



SAN
FRANCISCO
CHAMBER OF
COMMERCE

August 2, 2016

The Honorable London Breed, President
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

RE: File No. 160760: Tax on Technology Companies

Dear Supervisor Breed:

I am writing regarding Item 53 on today's Board calendar, a proposed ballot measure to impose a 1.5% payroll tax on technology companies. Though the measure was tabled at yesterday's Budget and Finance Committee, I am writing to express the serious concerns of the business community over the complete lack of outreach by Supervisor Mar or his co-authors to either employer organizations or the individual employers that would pay the tax.

In 2011-12 the Mayor, members of the Board of Supervisors and the Controller met with business, labor and civic groups to discuss reforming the city's business tax system. By a unanimous vote, and with the agreement of all the participants in that six month long process, the Board of Supervisors placed on the November 2012 ballot a measure for a revenue neutral transition from a payroll tax to a gross receipts tax. The measure also increased, for the first time in decades, the business license fee structure for all businesses, raising over \$27 million of new revenue for the General Fund.

The official ballot argument in favor of Proposition E stated; "San Francisco's current business payroll tax is fundamentally unfair because it is a tax on jobs instead of a tax on sales or profits. That means now, every time a local business hires a new employee its taxes increase-a huge disincentive to creating new jobs in San Francisco." This ballot argument was signed by the Mayor and every member of the Board of Supervisors, including Supervisor Mar. The voters overwhelmingly supported the "Don't Tax Jobs" argument with a 71% yes vote for Prop. E.

Changes made to the payroll tax in 2011, such as eliminating stock compensation from the tax and the on-going transition to the gross receipts tax have had a positive impact on both job growth and tax collections. While the growth in technology accounts for only about 25% of new jobs in the city, it has fueled growth in every sector, with 60,000 new jobs and a 6% drop in unemployment since 2010. Tax revenues from businesses have grown in four years from \$450 million to a projected \$670 million in the current budget year – a 50% increase.

It was clear at yesterday's hearing that Supervisor Mar took the time to organize testimony in support of his measure. What he failed to do was reach out to the very people that would have to pay the tax. To attempt and undo the consensus that was reached through months of hard work in 2012 was wrong. To try and do it without outreach is indefensible.

In order to avoid this unacceptable process, the San Francisco Chamber of Commerce urges the Board of Supervisors to consider a rule for tax measures that would require a longer period from introduction to Board calendaring, multiple public hearings, and outreach to impacted tax payers by the author in conjunction with the Controller and Tax Collector.

Sincerely,

Jim Lazarus
Senior Vice President of Public Policy

cc: Clerk of the Board, to be distributed to all Supervisors; Mayor Ed Lee; Controller Ben Rosenfield, Treasurer-Tax Collector Jose Cisneros