Supervisor Gordon Mar announces proposal to tax corporate IPO wealth to address income inequality

San Francisco - At his hearing examining the impact of upcoming tech IPOs, Supervisor Gordon Mar announced a proposal to tax corporate IPO wealth to address income inequality. Over the next two years, a record number of private tech companies based in San Francisco -- including Uber, Lyft, Airbnb, Pinterest, and more -- have held or are planning Initial Public Offerings, events likely to flood San Francisco with billions in new wealth, and exacerbate existing crises of housing affordability and wealth disparities.

“We have the highest income gap and highest housing costs in the nation. These crises are intertwined, and they didn’t happen by accident. Over the last decade, we have seen an incredible amount of wealth flood this City: wealth concentrated in the hands of too few, as our middle class shrinks and our wealth gap grows” said Mar. “This happened, at least in part, because of decisions made in this chamber and in this building to grow the tech sector. We rolled out the red carpet for these companies to start up and grow here. When they threatened to leave, we paid their ransom. We cut their taxes, built their offices and luxury condos, and here we are. This is one of the outcomes.”

Mar’s proposal would reinstate a 1.5% payroll tax rate on stock-based compensation, the same rate companies would be paying now had San Francisco not started offering various tax cuts and exemptions to the tech industry beginning in 2012. Projected to raise $100-200 million over the first two years, the revenue would be dedicated to a new “Shared Prosperity Fund” to address income inequality, that could fund programs for low and middle-income workers, affordable housing, youth and families, and small business stabilization.

Mar’s proposal was crafted alongside a coalition of community organizations representing workers, communities of color, and youth, including Jobs With Justice San Francisco, San Francisco Rising, and the Chinese Progressive Association.

At the hearing, the City’s Chief Economist, Treasurer & Tax Collector’s office, and Budget & Legislative Analyst presented information on how the upcoming tech IPOs would contribute to rising housing costs, rental prices, and growing income equality; and an overview of the tax breaks and exemptions tech companies have received, including the Twitter tax break and a tax exclusion on stock-based compensation. In addition, the federal stock option loophole allows corporations to write off the vast wealth they give to their top executives in an IPO as a tax
deduction on federal taxes, and corporations that misclassify their gig workers as “independent contractors” evade billions of dollars in California payroll taxes.

“It’s time we turn the page on the trickle-down policies of the past. It’s time we disrupt inequality, and put the interests of the public above private profit. It’s time to work towards a future where all people benefit from the prosperity that San Francisco helped incubate, where the success created by many doesn’t only benefit a few, where corporations are responsible neighbors, and where technology and innovation acts in service to society, instead of the other way around. It’s time we ask wealthy corporations to start paying their fair share,” said Mar.

Mar’s proposal is expected to be introduced to the Board of Supervisors in the next two weeks, where it will require the support of six Supervisors to be placed on the ballot for this November.