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The New San Francisco Gross Receipts Ordinance: Taxing Commercial Property Owners to Fund Early Child Care And Education

Related Lawyers: **Alexis Sinclair**

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On June 5, 2018, San Francisco voters passed Proposition C, which imposes a new gross receipts tax of 1 percent on revenues a business receives from leasing warehouse space in San Francisco and 3.5 percent on revenues a business receives from leasing certain qualifying commercial spaces in San Francisco. Proposition C becomes operative on January 1, 2019. The proceeds of these taxes will fund quality early care and education for young children and other public purposes. The new gross receipts tax imposed by Proposition C is in addition to the gross receipts tax payable by businesses under the existing San Francisco Gross Receipts Tax Ordinance enacted by the voters under Proposition C in 2012 (the “Existing GRT Ordinance”). Despite the seemingly broad net cast by Proposition C (and the ordinance it authorized, commonly known as the Early Care and Education Commercial Rents Tax Ordinance (the “New GRT Ordinance”)), it would appear to place the greatest burden on owners of commercial property that is leased for office use or retail use by a retailer with a larger regional, national, or international presence.

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