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San Francisco: Board of Supervisors votes against proposed tech tax, but the fight continues

David M. Kall | Thursday, August 25, 2016

Last month, we described several ballot initiatives that are expected to go before voters in the November election. These cover various topics, including marijuana legalization, stadium funding, and gas and income tax increases.

In addition, the San Francisco Board of Supervisors (Board) was considering placing the Homelessness and Technology Tax, known as the "tech tax," on the November ballot. If passed, technology companies would have been subject to a 1.5 percent payroll tax, which was intended to fund affordable housing and homeless services.

On August 1, 2016, not even a month after it was introduced in mid July, the Budget and Finance Committee decided to table the initiative in a special meeting.

In an article describing the 2-1 vote, SFist revealed the opinion of San Francisco's chief economist, who disagreed with the initiative because it would have a negative impact overall, despite the anticipated revenue gain of $70 million to $140 million annually. To explain this, he cited the Economic Impact Report (Report), which concluded that the costs would outweigh the benefits.

More specifically, the Report described the following impacts:

- By increasing the cost of labor for technology companies, the initiative would tend to reduce the number of workers employed by that sector, and the wages they earn;
- The reduction in technology sector employment and wages would create negative multiplier effects in the local economy, such as reduced demand for business services, business travel, and building services that support technology companies;
- To the extent the reduction of employment in the city reduces the desire of technology workers to live in the city, the tax will lead to lower demand for housing and consumer goods such as retail goods, personal services, and restaurants and bars.

All this despite the fact that it is likely that investment in homeless services would improve the economic prospects of homeless people, and therefore reduce social service costs born by the public sector in the long term. These social service costs are unquantifiable at this time.

Ultimately, the Report projected the following:

- A net loss of approximately 870 jobs over a twenty-year forecast period;
- A decline in earnings in every sector except social services, with the greatest decline 0.6 percent, in the Information and Professional Services sectors;
- A .18 percent decrease in housing prices; and
- A personal income decline of .13 percent, despite the decrease in housing prices, because of the decline in employment and wages.

On the other hand, several supervisors supported the tax because the big tech firms have enjoyed five-year tech boom, so it is only fair that they now pay their share to address the impact of housing and homelessness.

There are other ongoing efforts afoot to mitigate the housing problem. SFist recognized one, a new Department of Homelessness and Supportive Housing initiative, which seeks voluntary charitable donations from large tech companies to support transitional housing and homeless services.

Another is from supporters who want to collect enough signatures themselves to get the tech tax on the ballot. KTVU quoted one of the original sponsors engaged in this effort, who proclaimed: “[l]ong live the fair share tech tax… It's not dead, the fight has only begun.”

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Team member bio