Summary of Revenue Measures on the November 2008 Ballot

The City and County recently reached the end of a budget process in which we narrowly averted the worst health and human service cuts in San Francisco history. However, the city now faces the threat of mid-year cuts and a projected deficit for next year that already exceeds $200 million. Nonprofits that serve the city's most vulnerable residents will be forced to cut programs in the face of rising demand for services, lack of funds for salary increases to dedicated workers with higher living expenses, growing health care costs, and other inflationary expenses.

With Governor Schwarzenegger's revocation of the Vehicle License Fee in 2003 that has cost the city about $50 million/year, and the loss of $30 million/year from the city's 2001 Business Tax settlement – the city must find new sources of revenue to fund critically needed social services.

Propositions N and Q will generate approximately $40 million/year in new revenue.

Proposition N: Real Estate Transfer Tax:

This measure will increase the Real Estate Transfer Tax from .75% to 1.5% on properties that sell for more than $5 million. In addition, single-family homes that install a seismic or solar upgrade after January 2009 can receive an offset of up to 1/3 of the tax. The Controller certified that the transfer tax increase would net on average **$29 million a year**.

- Prop N brings SF in line with the transfer tax rates of other major Bay Area cities.
  - Berkeley, Oakland and Alameda's transfer tax is already 1.5%, and San Jose's is 3.3%
  - New York City's is 2.6% for properties valued at $500,000 and above (considerably less than the $5M threshold set by Prop N)
- $5 million threshold means the increase would primarily impact sales of high-end commercial real estate and residential property for San Francisco's wealthiest residents.
- Should the measure pass in November, it would enhance revenue in the second half of the current fiscal year.
- This measure's modest increase in the transfer price of large properties will go to support essential city services on which we all rely.

Proposition Q: Payroll Expense Tax:

This measure will close the loophole that allows business partnerships (such as law firms, architects, and information services) to avoid paying the city's payroll tax. It also increases the payroll tax exemption, allowing over 1600 small businesses to benefit from not paying the tax. The Controller certified that the tax would bring in about **$10-12 million per year**, beginning in fiscal year 2009-10.

- The payroll expense tax is a 1.5% tax placed on San Francisco businesses' payroll. This measure uses a formula that would place a comparable tax on companies that are currently exempt.
  - Law firms make up over 50% of business partnerships in San Francisco.
- **Small Business exemption**: Prop Q increases the payroll tax small business exemption. Currently, any business with a payroll of $167,000 or more is subject to the payroll tax. Under the new measure, the threshold will be $250,000 and will be adjusted for inflation every two years.
  - Over 1,600 small businesses will benefit from exemption and not pay payroll tax.
- Prop Q also reduces the payroll tax rate for small businesses with payrolls in the range of $250,000 to $400,000.

For more information, see http://www.sfhsn.org/YesonNYesonQ-Closetheloopholes.htm, or contact Campaign Coordinator Quintin Mecke at (415) 505-2417 or quintin3@earthlink.net.