

No Taxation without Profit Maximization: The Potential for Proposition C to Disincentivize Corporate Social Responsibility

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When it comes to facilitating [corporate social responsibility](#), should businesses be required to contribute to local problems or should decisions about contribution be left to industry leaders discretion? That is the question facing San Francisco voters November 6th.

[Proposition C](#), a measure put together by a [local non-profit](#), would effectively double the city's budget to combat homelessness by [raising taxes](#) from .17% to .7% on businesses that exceed \$50 million in annual revenue.

Some moguls, such as [Salesforce CEO Marc Benioff](#), [support](#) the tax. But the unsurprising reality, even in liberal San Francisco, is that most companies are [against the measure](#). Leaders of tech giants, including [Twitter](#), Square, [Stripe](#), [Lyft](#), and Dolby Labs have collectively [contributed](#) hundreds of thousands to opposition efforts.

Some business leaders, such as Sequoia's [Michael Morris](#), are frustrated with Proposition C since their companies already [donate millions](#) to social programs. Preclusive to public backlash, businesses have packaged their opposition as [concern](#) for whether the new tax is adequately supported by plans to effectively manage the influx of money. Although this apprehension may appear as a desperate distraction from obvious self-interest, San Francisco's [Mayor](#) and various [other](#) government officials join in this opposition.

While discussing social problems in market terms is problematic, it is important to analyze the [credible concerns](#) and repercussions of solutions like Proposition C. As such, implementing a business tax may be a realistic means to combating homelessness.

However, legislation that turns social responsibility into a tax could disincentivize a corporate culture of caring. Social consciousness, or at least the fear of negative public perception, has made social responsibility a fundamental part of corporate decision making. Further, with most governance models still aligned with [shareholder primacy](#) – this change is fragile.

Companies now consider a social agenda to be part of their profit maximization model. They choose initiatives and budgets according to their margins in order to boost public image and profits – all while motivating employees and investors with their purpose. But if the local community sequesters companies to fiscally force a social agenda... what is the incentive for them to fund programs themselves? Is it better to force companies to do good or to convince them that doing good is their idea?



On one hand, proposition C could be the [economic catalyst](#) the city needs to provide adequate assistance and housing to the [seventh largest](#) homeless population in the nation. On the other hand, it could quarantine money into an ill organized fund while discouraging social investment in the local community.

At the very least Proposition C has opened the door for conversations between legislators, social activists, and business leaders to search for a cooperative way to address a critical issue in San Francisco.