

CITY AND COUNTY OF SAN FRANCISCO

Tax Collector Regulation 2026-1

**GROSS RECEIPTS TAX – ALTERNATIVE METHODOLOGY FOR APPORTIONING
DIVIDENDS, INTEREST, AND ROYALTIES THAT WATER’S-EDGE COMBINED GROUPS
RECEIVE FROM CERTAIN FOREIGN ENTITIES**

(a) Authority. The Tax Collector promulgates this regulation pursuant to the Tax Collector’s authority to adopt rules and regulations under San Francisco Business and Tax Regulations Code Section 6.16-1 and pursuant to the Tax Collector’s authority under San Francisco Business and Tax Regulations Code Sections 957, 2807, 3007, and 3306.

(b) Definitions. For the purposes of this regulation, all terms are as defined in Articles 6 and 12-A-1 of the San Francisco Business and Tax Regulations Code.

(c) When a combined group that files on a water’s edge basis receives dividends, interest, or royalties from a foreign entity, which foreign entity is wholly or partially excluded from the combined group solely as a result of the water’s edge election, the Business and Tax Regulations Code generally requires that such dividends, interest, or royalties be included in the gross receipts of the water’s-edge combined group except to the extent that the foreign entity is included in the water’s edge combined group.

(d) To apportion only those dividends, interest, or royalties from the foreign entity described in subsection (c), the combined group shall follow the standard rules in the San Francisco Business and Tax Regulations Code, except that the combined group shall include in its payroll factor under San Francisco Business and Tax Regulations Code Section 956.2 the payroll of the foreign entity that paid the dividends, interest, or royalties even though that foreign entity is not included in the combined group. The payroll factor used to apportion the remainder of the combined group’s combined gross receipts shall be calculated using the standard rules in San Francisco Business and Tax Regulations Code Section 956.2.

(e) Applicability date. This regulation applies to the apportionment of gross receipts under Sections 956.2 of the Business and Tax Regulations Code for tax years starting on or after January 1, 2027.