



This Week in State Tax (TWIST)

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California: San Francisco Gross Receipts Tax Changes on November Ballot

A pair of tax measures—[Proposition L](#), creating a new gross receipts tax on transportation network companies and autonomous vehicle businesses, and [Proposition M](#), amending the city’s menagerie of other business gross receipts taxes—have qualified for the November ballot in San Francisco.

The new Ride-Hail Platform Gross Receipts Tax proposed in Proposition L would be imposed on San Francisco gross receipts from “ride-hail business activities.” Ride-hail business activities include “transportation network company services”—prearranged transportation of passengers by a driver using a personal vehicle who connects with passengers via an app or other platform—and “autonomous vehicle passenger services”—transportation of passengers using a vehicle driven without active physical control of a human operator offered to the public for compensation. The tax would begin at 1 percent on San Francisco gross receipts above \$500,000 and rise to 4.5 percent on San Francisco gross receipts above \$25,000,000. San Francisco gross receipts would be computed under the allocation and apportionment provisions of the Gross Receipts Tax. The tax is estimated to generate \$25 million annually, which would be dedicated to improving Muni, the city’s public transit service. The measure would be in addition to existing gross receipts taxes on such businesses.

Currently, businesses operating in San Francisco are subject to several different gross receipts-based taxes, including a general business tax, a homelessness tax, an overpaid executive tax, and an administrative office tax as well as a business registration fee. The tax rate varies with each tax, is generally graduated according to the volume of receipts, and varies among business categories. Proposition M would make numerous changes to the existing gross receipts taxes. The proposed structure would substantially revise the tax rates and brackets of receipts applicable to all business categories, increase the small business exemption threshold from \$2.25 million to \$5 million (indexed to inflation), halve the number of business types (from fourteen to seven), base the business categories on North American Industrial Classification System (NAICS) codes, and authorize the Tax Collector to implement regulations allocating sales of services and intangible property (reducing the amount of receipts subject to the payroll-based apportionment factor). Proposition M would also reduce the threshold for the homelessness gross receipts from \$50 million to \$25 million and change the rates and brackets as well as making changes and rate adjustments to the overpaid executive tax, administrative office tax and the business registration fees. The City Comptroller estimates that the measure would reduce city revenues by about \$40 million per year from FY 2025-FY2027, and then with scheduled rate increases, increase receipts about \$50 million per year. For questions about San Francisco Propositions L and M, please contact [Jodie Scott](#).

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