Prop M (2024) and BOMA SF Members

Introduction

Proposition M is a comprehensive restructuring of San Francisco's business tax system. Voters approved the measure on November 5, 2024, with nearly 70% support.

Proposition M addressed instability in San Francisco's business tax system following COVID. With the five largest employers paying 25% of all business taxes, the City faced significant revenue volatility and needed a fairer, more balanced system.

Proposition M aims to:

- Reduce instability caused by overreliance on a small number of taxpayers;
- Mitigate revenue loss tied to remote work and business relocation;
- Promote greater equity for small businesses; and
- Simplify the tax structure to improve predictability and stability.

The measure took effect in January 2025. March 2, 2026, is the first joint Annual Business Tax filing and Business Registration Renewal deadline under the new rules. Click here for a comprehensive timeline.

Proposition M will reduce City revenue by about $40 million annually for the first three years. Starting in fiscal year 2029–30, Proposition M will generate an estimated $50 million in additional annual revenue.

BOMA SF Involvement

BOMA SF participated in a diverse business, labor, and City working group to help shape Proposition M. Through these negotiations, BOMA SF and its partners secured key concessions, including:

- Avoiding proposed increases on real estate gross receipts over $50 million;
- Preserving the homelessness gross receipts tax exemption for entities that pay the commercial rents tax; and
- Adjusting rate schedules to reduce impacts on Wholesalers, Construction, Arts and Entertainment, Hotels, and Financial Services.

Key Reforms for BOMA Members

Proposition M stabilizes San Francisco's economy by lowering taxes for the largest employers while avoiding an increase to the commercial real estate sector's overall tax burden. Some property owners may assume new tax responsibilities under the measure. However, Proposition M reduces overall business taxes, supports small businesses, and strengthens the City's economy and real estate market.

Commercial Rents Tax

- Sets the Commercial Rents Tax Small Business Exemption at $2,325,000.
- **Commercial Rents Tax rates remain unchanged.**

Gross Receipts Tax

- Increases the Gross Receipts Tax Small Business Exemption from $2,250,000 to $5 million, providing relief for small businesses.
- Businesses with gross receipts over $5 million will face higher tax rates, ranging from 0.1% to 3.716%, compared to the previous cap of 1.008%. View rates here.

Streamlining

- Establishes new Gross Receipts Tax (GRT) categories, reducing the number of business categories from 14 to 7.
    - Example: New Category 3 includes NAICS Codes 531 (Real Estate), 5612 (Facilities Support Services), 5617 (Services to Buildings and Dwellings), and 812930 (Parking Lots and Garages).
- Consolidates Business Registration Fee and Gross Receipts Tax deadlines to the last day of February and extends the extension deadline to November 30 to better align with California deadlines.

Homelessness Gross Receipts Tax (HGRT)

- Reduces the Homelessness Gross Receipts Tax threshold from $50 million to $25 million in gross receipts, expanding the tax base.
- Businesses previously exempt from this tax may now face rates ranging from 0.164% to 0.492%. View rates here.
- Aligns HGRT categories and rate structures with the Gross Receipts Tax.

Overpaid Executive Gross Receipts Tax

- Reduces tax rates to 0.02%-0.129% and simplifies the calculation process. View rates here.
- Provides an exemption for businesses with 1,000 or fewer U.S. employees and $1 billion or less in gross receipts reported on federal income tax returns.
- For businesses with large pay gaps, these changes may reduce the overall tax burden.

For the full text of Proposition M, detailed rate tables, and official resources, please visit the City's Proposition M website. Individual links are below:

- New GRT Rates, New HGRT Rates, New Overpaid Executive GRT Rates

Disclaimer: *This document provides general information about Proposition M and is intended for informational purposes only. It does not constitute tax, legal, or financial advice. Members should consult a qualified tax professional or advisor for guidance specific to their business.*