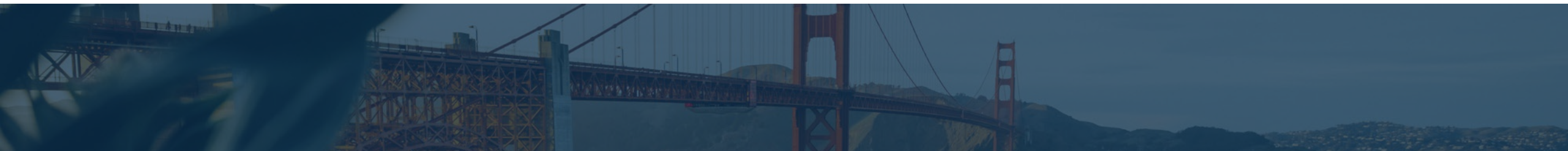
Commercial Rents Tax

Sets Small Business Exemption at \$2,325,000. Rates are not changed.



New Extension Deadline

November 30





Gross Receipts Tax - Quick Review

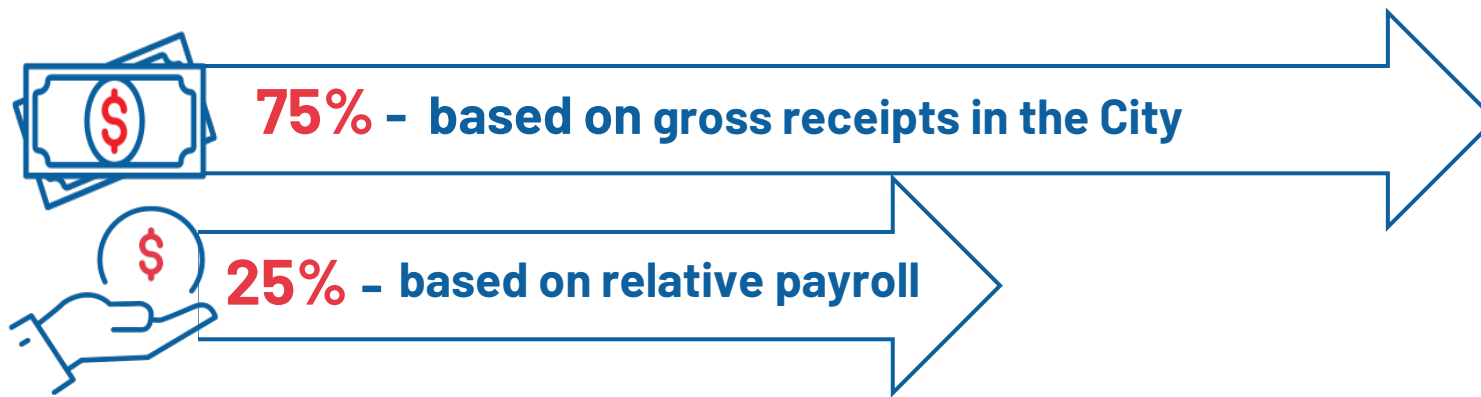
- **Gross receipts** generally means the total amounts received or accrued by a person from whatever source derived, including, but not limited to, amounts derived from sales, services, rent, interest, and dividends, among other sources.
- San Francisco taxes gross receipts that are “attributable” to the City.
- Businesses with gross receipts within & outside of the City use **Allocation & Apportionment** to determine San Francisco gross receipts.
- Tax rates vary depending on San Francisco gross receipts and business activity category.





Gross Receipts Tax

- Shifts away from apportionment of gross receipts based on relative payroll in San Francisco toward allocation of gross receipts in the City.
- Most businesses will determine the portion of gross receipts allocated and apportioned to San Francisco using the following calculation:





Gross Receipts Tax

- Increases the Gross Receipts Tax Small Business Exemption ceiling from \$2,250,000 to **\$5 million**.
- Reduces the number of business categories from 14 to 7.
- Example:

Category 3:

NAICS Codes: 531 (Real Estate), 5612 (Facilities Support Services), 5617 (Services to Buildings and Dwellings), 812930 (Parking Lots and Garages)

Full list at sftreasurer.org/PropM





Other Taxes

Homelessness Gross Receipts Tax

- Applies to business activities with San Francisco gross receipts of more than \$25 million in a business activity category.
- Same categories and rate structure as the Gross Receipts Tax.

Commercial Rents Tax

- Small Business Exemption is \$2,325,000.
- Rates are not changed.

Overpaid Executive Gross Receipts Tax

- Exempt if 1,000 or fewer U.S. employees and \$1 billion or less in gross receipts.
- Reduces Rates.





Clarity and Compliance Opportunities

Voluntary Disclosure & Compliance Program

Offers unregistered businesses and other persons with the opportunity to voluntarily disclose and pay unpaid taxes and other charges. Designed to help businesses get into compliance and avoid legal consequences.

Advance Written Determination (AWD)

Intended to provide clarity and predictability on issues related to tax apportionment and business activity classification for businesses in San Francisco.





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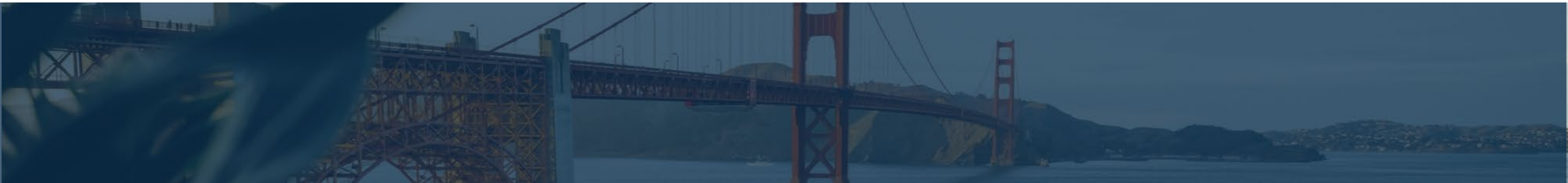
Q&A



Impact on Other Small Business Taxes

Question: Will other taxes for small businesses be increased to offset the loss in collections from Prop M?

Answer: No. Small business taxes can't increase unless there is another ballot measure. Relief for small businesses was a primary goal in the City's tax reform recommendations.





Two-Factor Apportionment Method

Question: Previously we used a two-factor apportionment method, based on relative payroll within the city (weighted 50%) and where the product is delivered the benefit of the service is received in San Francisco (weighted 50%) to determine San Francisco Gross Receipts. Will this still be the case with Proposition M?

Answer: No, the method of attributing gross receipts to the City changes. Under Prop M, the new calculation is 75% based on sales allocation and 25% on relative payroll.



Streamlined Filing Deadlines

Question: I understand that Proposition M is changing the deadline for the annual business registration renewal. Could you please clarify whether the renewal process will remain separate from the Annual Business Tax return filing, or will these two filings be consolidated going forward?

Answer: Starting in calendar year 2026, the Business Registration Renewal and Gross Receipts Tax filings will be due on the same date—the last day of February. The form is being designed now, but it will be a seamless experience.



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Q&A



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Thank you!

Learn more: sftreasurer.org/PropM