



# The Cost of Doing Business:

## How San Francisco's Tax Structure Constrains Economic Growth

A report by the Bay Area  
Council Economic Institute

[www.bayareaeconomy.org](http://www.bayareaeconomy.org)

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## Introduction

In February 2023, the Bay Area Council Economic Institute [issued a report](#) that analyzed business tax structures across 20 of the region's largest cities. For each of those cities, we calculated the annual business tax payment for three hypothetical companies in office-based industries using business tax rates in each jurisdiction. In all three examples, estimated tax liabilities in San Francisco were far beyond other Bay Area cities – with only Oakland approaching a similar scale to San Francisco. As such, we concluded that San Francisco's business tax regime created a disincentive for companies to add employment in the city and was a driving force behind relocations to other parts of the Bay Area.

In June 2026, San Francisco voters will decide on Measure C and Measure D, both of which would adjust the city's business tax structure. As these measures come before voters, this report seeks to better understand how business tax levels are impacting the city's economy. This report also builds on the initial report by comparing San Francisco tax levels and economic activity to other peer jurisdictions around the U.S. While our first report came at a time when San Francisco was experiencing multiple high-profile headquarter departures to other parts of the region, this report comes at a time when the city's economic growth has slowed compared to other parts of the country. The business climate issues uncovered here point to a foundational issue for San Francisco – the city's cost of doing business is outweighing the benefits it provides, prompting companies to reconsider how they deploy talent in the city.

This report is broken up into two parts. The first sheds light on the city's economic recovery, with a particular focus on the downtown area. The second part dives into San Francisco's business tax structure and compares it to other peer jurisdictions. Taken together, these sections show San Francisco remains a high-cost environment for businesses relative to its peers, and its tax system continues to shape firm behavior and investment decisions. Without more substantial adjustments to the city's business tax framework, San Francisco may face continued challenges in attracting and retaining employers, prolonging its downtown recovery and constraining its prospects for future growth.

## 1. Economic Conditions in San Francisco

San Francisco's economic outlook and its fiscal outlook are highly correlated. The city's employers generate jobs, which produce foot traffic that generates sales tax revenues in small businesses. When demand for office and other commercial space increases, the value of those buildings also increases – creating benefits for the city in the form of property taxes. Lastly, businesses themselves pay taxes based on their sales in the city and their payroll.

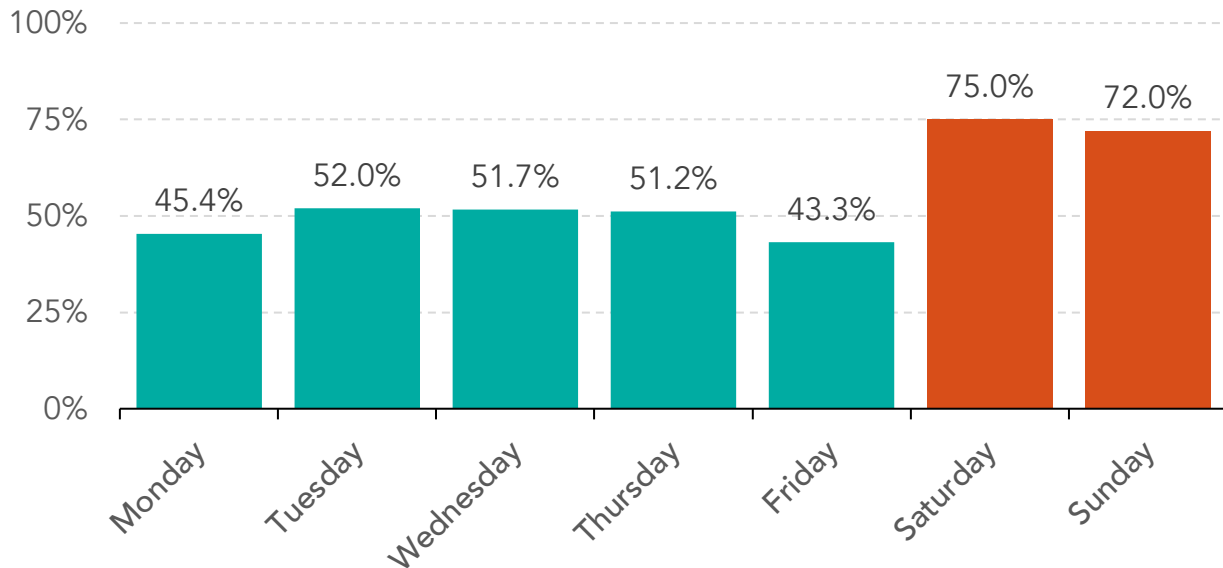
The city currently projects a two-year structural deficit of \$643 million, according to the city's [latest five-year financial plan update](#). While the expiry of pandemic relief plays a role in this figure, diminished revenue from businesses, hotels, and real estate is also a clear contributor to the city's fiscal issues. Within this section, we show evidence of the underlying economic weaknesses in San Francisco – particularly in downtown – and how it constrains revenue generation.

### San Francisco's Downtown Recovery

San Francisco's recovery continues to diverge from both its pre-pandemic baseline and the trajectory of peer cities, most clearly in the way downtown activity patterns have shifted. While weekend foot traffic has rebounded to roughly 74% of pre-pandemic levels, weekday activity – which is far more closely tied to office use and business presence – remains at roughly half of 2019 levels (**Figure 1**).

**Figure 1. Weekend foot traffic in Downtown San Francisco has recovered at a significantly higher rate than weekday traffic**

Average foot traffic in 2025 as a share of 2019 foot traffic on **weekdays** and **weekends**



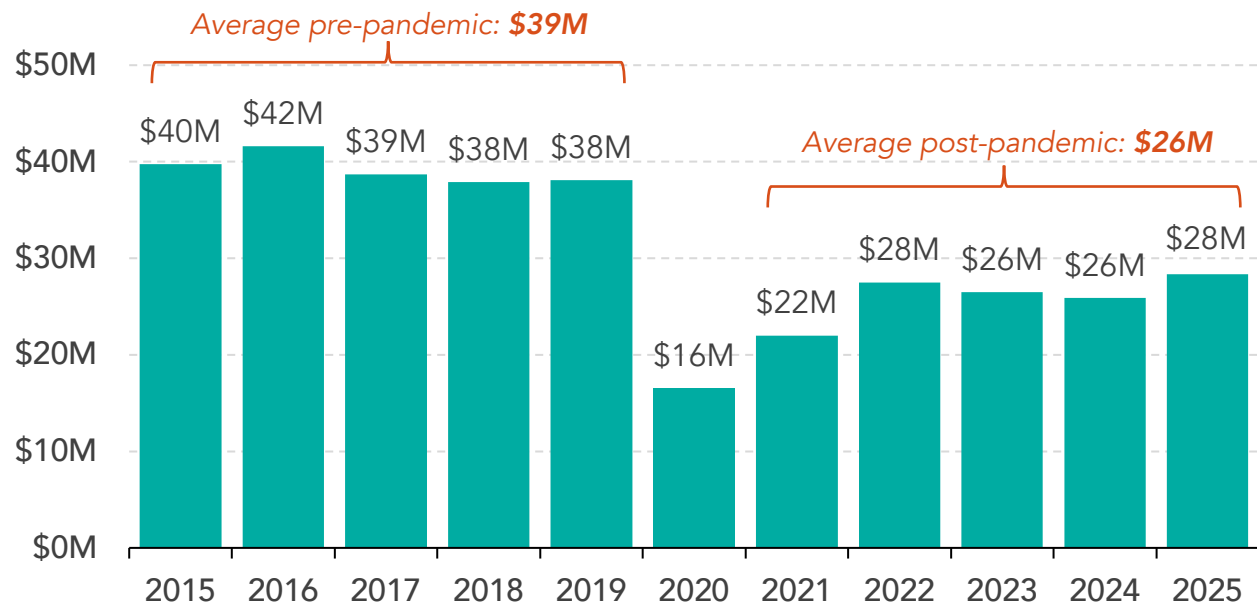
**Source:** Placer.ai **Analysis:** Downtown San Francisco Partnership. **Note:** The Downtown SF Partnership [defines downtown](#) as the Financial District and Jackson Square north of Market Street, extending from the Embarcadero west through Kearny Street and parts of the south side of Market Street.

This divergence matters because weekend activity supports sectors such as retail, dining, and tourism, but weekday foot traffic is the foundation of downtown’s traditional economic model – driving demand for office space, sustaining small businesses, and generating consistent tax revenue. The sustained weak weekday activity signals a structural shift in how downtown is utilized, rather than a temporary lag in recovery.

These behavioral shifts are directly reflected in local tax receipts. Sales tax revenues in downtown San Francisco remain approximately one-third below pre-pandemic averages, with post-pandemic monthly collections averaging \$26 million compared to \$39 million prior to 2020 (**Figure 2**). This gap underscores a key challenge San Francisco continues to reckon with: lower levels of business activity, reduced foot traffic, and fewer workers commuting into downtown all translate into diminished taxable sales and lower property values.

**Figure 2. Sales tax revenues in downtown San Francisco are down one-third from pre-pandemic levels**

*Sales tax revenue in San Francisco downtown area*



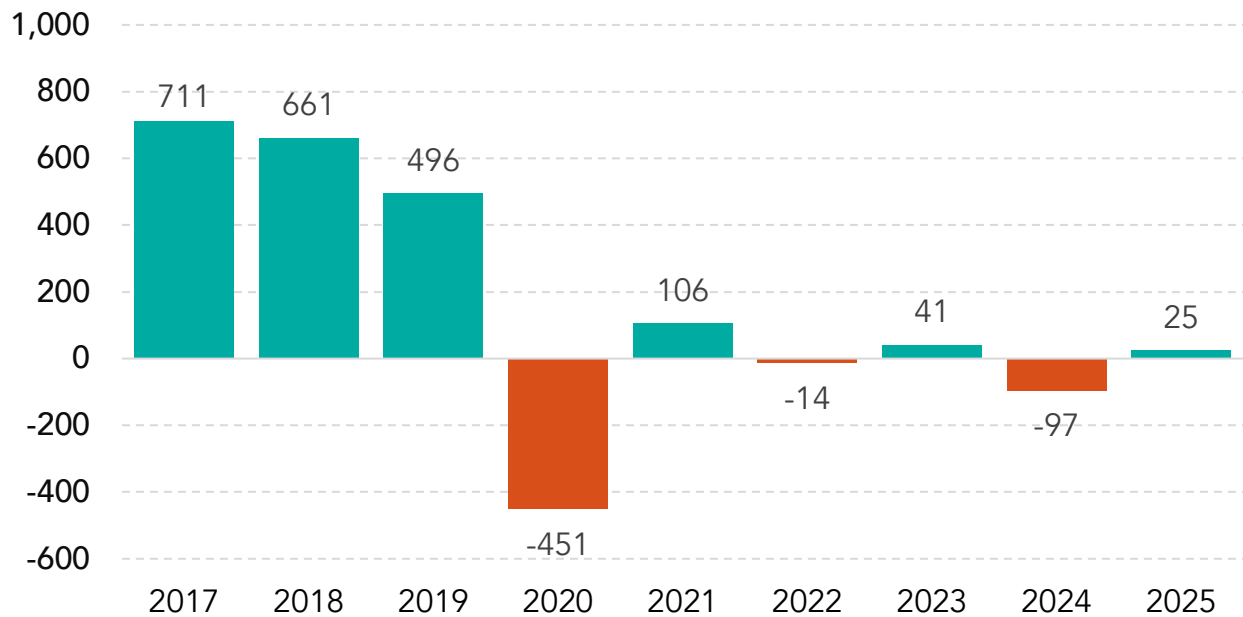
**Source:** California Department of Tax and Fee Administration and San Francisco Open Data Portal

**Analysis:** Bay Area Council Economic Institute. **Note:** Downtown is defined as zip codes: 94104, 94108, 94105, 94103, 94158, and 94111.

This dynamic is also reflected in net new business license activity in the Financial District's office-based sectors. Prior to the pandemic, downtown San Francisco saw strong net new business formation, with 711 net new establishments in the information, financial, and professional services sectors in 2017 (**Figure 3**). The trajectory reversed sharply during the pandemic and by 2025, this figure fell to just 25 – a decline of 96%. This contraction reflects an increase in overall business closures and, perhaps more importantly, a slowdown in new companies choosing to locate in San Francisco in the first place.

**Figure 3. In San Francisco, net new business formation in downtown office-based sectors has fallen by over 95% since 2017**

*Net new business openings in San Francisco's Financial District for office-based\* sectors, 2017-2025*



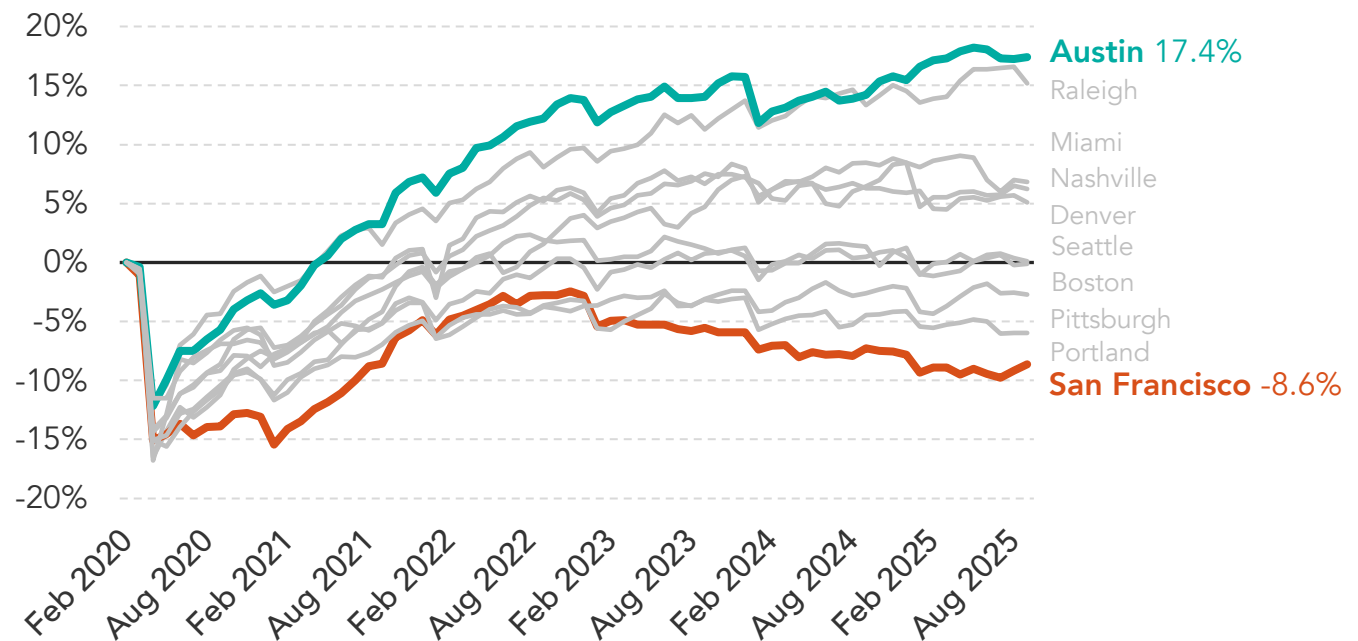
**Source:** Treasurer & Tax Collector, City & County of San Francisco, DataSF **Analysis:** Bay Area Council Economic Institute. **Note:** Office sectors include information, financial, and professional services.

## San Francisco Lags Behind Peer Cities

These local dynamics are part of a broader pattern in which San Francisco is underperforming relative to peer cities and regions. While many comparable cities have fully recovered or surpassed their pre-pandemic payroll employment levels, San Francisco's payroll employment remains approximately 8.6% below its February 2020 level (**Figure 4**) as of September 2025. In contrast, high-growth metros such as Austin have experienced substantial job gains (up 17.4% from February 2020), reflecting much stronger post-pandemic economic momentum.

### Figure 4. While peer cities have fully recovered or surpassed pre-pandemic employment, San Francisco remains nearly 9% below February 2020 levels

Payroll employment recovery rate, February 2020 – September 2025



**Source:** Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW).

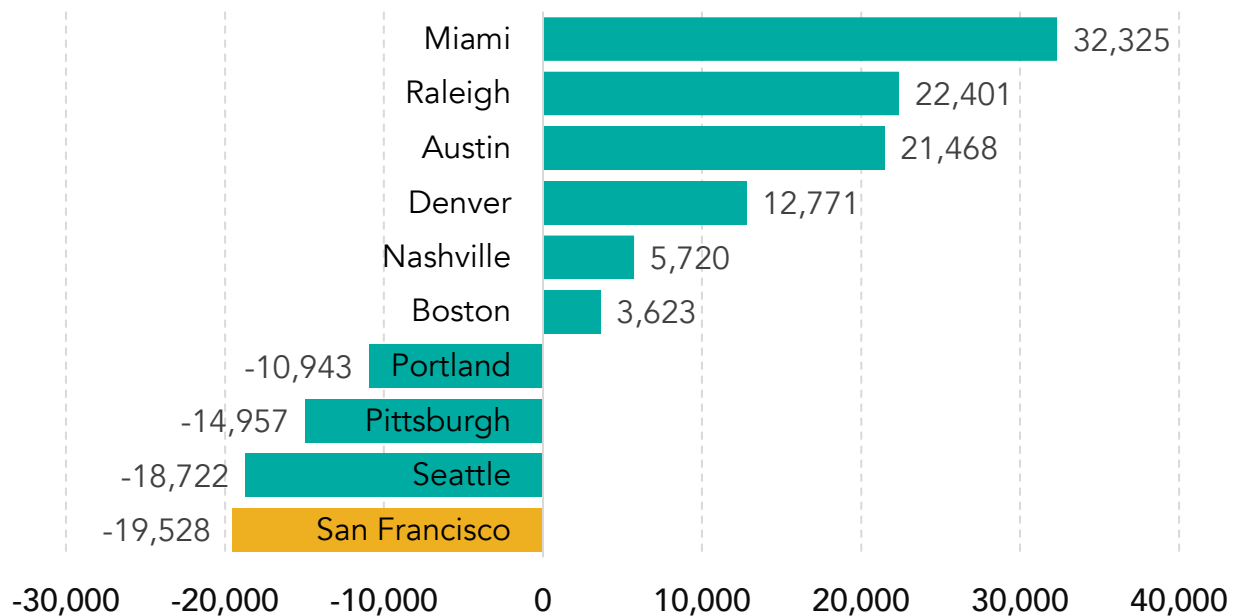
**Analysis:** Bay Area Council Economic Institute. **Note:** City-level data reflects the surrounding county (e.g., Austin = Travis County, San Jose = Santa Clara County).

Narrowing in on the office and tech sectors that underpin San Francisco's economy, the gap is even more pronounced. San Francisco has experienced the largest decline in core knowledge industries – including information, financial activities, and professional and business services – compared to peer regions over the past three years (**Figure 5**).

Because these sectors drive office demand, high-wage employment, and a significant share of the city's business tax base, their contraction helps explain the continued weakness in downtown activity. These losses have now persisted over many years, and they highlight the challenge San Francisco has faced in rebuilding its traditional office-based economy following the pandemic.

**Figure 5. Compared to its peers, San Francisco has experienced the largest decline in office-based jobs over the past four years**

Office-based employment, net change, September 2021 – September 2025



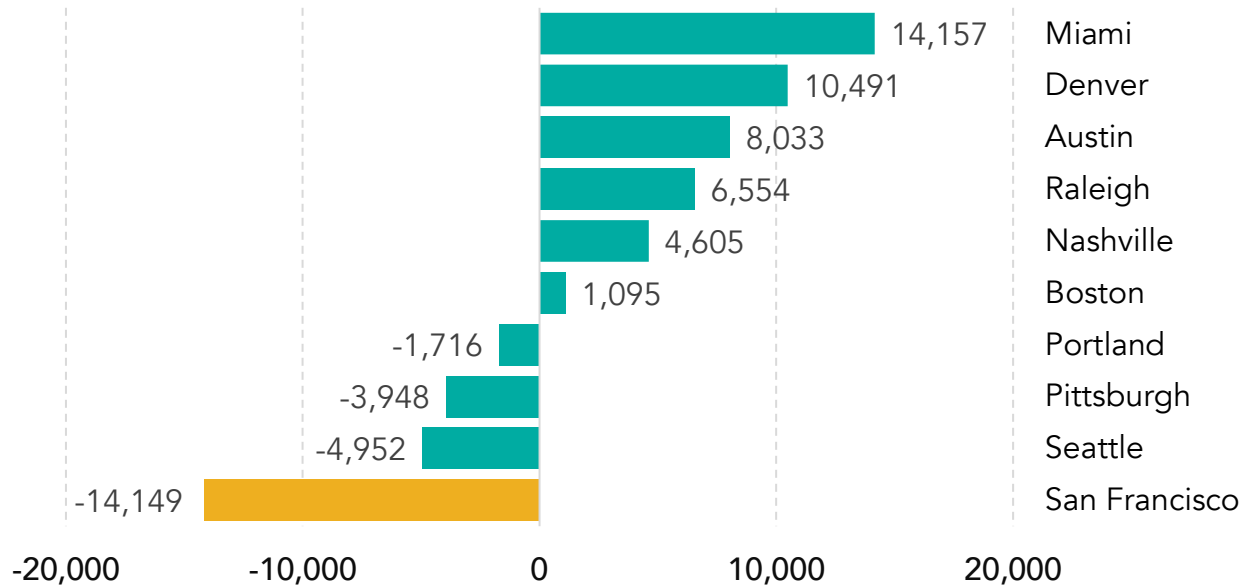
**Source:** Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW).

**Analysis:** Bay Area Council Economic Institute. **Note:** Data are not seasonally adjusted. Office-based industries include: Information, Financial Activities, and Professional and Business Services. City-level data reflects the surrounding county (e.g., Austin = Travis County, San Jose = Santa Clara County). Data for Seattle have been adjusted due to a reclassification of ~60k jobs from Retail Trade to Professional Services.

Employment for tech-related jobs shows similar results. While tech employment has contracted nationally in recent years, many peer cities still had higher tech employment in 2024 than in 2021. In contrast, San Francisco experienced a decline in tech jobs over the same period.

**Figure 6. Tech has been a major contributor to job loss in San Francisco; however, peer cities have experienced tech growth in the same period**

Tech payroll employment, net change, 2021 – 2024



**Source:** Bureau of Labor Statistics (BLS), Quarterly Census of Employment and Wages (QCEW).

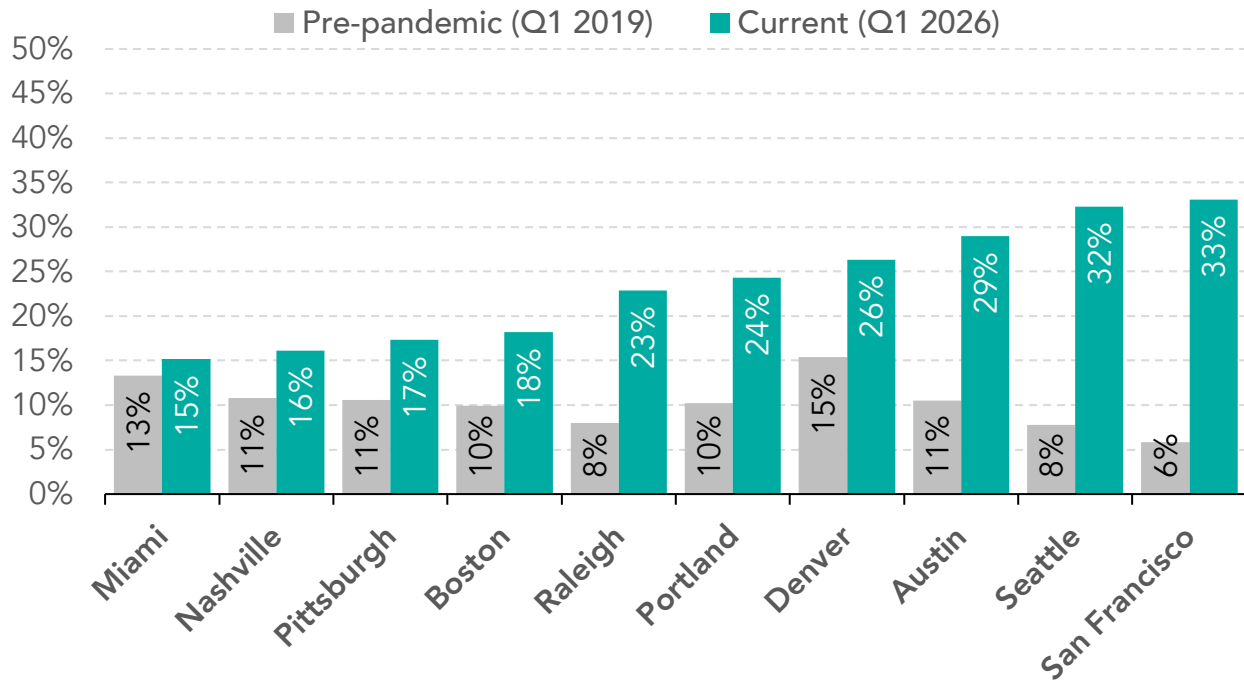
**Analysis:** Bay Area Council Economic Institute. **Note:** Data are not seasonally adjusted. Tech sub-sectors include: Computer and Electronic Product Manufacturing; Telecommunications; Computing Infrastructure Providers, Data Processing; Web Search Portals, Libraries, Archives, and Other; and Professional, Scientific, and Technical Services. City-level data reflects the surrounding county (e.g., Austin = Travis County, San Jose = Santa Clara County).

These employment trends are showing up most clearly in the commercial real estate market. With an office vacancy rate of approximately 33% in the first quarter of 2026 (**Figure 7**) – the highest among major U.S. cities – downtown San Francisco faces a level of excess office supply that is historically unprecedented.

This is not only a real estate issue; it reflects a structural decline in demand for office-based activity downtown. Elevated vacancy puts downward pressure on property values and, in turn, weakens property tax revenues. At the same time, empty or underutilized buildings generate fewer spillovers for nearby businesses that depend on daily worker presence. These effects compound within San Francisco's tax structure: with fewer companies occupying space and fewer employees commuting into the core, the bases for business and sales taxes all contract – amplifying the city's fiscal exposure to downtown's slow recovery.

**Figure 7. At 33% as of the first quarter of 2026, San Francisco has the highest office vacancy rate among peer U.S. cities**

Office vacancy rates by city, Q1 2019 vs Q1 2026



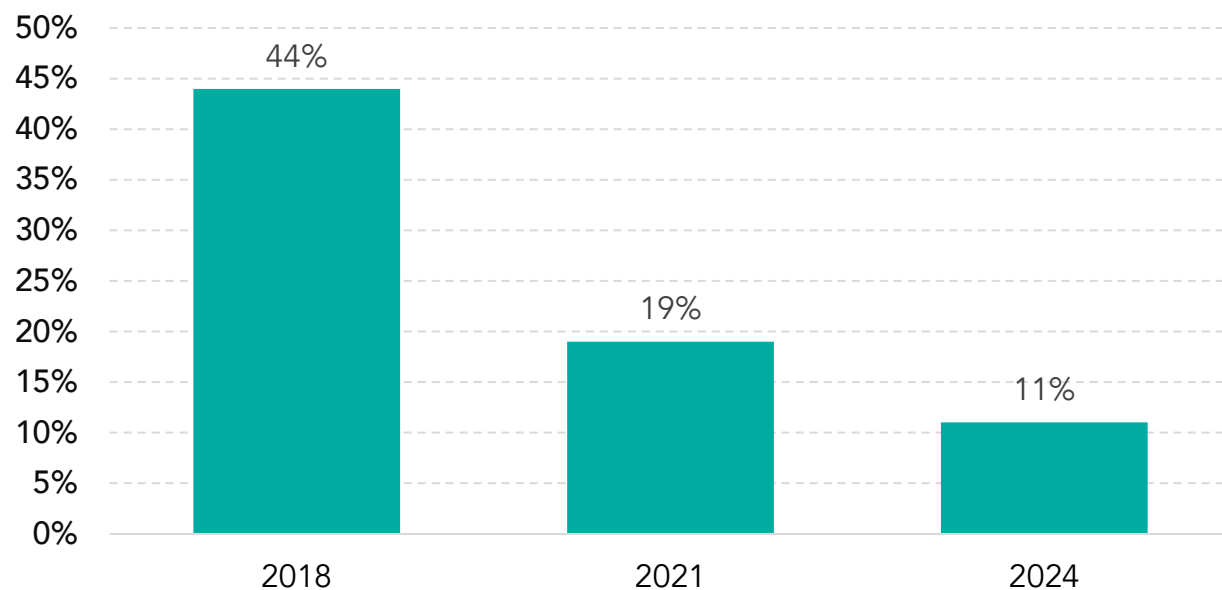
**Source:** Cushman and Wakefield. **Analysis:** Bay Area Council Economic Institute

Lastly, data from the San Francisco Controller's Office of Economic Analysis show how technology companies have clearly shifted their payroll concentrations away from San Francisco in recent years. **Figure 8** shows the payroll apportionment – or the percentage of a company's total payroll located in San Francisco – of companies in the Information sector (a proxy for tech) that filed taxes with the city in 2018 and continue to do so as of 2024. In 2018, 44% of these companies' total payroll could be found within a San Francisco location; by 2024, that percentage had fallen to 11%. While remote work has contributed to this downward trend, the steep drop is also likely a result of legacy San Francisco tech companies making their workforce investments outside of San Francisco, downsizing their employee base in San Francisco, or both.

Remote work alone does not explain the challenges facing downtown San Francisco. According to the [U.S. Census Household Pulse Survey](#), 34% of workers in San Francisco telework three or more days per week – roughly in line with cities like Seattle (33%) and Boston (31%), both of which have seen stronger recoveries across key indicators. Despite similar levels of hybrid and remote work, San Francisco's core continues to lag, pointing to other factors, particularly the reduced presence of businesses in downtown office buildings, as more significant drivers of weaker demand for office space and the surrounding retail and services ecosystem.

**Figure 8. Legacy tech companies are still reducing reliance on San Francisco for their employment**

*Average share of total payroll in San Francisco, 2018 Information sector gross receipts tax filers*



**Source:** SF Office of the Treasurer and Tax Collector. **Analysis:** SF Office of Economic Analysis

The data points in this section point to a clear pullback in economic activity in San Francisco – particularly by companies that require office space in the downtown area. The next section will dive into San Francisco's tax structure, which makes it the highest cost place to do business in the U.S. and an obvious target for job cuts when global or national companies are looking to reduce headcount.

## 2. A Deeper Dive on Business Taxes in San Francisco

San Francisco's slow economic recovery is often discussed as a function of a general pullback in jobs in the tech sector, the effects of artificial intelligence on the labor market, or the outsized impacts that remote work has had on the office sector generally. It is true that all those factors have played a role in San Francisco, but places like Boston and Seattle – which have similarly structured economies, similar challenges around affordability, and high levels of remote work – have fared much better economically than San Francisco.

The differentiating factor for San Francisco's slow recovery is its tax structure. While San Francisco has always had high business tax rates compared to peer jurisdictions, the pandemic and subsequent contraction in tech jobs have caused many firms to take a much closer look at their cost structures and to reconsider their real estate footprints. This is especially true amongst large, multi-national firms that have many choices for where they invest in human capital. While San Francisco maintains advantages for its innovation ecosystem and world-class tech talent pool, the analysis that follows shows that it is not competitive when it comes to business taxes.

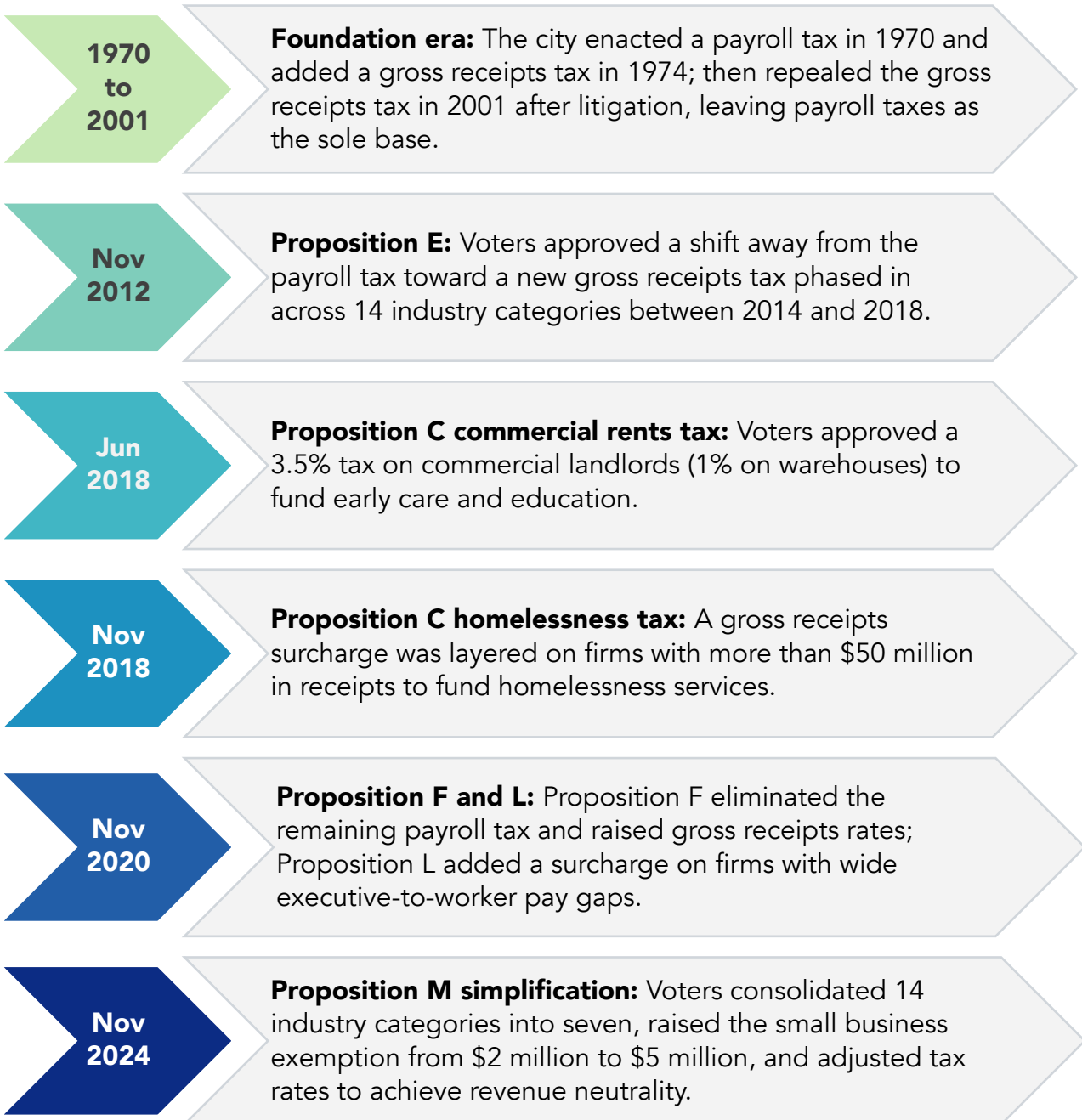
### San Francisco's Business Tax Structure

In the United States, there are only a handful of cities that directly tax businesses based on their payroll sales or income generated locally. Our research shows that only 12 of the nation's largest 30 cities by population impose taxes directly on corporate profits, revenues, or payrolls – and two of those cities (Nashville and Memphis) do so through a state-collected tax with a local component. Of those 12 cities, San Francisco is unique in the complexity of its taxing structure that includes multiple different taxes, each with their own calculation for how a business arrives at its tax liability.

The timeline below (**Figure 9**) shows a history of San Francisco business taxes and how they have evolved over the decades:

**Figure 9. While business taxes in San Francisco are not new, they have undergone significant change in a relatively short amount of time**

*San Francisco business tax timeline, 1970 - present*



**Source:** San Francisco Office of the Treasurer and Tax Collector; San Francisco Controller's Office.

The passage of Proposition M in 2024 was notable in that it made significant adjustments to the city’s gross receipts tax structure. Proposition M consolidated the city’s business taxes under one simplified structure, lessened the city’s reliance on a few large payers, and reduced exposure to tax losses from remote work or company relocation. Simultaneously, it made adjustments to tax rates and lowered the taxable threshold to \$25 million for the city’s homelessness gross receipts tax (Proposition C, effective 2019), and it reduced tax rates for the city’s overpaid executive tax (Proposition L, effective 2022). It did not, however, reduce tax liabilities for all payers. In fact, many office-based firms with gross receipts between \$100 million and \$1 billion saw their business taxes increase. Firms within this gross receipts band and firms with small percentages of their employment in San Francisco generally saw their tax liabilities increase under Proposition M.

**Figure 10** below highlights one such example of a company whose tax liability increased under Proposition M compared to the 2026 baseline scenario (pre-Proposition M).

**Figure 10. Hypothetical San Francisco employer’s tax liabilities under a baseline scenario and after the implementation of Proposition M**

Category	2026 Baseline	2026 w/ Proposition M
Gross Receipts Tax	\$10,662,915	\$16,107,500
Homelessness Gross Receipts Tax	\$6,000,000	\$7,687,500
Overpaid Executive Tax	\$2,500,000	\$400,000
<b>TOTAL</b>	<b>\$19,162,915</b>	<b>\$24,195,000</b>

Though Proposition M made the location of sales a more prominent factor in the calculation of gross receipts, payroll apportionment – or the percentage of a company's workforce that is located in San Francisco – remains a factor in gross receipts calculations and therefore does still play a role in how companies decide to grow or shrink their employee counts in San Francisco. As such, Proposition M did not completely remove the financial incentive for companies to relocate. For the cloud storage company analyzed here, it could reduce its business tax liabilities in San Francisco by \$10 million in 2026 if it were to relocate 100% of its workforce outside of San Francisco to a city with no local business taxes.

### How do San Francisco Business Taxes Compare to Peer Cities?

Because Proposition M did not completely disincentivize corporate relocations, and it also did not substantially lower tax burdens for most payers, a nationwide look at business tax systems is necessary to fully understand how San Francisco business tax rates compare to peer cities across the U.S. This analysis uses four hypothetical companies and calculates their tax rates across a number of U.S. cities that are comparable to San Francisco in terms of size and economic makeup. By analyzing the same set of cities from the first section of this report focused on the economy, we can make comparisons between an individual city's economic growth and the tax burden it places on employers.

We model tax burdens across U.S. cities for four hypothetical companies, whose business characteristics are outlined in **Figure 11**:

1. A medium-sized, California-focused **law firm**
2. A multi-national **cloud storage company**
3. A pre-IPO **payment processing company** headquartered in San Francisco
4. A large, **national retailer** with a San Francisco-based headquarters

**Figure 11. Hypothetical employers subject to business taxes**

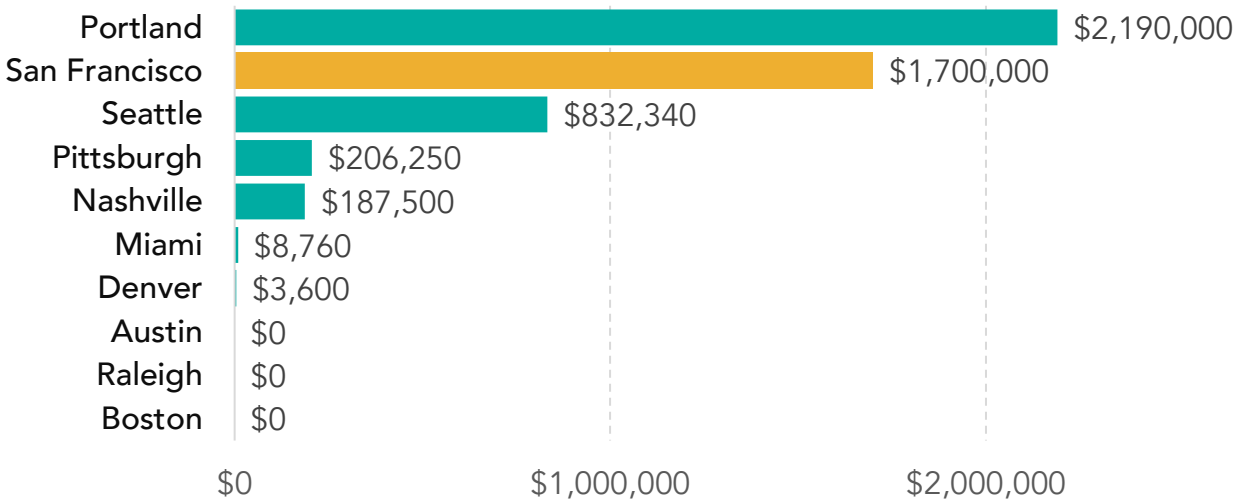
Company	Industry	Annual SF Sales	Total Gross Receipts	Total Headcount	SF Payroll Factor	SF Taxable Gross Receipts
Law Firm	Professional Services	\$100M	\$160M	150	50%	\$95M
Cloud Storage	Information	\$750M	\$25B	25,000	7%	\$1B
Payment Processing	Financial Services	\$600M	\$10B	1,000	80%	\$2.45B
Large Retailer	Retail	\$80M	\$8B	20,000	10%	\$260M

**Note:** SF Payroll Factor denotes the percentage of the firm's employment located in San Francisco. SF Taxable Gross Receipts are calculated using the new apportionment formulas under Proposition M. Three-quarters of taxable gross receipts are derived from sales within San Francisco and one-quarter is based on the company's payroll factor applied to its total gross receipts.

To calculate tax liabilities on a per city basis, this report uses the firm characteristics presented above and a set of assumptions on profitability and average pay that are applied in jurisdictions whose tax rates are a function of profits and pay rates. The results of this analysis are presented in the four charts below, which show significant variation in tax liabilities by city and have a common theme of San Francisco's tax burdens being substantially higher than peer jurisdictions.

**Figure 12. A hypothetical law firm would face the second highest tax liability in San Francisco compared to the other nine cities analyzed**

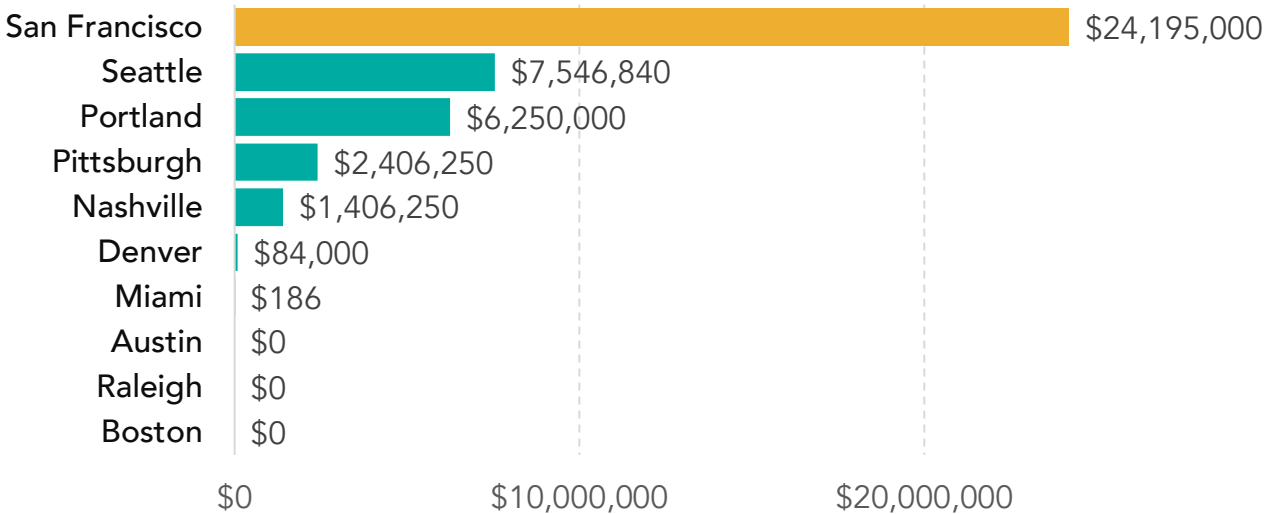
Total business tax liability by city, hypothetical law firm



**Note:** Calculations made using applicable business tax codes from peer cities. The law firm is assumed to have annual sales of \$100 million, 75 employees, and an average salary of \$500,000 in the city of interest. In cities with a business income tax, we assume a 40% profit margin.

**Figure 13. A company in the technology sector could pay 3 times more business taxes in San Francisco than the closest peer city**

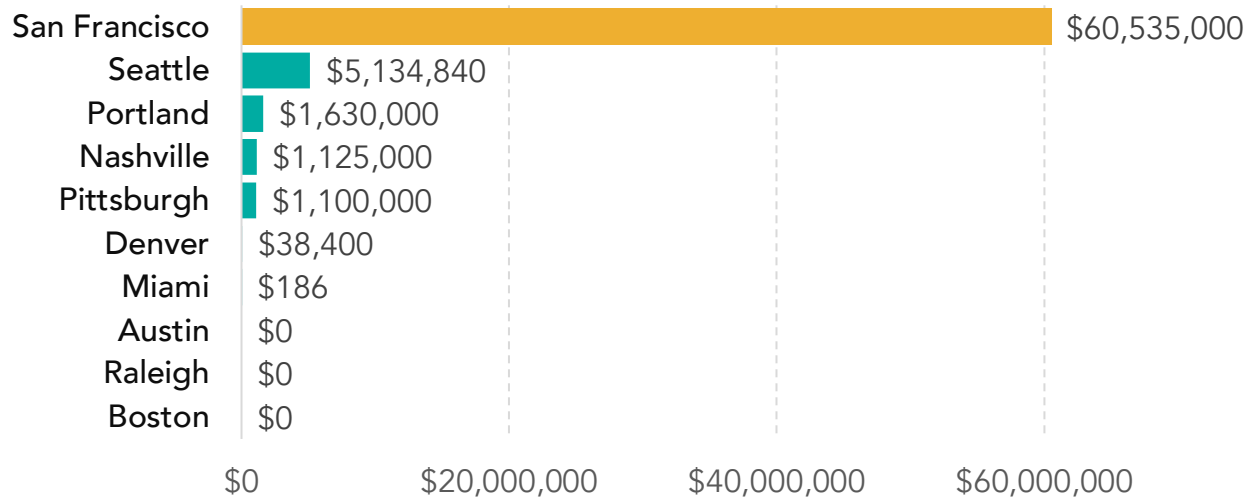
Total business tax liability by city, hypothetical cloud storage company



**Note:** Calculations made using applicable business tax codes from peer cities. The cloud storage company is assumed to have annual sales of \$750 million and 1,750 employees (average salary of \$250,000) in the city of interest. In cities with a business income tax, we assume a 15% profit margin.

**Figure 14. A company in the finance sector could pay 10 times more business taxes in San Francisco than the closest peer city**

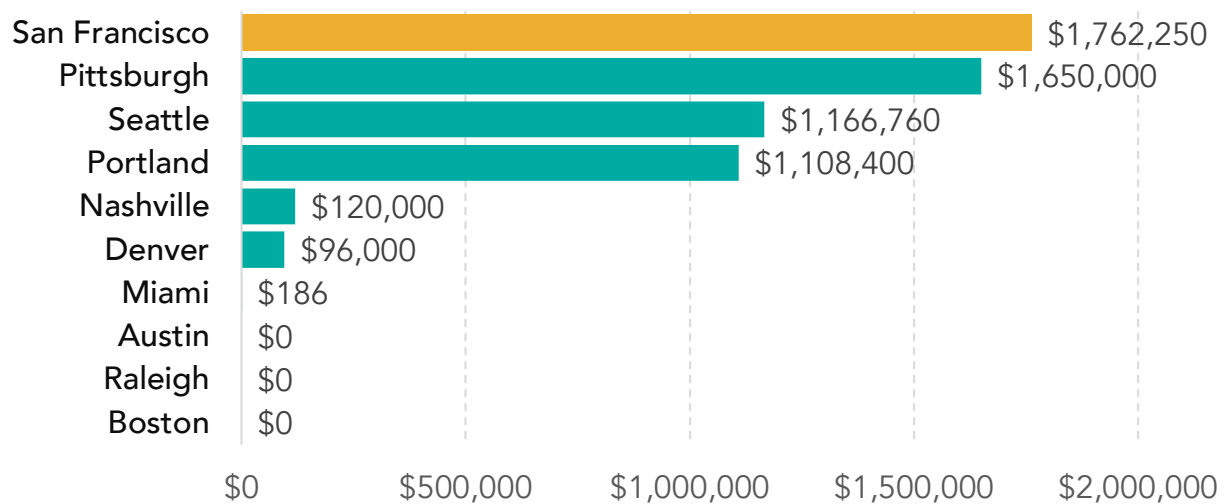
Total business tax liability by city, hypothetical payment processing company



**Note:** Calculations made using applicable business tax codes from peer cities. The payment processing company is assumed to have annual sales of \$600 mil and 800 employees in the city of interest – with an avg. salary of \$250k per employee. In cities with a business income tax, we assume a 5% profit margin on sales.

**Figure 15. A company in the retail sector would pay more business taxes in San Francisco than in any other city analyzed**

Total business tax liability by city, hypothetical national retailer



**Note:** Calculations made using applicable business tax codes from peer cities. The national retailer is assumed to have annual sales of \$80 mil and 200 employees in the city of interest – with an avg. salary of \$150k per employee. In cities with a business income tax, we assume an 8% profit margin on sales.

The four hypothetical examples shown here illustrate the very high tax burdens that San Francisco places on its employers. In every example analyzed, a company could reduce its tax burden if it were to move employees out of the city. Despite recent reforms to the city's business tax regime, San Francisco remains in a league of its own in terms of the tax burden it places on its employers.

This is particularly true for the one industry that has been most important for the city's past success and its prospects for future growth – tech. Many scaling tech companies are not profitable and have other options across the nation for where they grow; yet San Francisco's tax structure makes it uncompetitive with other cities that are actively looking to capture additional tech employment. The city's gross receipts-based tax structure also places high tax burdens on an array of companies that operate on thin margins – such as auto dealerships, some financial services companies, and large retailers – many of which have already reduced their presence in San Francisco due to the unfavorable economics uncovered here.

While this study does not isolate the impacts of business taxes on overall economic growth, it does show a clear connection: the four cities that have seen their number of tech jobs decline between 2021 and 2024 are the same four cities with the highest business tax burdens for the hypothetical companies analyzed here. And three of the four cities analyzed that have no business tax or a minimal business license tax – Austin, Raleigh, and Miami – are the three fastest growing in terms of overall payroll employment since the onset of the pandemic.

Further compounding San Francisco's lack of business tax competitiveness with its peers is California's relatively high corporate income tax rate. The Tax Foundation finds that California's top marginal rate, 8.84%, is the sixth highest in the nation. If this factor were to be included in this analysis, San Francisco companies' total business tax liabilities would show an even greater gap with peers.

## How Would Business Tax Changes Impact the City's Finances?

San Francisco's high-cost environment for businesses relative to its peers and the structure of its tax system continue to shape firm behavior and investment decisions. The combination of elevated tax burdens, weak office demand, and increasing competition for jobs across the nation suggests that street level policy changes – such as improvements to public safety, cleanliness, and street activation – may not be sufficient to reverse current trends. And the higher business taxes that have been proposed to alleviate budget challenges would certainly make San Francisco's business climate even less competitive with its peers. Tax increases can drive further employment loss, which in turn can depress property values and reduce sales receipts, thereby producing far less revenue than envisioned or reducing the city's overall taxable base.

Increasing business tax burdens – as proposed in a June 2026 San Francisco ballot measure – would drive a further competitive wedge between San Francisco and its peers. Instead, lower tax rates could stimulate the type of economic growth that could fill downtown's empty office buildings while simultaneously alleviating budget pressures. Though large cities have rarely reduced their business tax rates, there are numerous examples of states and other countries that have generated fiscal gains while reducing tax burdens on businesses or residents:

- **North Carolina** undertook the largest tax transformation in the U.S., replacing a 7.75% top-bracket personal income tax in 2013 with a flat rate now at 4.25% and slashing its corporate income tax from 6.90% to 2.50% with full phase-out by 2030. After the change, the state has continuously run multi-billion-dollar fiscal surpluses, climbed to the top of many business climate rankings, and seen some of the strongest population growth in the country in the Charlotte and Raleigh-Durham areas.
- **Indiana** cut its flat personal income tax from 3.40% in 2013 to 3.00% in 2025 and trimmed its corporate rate from 8.50% to 4.90%. State revenue continued to rise alongside the cuts, the state built one of the largest per-capita rainy-day funds in the country, and job growth in manufacturing and life sciences has consistently outpaced the regional average.

- **Tennessee** completed the phase-out of its tax on dividends and interest in 2021, making it a no-personal-income-tax state. The result has been significant in-migration of higher-income households, double-digit percentage state revenue increases, and surpluses large enough to fund infrastructure and education without raising other taxes.
- Within North America, **Canada** undertook one of the most significant corporate tax reductions among advanced economies in the 2000s, cutting the federal corporate rate from 28% in 2000 to 15% by 2012 while dropping the combined federal-provincial rate from roughly 43% to about 26%. After the cuts, federal corporate tax revenues continued to grow in dollar terms and held up as a share of GDP, while business investment, GDP, and employment all expanded.
- **Ireland** transformed from one of Western Europe's poorest economies in the 1980s into one of the wealthiest, anchored by adopting one of the lowest corporate tax rates in the developed world. The headline 12.5% rate attracted enormous foreign direct investment – particularly from U.S. tech and pharmaceutical multinationals – and turned Dublin into a global headquarters cluster. Corporate tax receipts grew from a small share of revenue to a significant one, delivering multi-billion-euro budget surpluses in recent years.

Further study is needed to understand how lower business taxes in San Francisco may impact the economy and the city's fiscal health. However, this study makes clear that San Francisco's business tax rates are the highest in the nation and they are having a real impact on the city's ability to attract and retain jobs. Without more substantial adjustments to the city's business tax framework – with an eye toward targeted tax reductions – San Francisco is likely to face continued challenges in attracting and retaining employers, prolonging both its downtown recovery and broader economic stabilization.

## Authors

This report was led by the Bay Area Council Economic Institute (BACEI) and conducted and written by Jeff Bellisario, Executive Director, and Abby Raisz, Vice President of Research.

## About BACEI

Since 1990, the [Bay Area Council Economic Institute](#) has been a leading think tank focused on the economy of the San Francisco/Silicon Valley Bay Area. Through its economic and policy research and its partnerships, the Institute addresses issues impacting the competitiveness, economic development, and quality of life of the region and California. The Institute is housed at and supported by the Bay Area Council, a public policy organization that includes hundreds of the region's largest employers and is committed to keeping the Bay Area the world's most competitive economy and best place to live.



## Appendix

### 1. Economic Conditions and Comparative Analysis

This analysis draws on multiple nationally representative and administrative datasets to assess economic conditions in San Francisco and benchmark the city's recovery relative to peer regions. The principal sources include:

- **Placer.ai mobility data**, analyzed by the Downtown San Francisco Partnership, to measure changes in foot traffic patterns across downtown areas. These data provide high-frequency insights into weekday and weekend activity and serve as a proxy for economic engagement in commercial districts.
- **California Department of Tax and Fee Administration (CDTFA)** sales tax data, supplemented by the **SF Office of the Treasurer and Tax Collector**, to track trends in taxable sales and consumer activity within downtown San Francisco.
- **Bay Area Rapid Transit (BART)** ridership data, used to analyze changes in commuting patterns and transit usage across downtown and regional stations. These data help capture shifts in worker presence and regional mobility trends.
- **U.S. Bureau of Labor Statistics (BLS)**, specifically the Quarterly Census of Employment and Wages (QCEW), to measure employment levels and recovery trajectories across San Francisco and peer metropolitan areas. These data provide a comprehensive view of labor market performance over time.
- **Cushman & Wakefield MarketBeat reports**, used to assess office market conditions, including vacancy rates across major U.S. cities. These data offer insight into commercial real estate trends and demand for office space.

**Peer city selection:** We benchmark San Francisco against Austin, Boston, Denver, Miami, Nashville, Pittsburgh, Portland, Raleigh, and Seattle. We selected these cities based on comparable scale (core populations of roughly 700,000 to 1 million) and similar knowledge-based economic profiles, anchored by industries such as technology, finance, professional services, and higher education. For employment analysis, we use counties as a proxy for city-level job data.

## 2. Business Tax Analysis

**San Francisco** tax rates and liabilities are calculated using available tax rate tables from the San Francisco Treasurer & Tax Collector. For the purposes of analyzing the four hypothetical companies, tax rates for Category 1 were applied to the large retailer, while Category 5 was applied to the other three examples. Because San Francisco's tax rates are marginal in nature, multiple tax rates were applied to each company's gross receipts as calculated via the 75% location of sales, 25% payroll apportionment method. San Francisco tax burdens shown within this study exclude any business licenses fees and commercial rents taxes.

**Austin** does not impose a corporate income tax, a gross receipts tax, a payroll or head tax, or a general business license tax – categories of revenue that are generally prohibited or unused in Texas.

**Boston**, like most Massachusetts cities, has limited authority to tax businesses directly – the state prohibits local income, payroll, and general sales taxes – so the city's business tax burden is concentrated almost entirely in the property tax.

**Denver's** main business tax is the Occupational Privilege Tax, a flat \$9.75 per month per employee earning over \$500 (\$4.00 paid by the employer, \$5.75 withheld from the employee), regardless of revenue, profit, or wages. Denver has no local gross receipts, payroll, or corporate income tax.

**Miami** has a business registration tax that the city applies to business locations based on industry. For most types of businesses, the tax rate is below \$1,000 per year. Business registration fees from Miami-Dade County are also included in the calculation.

**Nashville** businesses pay Tennessee's state-administered Business Tax, with the local portion collected by Metro Nashville-Davidson. Rates apply to gross receipts and vary by classification. Most retailers fall under Class 2 (motor vehicle dealers, apparel) at 0.15% while service providers (hotels, repair shops, and most professional services) fall under Class 3 at 0.1875%. A minimum tax of \$22 per business location applies, and businesses with under \$10,000 in gross receipts are exempt.

**Portland** levies a Business License Tax of 2.6% on net business income earned within the city, and businesses operating in Portland also pay the overlapping Multnomah County Business Income Tax of 2% on net income, since the city sits within Multnomah County. Layered on top is the regional Metro Supportive Housing Services tax, which adds 1% on net business income above \$5 million for firms operating in the Portland metro area, and the city's Clean Energy Surcharge (PCEF), a 1% gross receipts surcharge on large retailers with more than \$1 billion in U.S. sales and \$500,000 in Portland sales.

**Pittsburgh** has a payroll expense tax, a 0.55% levy on the gross payroll of for-profit employers operating in the city. Employers also remit the Local Services Tax of \$52 per employee per year. The city eliminated its broader Business Privilege and Mercantile Taxes in the mid-2000s, so Pittsburgh does not levy a city corporate income tax, a general gross receipts tax, or its own city sales tax.

Like all North Carolina municipalities, **Raleigh** is barred by state law from levying a local income tax, payroll tax, or general sales tax of its own. Historically, the city's principal business-specific tax was the Privilege License Tax – a flat or graduated tax on businesses operating within city limits that had been imposed for more than a century. In 2014, the North Carolina General Assembly repealed local authority to levy privilege license taxes effective July 1, 2015, as part of a broader tax-reform package, eliminating what had been Raleigh's main direct revenue tool aimed at businesses.

**Seattle** has two direct taxes placed on businesses that operate within city limits. The first is the Seattle Business & Occupation (B&O) tax, a gross receipts tax. Seattle taxes retailing, wholesaling, and manufacturing at 0.342% and services and other activities at 0.658% of gross receipts, with a small-business exemption for firms below \$100,000 in annual taxable revenue. The second is the JumpStart Seattle payroll expense tax, enacted in 2020 after the city's earlier 2018 head tax was repealed. JumpStart applies to companies with above \$8 million in Seattle payroll and tiers from 0.7% up to 2.4% on compensation paid to employees earning above an annually indexed threshold (around \$174,000 in recent years).

For the purposes of this analysis, we apply the following tax rate calculations for the JumpStart tax to the four hypothetical companies:

- **Law Firm:** Businesses with lower levels of payroll pay at the lower end of the tax rate range. We assume 50% of total payroll is taxed at an average 1% rate.
- **Cloud Storage:** We assume 30% of total payroll is taxed at an average rate of 2%.
- **Payment Processing:** We assume 30% of total payroll is taxed at an average rate of 2%.
- **Large Retailer:** We assume 15% of total payroll is taxed at an average rate of 2%.