times greater than their median employee.

Jul. 29, 2020

Large companies in San Francisco with executives taking in seven-figure salaries could be forced to spare a penny for the city's general fund if voters approve a new tax this November.

The Board of Supervisors voted unanimously Tuesday to put the measure, referred to as the "CEO tax" and "overpaid executive tax," on the November ballot.

If approved, a tax between 0.1%-0.6% would be tacked on to the annual business tax

surcharge added to their annual business tax payment. The more inequity between the top executive and the workers, the higher the percentage."

For example, a company with 3,000 employees and a median salary of $125,000 would begin to pay an additional $375,000 payroll tax if it had an executive that also made at least $12.5 million annually; if its CEO made $75 million, it would have to pay a $2.25 million tax. However, a company that pays its employees less, say a median of $50,000, would be more likely to be hit with the tax; it would start paying the additional rate at an executive compensation of $5 million.

According to reports, Wells Fargo, the bank headquartered in San Francisco, increased its CEO's salary to $23 million in 2019. It would have to pay its median worker in the city at least $38,000 to avoid the highest tax rate and $230,000 to avoid the lowest tax rate.

Uber, the ride-sharing giant also headquartered in San Francisco, reportedly paid its CEO $45 million in 2019. Its drivers are considered independent contractors, so the salary scrutiny would come down on its well-compensated engineering force in the city. Still, the median worker would have to earn $450,000 annually to avoid the tax at compensation rate as high as Dara Khosrowshahi.

"Big companies that can afford to pay their executives multimillion dollar salaries every year can afford to pay their fair share in taxes," Haney said.

The legislation was written in a way to capture the many ways top executives are compensated, including bonuses and stock options. In the text of the bill, "compensation" is defined as "wages, salaries, commissions, bonuses, property issued or transferred in exchange for the performance of services (including but not limited to stock options)."

The additional tax would only apply to companies with gross annual revenues of at

The proposal is one of three additional tax measures facing voters in San Francisco this November. If approved, which requires a simple majority at the ballot box, the tax would take effect in 2022.

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