

Alert | State & Local Tax (SALT)



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San Francisco Board of Supervisors Moves to Recommend Implementation of Two Prop M Programs

On March 5, 2025, the San Francisco Board of Supervisors (BOS) held a hearing to discuss the San Francisco Office of the Treasurer & Tax Collector (Office)'s implementation of two key programs promulgated by Proposition M: the Voluntary Disclosure Agreement (VDA) Program and the Advance Written Determination (AWD) Fee Authorization Program. Ultimately, the BOS moved to recommend the programs for full board consideration.

Proposition M: In General

On Nov. 5, 2024, San Francisco voters approved Proposition M, initiating a comprehensive restructuring of the city's business tax system. Among the multitude of changes resulting from **the approval of Proposition M** are the newly-created VDA and AWD Programs.

VDA Program

This ordinance empowers the Tax Collector to waive certain taxes, penalties, and interest for taxpayers who voluntarily disclose and settle unpaid back taxes and interest. Eligible taxpayers can report and pay unpaid taxes and interest for the previous six years, provided they do not possess a current business registration certificate and have not been previously contacted by the Office regarding unreported taxes or

failure to register. Applications for the VDA Program will be accepted from Jan. 1, 2025, through Dec. 31, 2027. Since 2019, California's informal VDA process has generated \$2.9 million in back taxes and \$1.6 million in ongoing tax revenue. Based on this data, projections estimate \$1.5 million in prior-year tax revenue and \$1 million in ongoing tax revenue over the official Program's authorized three-year span.

During the hearing, state representatives confirmed that the VDA Program proved especially helpful in cases of mergers and acquisitions where due diligence led to the discovery of unpaid tax liabilities.

AWD Fee Authorization

Mandated by Proposition M, the AWD Fee Authorization Program allows taxpayers to obtain advance determinations of their tax liability. This ordinance authorizes the Tax Collector to charge fees for reviewing applications and providing these determinations. The fee schedule is set at \$250 for applications filed on or before Dec. 31, 2025. For applications submitted after this date, the fee will not exceed the Tax Collector's cost of providing the determination.

During the hearing, state representatives confirmed that the AWD Fee Authorization Program is on track to commence in spring of 2025.

Proposition M Proposed Sourcing Regulations

Proposition M requires the Tax Collector to promulgate regulations interpreting how businesses should interpret where gross receipts are allocated. The Office has now released [proposed sourcing regulations](#).

The proposed regulations generally follow the California Franchise Tax Board's sourcing regulations, with a few exceptions. The proposed regulations: (1) incorporate a waterfall approach to sourcing receipts for services and intangible property in certain instances; (2) incorporate a waterfall approach when sourcing financial instruments; and (3) exclude certain special industry rules (e.g., partnerships, contractors, banks, etc.). A Tax Collector Hearing will be held [April 8 at 2 p.m.](#) to discuss the proposal.

Closing Thoughts

The Proposition M initiatives aim to enhance compliance and provide clarity within San Francisco's restructured business tax framework. Businesses operating in San Francisco should consult with their tax advisors to understand the implications of these initiatives.

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