Controller's Office

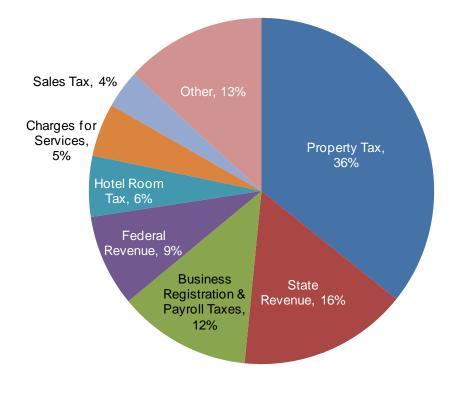
General Fund Revenue Overview

January, 2011



San Francisco General Fund Revenue

FY 2010-11 AAO, Total General Fund Revenue = \$2,754M





Comparative Tax Rates

San Francisco's major tax revenue rates are generally among the highest in the state, with the exception of the exemption of residential properties from utility users taxes on electricity, natural gas and water.

		Utiilty Users'			Real Property	Γransf	er Tax (2)
Jurisdiction	Sales Tax	Tax (1)	Hotel Tax	Parking Tax	(3)		
					Rate	Тах	on \$1M
City/County of San Francisco	9.50%	7.5%	14%	25%	0.5% - 2.5%	\$	7,500
City of Oakland	9.75%	7.5%	14%	10%	1.61%	\$	16,100
City of Los Angeles	9.75%	9%/10%	14%	10%	0.56%	\$	5,600
City of San Jose	9.25%	4.5%/5%	10%	n/a	0.44%	\$	4,400
City of San Mateo	9.50%	n/a	12%	n/a	0.61%	\$	6,100
City of Anaheim	8.75%	n/a	15%	7.75%	0.11%	\$	1,100
City of Sacramento	8.75%	7.0%/7.5%	12%	n/a	0.39%	\$	3,850
City of San Diego	8.75%	n/a	10.5%	n/a	0.11%	\$	1,100
City of Fresno	8.975%	n/a	12%	n/a	0.11%	\$	1,100

(1) If two rates shown, first is for telecommunications, others for gas/electric/cable TV.

(2) Include both City and County portions.

(3) San Francisco's Real Property Transfer Tax Rates are as follows (effective 12/17/10): \$100K-\$250K, 0.5%;

\$250K-\$1M, 0.68%; \$1M-\$5M, 0.75%; \$5M-\$10M, 2%; \$10M+, 2.5%.



Comparative Tax Rates

Payroll <u>San Francisco</u> 1.5% total payroll expenses. Nearly 90% of businesses are exempt under the small business exemption.

Gross Receipts Tax

- <u>Alameda County</u> \$0.10 to \$1.25 per \$1,000 of gross receipts or gross payroll depending on type of business
- <u>City of Oakland</u> 0.12% for typical firm with \$1M gross receipts; from 0.06% to 2.40% per \$1,000 of gross receipts depending on type of business (5% for medical cannabis businesses)
- <u>City of Los Angeles</u> 0.101% to 0.507% per \$1,000 of gross receipts depending on type of business
- <u>City of San Mateo</u> 0.01% to 0.144% of gross receipts for new firms; ranges from 0.058% to 0.096% of gross receipts for existing firms
- <u>City of Anaheim</u> \$40 for firms with \$10K or less of gross receipts, plus \$0.095 to \$0.19 per \$1,000 of gross receipts or \$60, whichever is greater
- <u>City of Sacramento</u> \$30 for firms with \$10,000 or less of gross payroll, plus \$.0004 for every dollar over \$10,000 up to a maximum of \$5,000 (2-4% for medical marijuana dispensaries)



Local Revenue Approval Requirements

Type of Revenue	Governing Body	Voters
General purpose tax	Charter cities (incl. San Francisco): majority If consolidated w/a regularly scheduled general election of members of the Board; 2/3 for general law cities.	Majority
	If not consolidated, but unanimous declaration of emergency by legislative body	Majority
	If not consolidated and no unanimous declaration of emergency by legislative body	2/3
Special purpose tax	Majority (2/3 for transaction and use taxes)	2/3
School or special district taxes	Majority	2/3
General obligation bonds	Majority	2/3 (50% for repairing unsafe schools, 55% for new school facilities)
Other debt	Majority	None
Property assessments	Majority	Majority of affected property owners. Votes weighted by assessment liability
Property-related fees	Majority	2/3 of voters or majority of affected property owners
All other fees (exempted by Proposition 26)	Majority	None



Recent Revenue Changes

November 2007 Prop A: An amount equivalent to 80% of parking tax allocated to MTA

June 2008 Prop A: Parcel tax for schools (currently \$204/parcel)

November 2008

- Prop N increased property transfer tax rate on transactions >\$5M from 0.75% to 1.5%
- Prop O replaced the Emergency Response Fee with an Access Line Tax, a general purpose tax, and modernized telephone utility users tax language.
- Prop Q increased the small business payroll tax exemption from \$167K to \$250K and specified payroll tax must be applied to all partner compensation

November 2010:

- Prop N increased property transfer tax rates: \$5M to \$10M from 1.5% to 2%; >\$10M from 1.5% to 2.5%.
- Prop AA adds \$10 to the existing annual vehicle registration fee to fund transportation projects through the SF County Transportation Authority.



Recent Revenue Ideas

Parcel Taxes Residential and/or commercial parcel taxes (\$3M to \$30M). Must be dedicated for specific purpose.

New Residential Utility Users Tax 7.5% rate on gas, electric, water = \$28M.

Hotel Tax Rate Increase 2% rate increase from 14% to 16% = \$26M. Closure of online travel company loophole = \$12M.

Business Tax Reform (Supervisor Chiu & Mayor) Considering modifying payroll tax to incorporate gross receipts and potentially other tax bases applied in California.

Fees Cigarette Litter Abatement Fee, Calorically Sweetened Beverage Fee, Alcohol Impact Fee, Development Impact Fees. Some of these fee ideas may be affected by Proposition 26.



Constraints on Local Government Revenue

1978 Prop 13

- 1% rate cap
- Assessment rollback to 1975-76 value
- State responsible for allocating property tax revenues
- Reassessment only upon change in ownership, then CPI (max 2%)
- 2/3 voter approval required for special purpose taxes
- 2/3 vote of Legislature required for taxes imposed by State Legislature
- Ordinances to approve tax rates submitted to Board of Supervisors each fall

1992 ERAF (Educational Revenue Augmentation Fund)

- State instructed counties to allocate local property tax revenues to ERAFs to meet state's Prop 98 education funding levels (ERAF I & II)
- SF's net FY 2009-10 transfer (after Triple Flip, VLF swap) = \$167M Partially made up by Prop 172 Public Safety Sales Tax = \$65M
- Additional temporary contributions (aka ERAF III) in FY05 & FY06



Constraints on Local Government Revenue

Proposition 26, November 2010

- Reclassifies certain fees as taxes, requiring 2/3rds voter approval instead of a majority vote by Board of Supervisors. Fees that are imposed on particular person to provide a **broad public benefit** would be reclassified as taxes (e.g. alcohol impact fee and calorically sweetened beverage fee).
- Many local fees would **not** be reclassified as taxes. Exemptions include:

charges imposed for a specific service, product, benefit or privilege provided directly to payor; licenses, permits & inspections; fines & penalties; entrance fees; charges imposed as a condition of property development; and propertyrelated fees and assessments.

- Local fees adopted prior to 11/3/2010 are not subject to Prop 26 unless fee is increased or extended and none of the above exemptions apply.
- Please consult City Attorney and Controller before proposing any new fees.



Local Government Revenue in CA

1996 Prop 218 ("Right to Vote on Taxes Act")

- Voters may repeal/reduce taxes, assessments, and fees through the initiative process
- Reiterates Prop 13 requirement of 2/3 voter approval for special purpose taxes and Prop 62 (1986) requirement of majority voter approval for general purpose taxes
- Prohibits funding of general benefits from benefit assessments on real property
- Fees may not exceed the cost of service, may not be used for other purposes.

2004 Prop 1A

- State may not reduce the local 1% sales tax rate or alter its method of allocation. Must reimburse locals for 0.25% sales tax triple flip
- State may not decrease VLF revenue from the 0.65% rate without providing replacement funding to cities & counties
- State may not take property taxes (some exceptions) or suspend unfunded mandates.

