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**THE CITY OF NEW YORK  
DEPARTMENT OF FINANCE  
OFFICE OF TAX POLICY**

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**STATISTICAL PROFILES OF  
NEW YORK CITY  
BUSINESS INCOME TAXES**

**BANKING CORPORATION TAX  
GENERAL CORPORATION TAX  
UNINCORPORATED BUSINESS TAX**

**TAX YEAR 2005**

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**MICHAEL R. BLOOMBERG, MAYOR**

**MARTHA E. STARK, COMMISSIONER**

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**REPORT PREPARED BY THE  
OFFICE OF TAX POLICY  
SEPTEMBER 2008**

## **Acknowledgements**

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## **Highlights**

This report presents statistical information for tax year 2005 for the three New York City business income taxes: the Banking Corporation Tax (BCT), the General Corporation Tax (GCT), and the Unincorporated Business Tax (UBT).

The BCT, GCT, and UBT generated \$4.220 billion in tax year 2005 liability, an increase of 20 percent from tax year 2004. The number of taxpayers increased 1 percent from 2004, to 303,270. The data show the following characteristics in 2005:

- The financial sector accounted for 39 percent of all tax liability, followed by the services sector, which generated 28 percent.
- Slightly more than half of NYC business income taxpayers reported liability of \$300 or less. Eighty-one percent of total liability was attributable to just 2 percent of taxpayers.

### **Banking Corporation Tax**

In 2005, the Banking Corporation Tax generated \$685 million from 491 taxpayers, an increase in tax liability of 26 percent from tax year 2004. The data show the following characteristics of the BCT population in 2005:

- Foreign banks and clearing house banks generated 42 percent and 35 percent, respectively, of total BCT liability.
- The top 10 percent of taxpayers in terms of liability generated \$561 million, or 82 percent of total liability.
- Eighty-seven percent of BCT liability was incurred under the entire net income base, and 57 percent of taxpayers paid on this base.

### **General Corporation Tax**

The General Corporation Tax generated \$2.324 billion in tax year 2005 liability, an increase of 21 percent from tax year 2004. The number of taxpayers increased 1 percent from 2004, to 270,244. The data show the following characteristics of the GCT population in 2005:

- Finance and insurance firms incurred 25 percent of total liability, followed by firms in the services sector, which generated 22 percent. Firms in the real estate, trade, and information sectors generated 16 percent, 15 percent, and 10 percent of total liability, respectively.
- The top 10 percent of taxpayers in terms of liability generated \$2.117 billion, or 91 percent of total liability. The top 1 percent of taxpayers accounted for \$1.629 billion, or 70 percent of total liability.

- Almost 60 percent of GCT taxpayers owed only the \$300 minimum tax. The remaining taxpayers incurred liability under one of the following tax bases: entire net income, income plus compensation, and capital. Eighty-five percent of total GCT liability was incurred under the entire net income base.
- Approximately 114,000 GCT taxpayers were recognized as S corporations for New York State tax purposes. S corporations accounted for \$888 million of GCT liability in 2005.

### **Unincorporated Business Tax**

The Unincorporated Business Tax produced \$1,211 billion in 2005 tax liability, a 15 percent increase from the previous year. Partnerships generated \$1.057 billion, an increase of 16 percent from 2004. Proprietorships generated \$154 million in liability, an increase of 11 percent from 2004. There were 9,752 partnership taxpayers and 22,783 proprietorship taxpayers, an increase of 10 percent for partnerships and 4 percent for proprietorships compared to 2004.

Other characteristics of the UBT population are as follows:

- Among UBT partnerships, legal, finance & insurance, and professional services firms generated \$855 million in tax liability, or 81 percent of total partnership liability. Among proprietorships, services-sector firms accounted for 60 percent of total liability, while legal-sector firms generated 14 percent.
- The top 10 percent of partnership taxpayers, or 975 firms, accounted for 84 percent of total partnership liability, and the top 1 percent accounted for 47 percent. The proprietorship liability distribution was far less skewed, with the top 10 percent generating 49 percent of proprietorship liability, while the top 1 percent generated 20 percent of liability.
- Under the UBT, limited liability companies (LLCs) are generally treated as partnerships for tax purposes. In 2005, firms identified as limited liability partnerships (LLPs) or LLCs accounted for 76 percent of UBT partnership liability and 78 percent of partnership taxpayers.

# **BUSINESS INCOME TAX**



Table 1  
**2005 BUSINESS INCOME TAXES  
TAXPAYERS BY INDUSTRY**

**Total Taxpayers: 303,270**

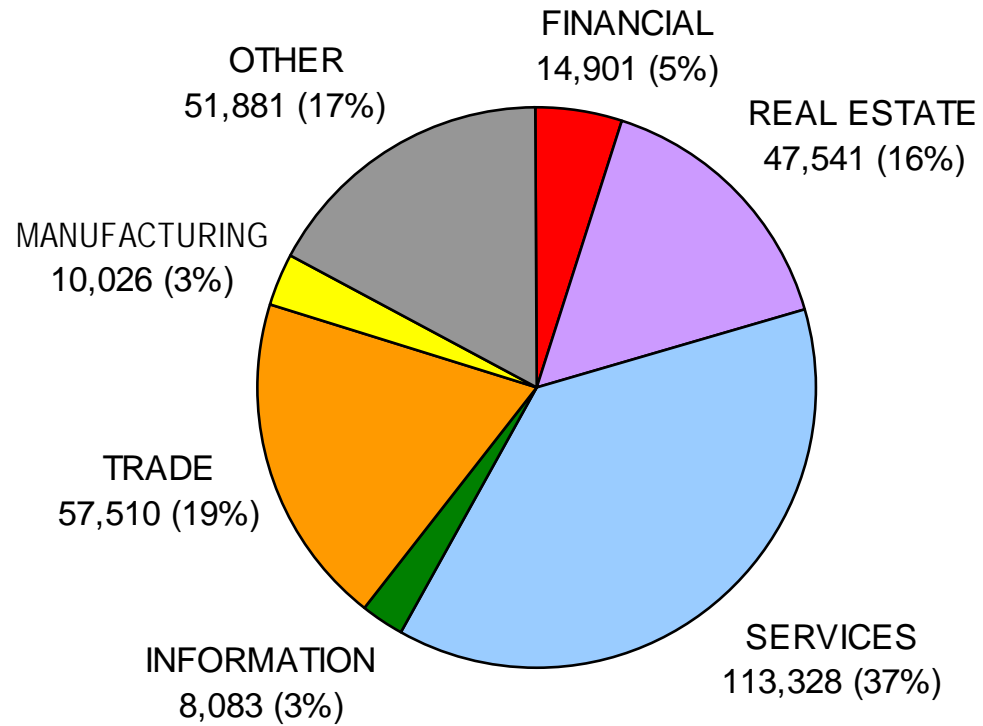
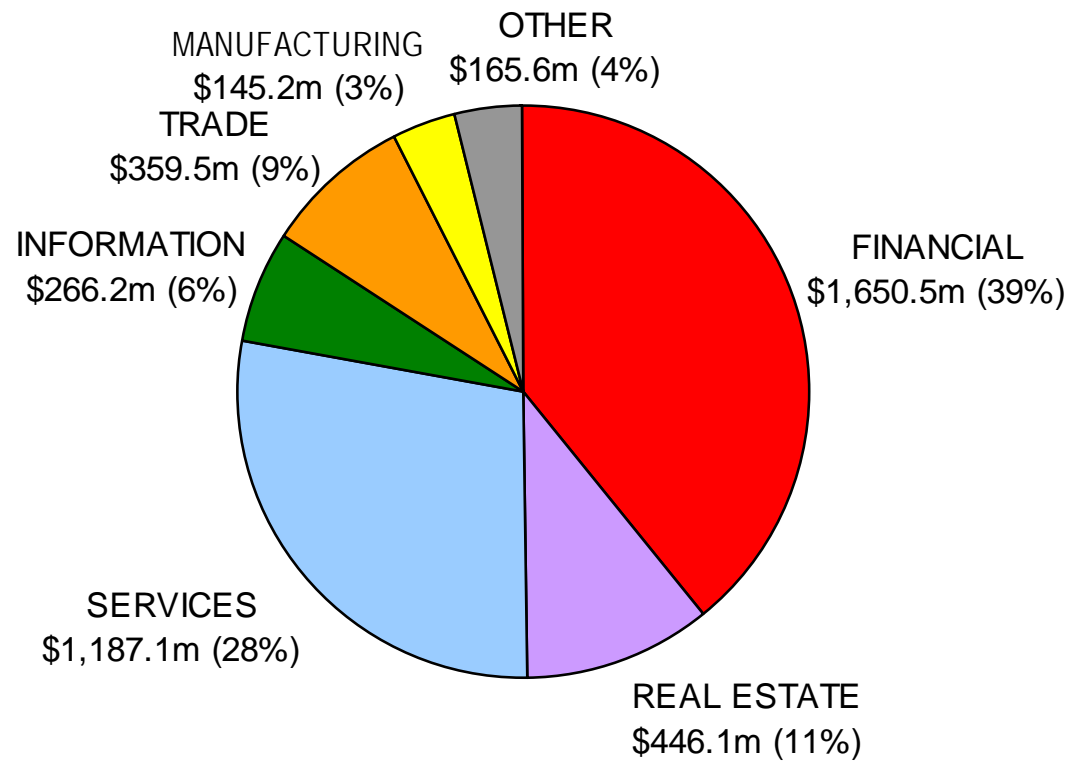


Table 2  
**2005 BUSINESS INCOME TAXES  
LIABILITY BY INDUSTRY**

**Total Liability: \$4,220.2m**



**BUSINESS INCOME TAXES  
TAX YEAR 2005**

**Table 3  
DISTRIBUTION BY INDUSTRY  
(\$ THOUSANDS)**

<b>INDUSTRY</b>	<b>Number</b>	<b>% of Total</b>	<b>Liability</b>	<b>% of Total</b>
<b>FINANCIAL</b>	14,901	4.9 %	\$1,650,538	39.1 %
<b>REAL ESTATE</b>	47,541	15.7	446,081	10.6
<b>SERVICES</b>	113,328	37.4	1,187,073	28.1
<b>INFORMATION</b>	8,083	2.7	266,229	6.3
<b>TRADE</b>	57,510	19.0	359,527	8.5
<b>MANUFACTURING</b>	10,026	3.3	145,153	3.4
<b>OTHER</b>	51,881	17.1	165,596	3.9
<b>TOTAL</b>	<b>303,270</b>	<b>100.0 %</b>	<b>\$4,220,197</b>	<b>100.0 %</b>

**BUSINESS INCOME TAXES  
TAX YEAR 2005**

**Table 4  
DISTRIBUTION BY LIABILITY RANGE  
(\$ THOUSANDS)**

<b>LIABILITY PER RETURN (Actual \$)</b>	<b>Number</b>	<b>% of Total</b>	<b>Total Liability</b>	<b>% of Total</b>
<b>\$300 OR LESS</b>	160,486	52.9 %	\$47,618	1.1 %
<b>\$300 - \$1,000</b>	38,286	12.6	22,745	0.5
<b>\$1,000 - \$5,000</b>	56,499	18.6	144,511	3.4
<b>\$5,000 - \$10,000</b>	20,393	6.7	143,635	3.4
<b>\$10,000 - \$50,000</b>	20,597	6.8	431,421	10.2
<b>\$50,000 - \$500,000</b>	6,058	2.0	853,808	20.2
<b>\$500,000 - \$1,000,000</b>	454	0.1	320,086	7.6
<b>MORE THAN \$1,000,000</b>	497	0.2	2,256,373	53.5
<b>TOTAL</b>	<b>303,270</b>	<b>100.0 %</b>	<b>\$4,220,197</b>	<b>100.0 %</b>

# **BANKING CORPORATION TAX**

Table 5  
**2005 BANK TAX  
TAXPAYERS BY BANK TYPE**

**Total Taxpayers: 491**

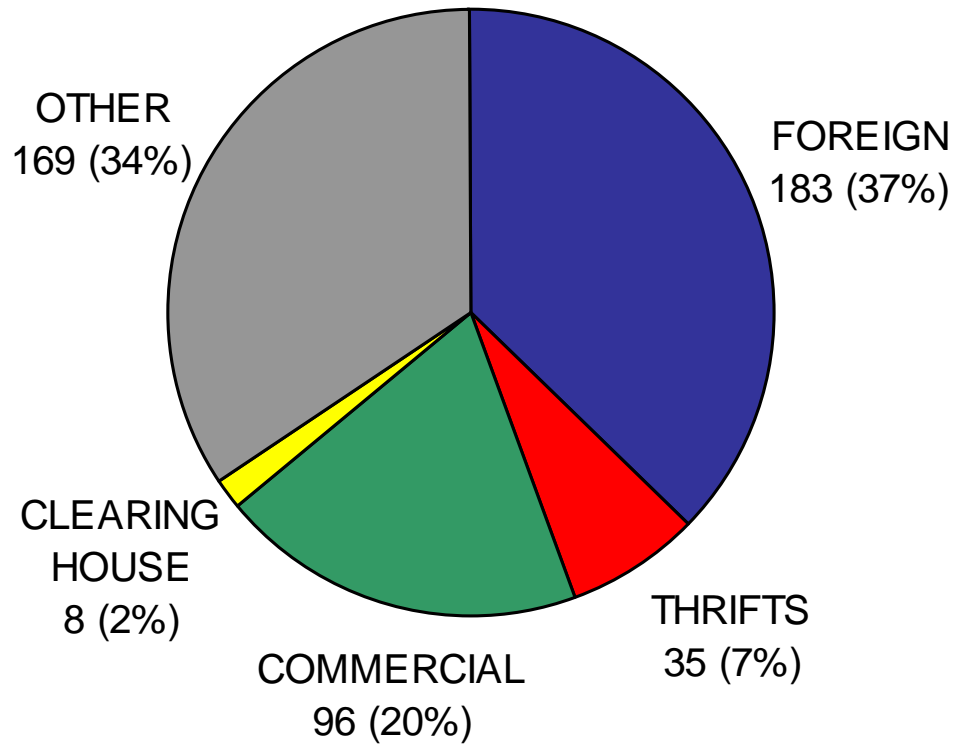
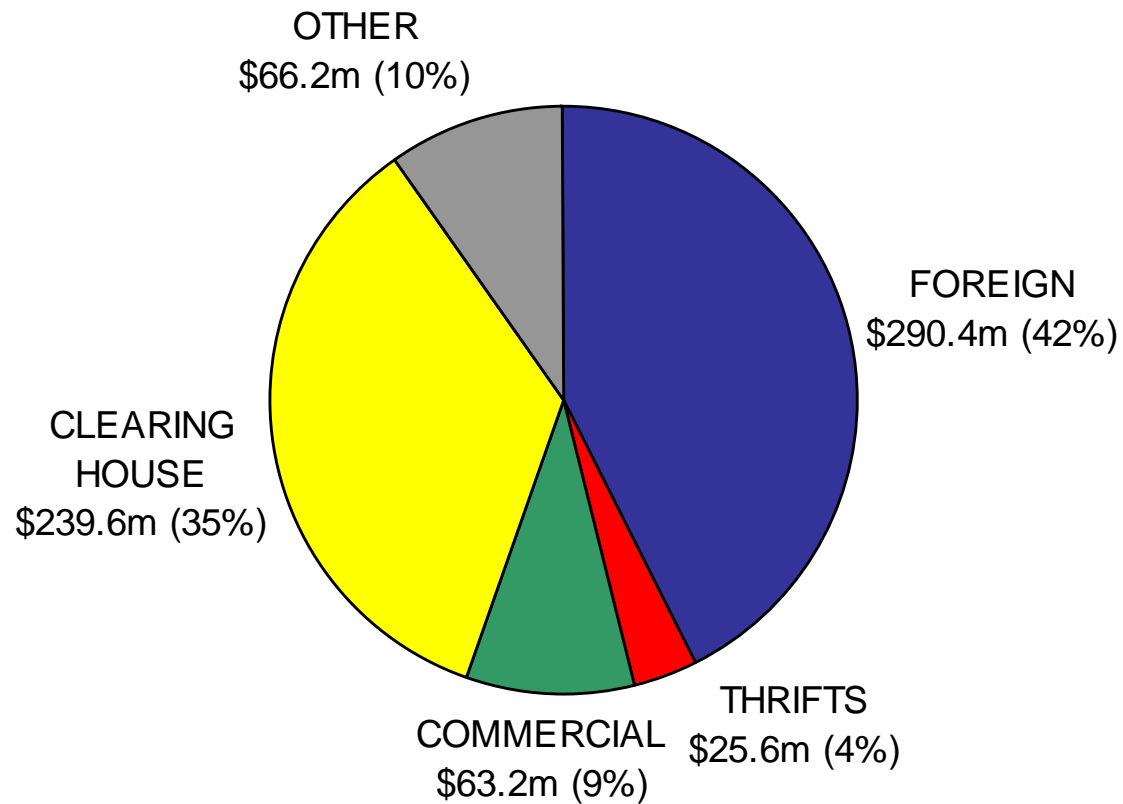


Table 6  
**2005 BANK TAX  
LIABILITY BY BANK TYPE**

**Total Liability: \$685.1m**



**BANK TAX  
TAX YEAR 2005**

**Table 7  
DISTRIBUTION BY BANK TYPE  
(\$ THOUSANDS)**

<b>BANK TYPE</b>	<b>Number</b>	<b>% of Total</b>	<b>Liability</b>	<b>% of Total</b>
COMMERCIAL	96	19.6 %	\$63,249	9.2 %
CLEARING HOUSE	8	1.6	239,631	35.0
FOREIGN	183	37.3	290,371	42.4
THRIFTS	35	7.1	25,643	3.7
OTHER	169	34.4	66,226	9.7
<b>TOTAL</b>	<b>491</b>	<b>100.0 %</b>	<b>\$685,119</b>	<b>100.0 %</b>



**BANK TAX  
TAX YEAR 2005**

**Table 8  
DISTRIBUTION BY LIABILITY RANGE  
(\$ THOUSANDS)**

<b>LIABILITY PER RETURN (Actual \$)</b>	<b>Number</b>	<b>% of Total</b>	<b>Total Liability</b>	<b>% of Total</b>
<b>\$125 OR LESS</b>	68	13.8 %	\$9	0.0 %
<b>\$125 - \$1,000</b>	33	6.7	15	0.0
<b>\$1,000 - \$5,000</b>	31	6.3	85	0.0
<b>\$5,000 - \$10,000</b>	21	4.3	152	0.0
<b>\$10,000 - \$50,000</b>	60	12.2	1,404	0.2
<b>\$50,000 - \$500,000</b>	150	30.5	31,233	4.6
<b>\$500,000 - \$1,000,000</b>	37	7.5	25,950	3.8
<b>MORE THAN \$1,000,000</b>	91	18.5	626,272	91.4
<b>TOTAL</b>	<b>491</b>	<b>100.0 %</b>	<b>\$685,119</b>	<b>100.0 %</b>

**Table 9  
TOP TEN PERCENT OF TAXPAYERS  
BY BANK TYPE  
(\$ THOUSANDS)**

<b>BANK TYPE</b>	<b>Number</b>	<b>Liability</b>
<b>COMMERCIAL / CLEARING HOUSE</b>	12	\$265,681
<b>FOREIGN</b>	28	244,897
<b>OTHER</b>	9	50,355
<b>TOTAL</b>	<b>49</b>	<b>\$560,933</b>

**BANK TAX  
TAX YEAR 2005**

**Table 10  
DISTRIBUTION BY TAX BASE  
(\$ THOUSANDS)**

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	281	57.2 %	\$596,390	87.0 %
ALTERNATIVE NET INCOME	8	1.6	734	0.1
ASSET	56	11.4	49,364	7.2
CAPITAL STOCK	69	14.1	37,481	5.5
MINIMUM TAX	72	14.7	10	0.0
NOT AVAILABLE	5	1.0	1,141	0.2
<b>TOTAL</b>	<b>491</b>	<b>100.0 %</b>	<b>\$685,119</b>	<b>100.0 %</b>

**Table 11  
DISTRIBUTION BY TAX BASE AND BANK TYPE  
(\$ THOUSANDS)**

TAX BASE	COMMERCIAL / CLEARINGHOUSE		FOREIGN		OTHER	
	Number	Liability	Number	Liability	Number	Liability
ENTIRE NET INCOME	77	\$259,261	86	\$251,748	118	\$85,381
ALTERNATIVE NET INCOME	*	*	*	*	*	*
ASSET OR CAPITAL STOCK	19	43,187	69	37,480	37	6,178
MINIMUM TAX	*	*	26	3	*	*
NOT AVAILABLE	*	*	*	*	*	*
<b>TOTAL</b>	<b>104</b>	<b>\$302,880</b>	<b>183</b>	<b>\$290,371</b>	<b>204</b>	<b>\$91,869</b>

\* Number cannot be provided due to confidentiality restrictions.

**BANK TAX  
TAX YEAR 2005**

**Table 12  
DISTRIBUTION BY FORM TYPE  
(\$ THOUSANDS)**

<b>FORM TYPE</b>	<b>Number</b>	<b>% of Total</b>	<b>Liability</b>	<b>% of Total</b>
<b>NYC-1</b>	365	74.3 %	\$267,349	39.0 %
<b>NYC-1A (COMBINED FORM)</b>	119	24.2	416,629	60.8
NOT AVAILABLE / EXTENSION	7	1.4	1,141	0.2
<b>TOTAL</b>	<b>491</b>	<b>100.0 %</b>	<b>\$685,119</b>	<b>100.0 %</b>

**BANK TAX  
TAX YEAR 2005**

**Table 13  
DISTRIBUTION BY ALLOCATION STATUS AND BANK TYPE  
(\$ THOUSANDS)**

ALLOCATION STATUS AND BANK TYPE	Number	% of Total	Liability	% of Total
<b>MULTI-JURISDICTIONAL</b>	<b>319</b>	<b>65.0 %</b>	<b>\$628,189</b>	<b>91.7 %</b>
Commercial / Clearing House	79	16.1	293,711	42.9
Foreign	132	26.9	263,021	38.4
Other	108	22.0	71,457	10.4
<b>100% N.Y.C.</b>	<b>165</b>	<b>33.6</b>	<b>55,789</b>	<b>8.1</b>
Commercial / Clearing House	25	5.1	9,168	1.3
Foreign	49	10.0	26,210	3.8
Other	91	18.5	20,411	3.0
<b>NOT AVAILABLE</b>	<b>7</b>	<b>1.4</b>	<b>1,141</b>	<b>0.2</b>
Commercial / Clearing House	*	*	*	*
Foreign	*	*	*	*
Other	*	*	*	*
<b>TOTAL</b>	<b>491</b>	<b>100.0 %</b>	<b>\$685,119</b>	<b>100.0 %</b>

See Appendix A for definition of allocation status.

\* Numbers cannot be provided due to confidentiality restrictions.

# **GENERAL CORPORATION TAX**

Table 14  
**2005 GENERAL CORPORATION TAX  
TAXPAYERS BY INDUSTRY**

**Total Taxpayers: 270,244**

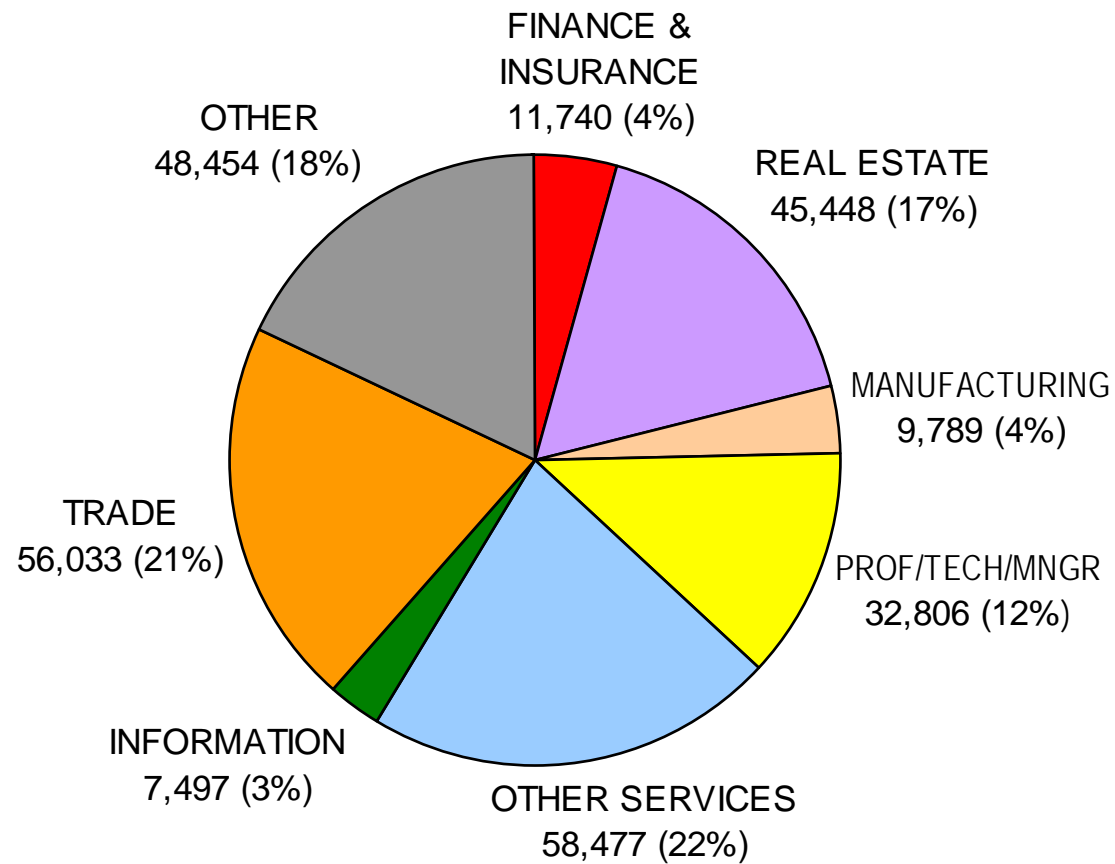
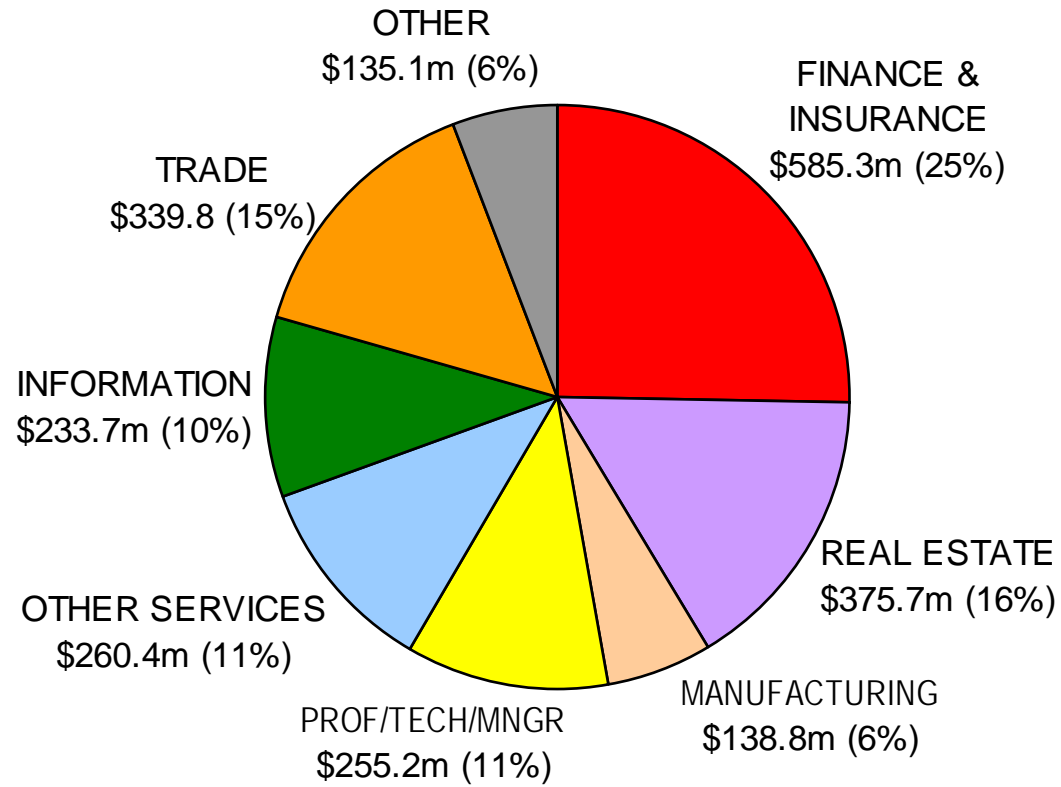


Table 15  
**2005 GENERAL CORPORATION TAX  
LIABILITY BY INDUSTRY**

**Total Liability: \$2,324.2m**



**GENERAL CORPORATION TAX  
TAX YEAR 2005**

**Table 16  
DISTRIBUTION BY INDUSTRY  
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
<b>FINANCE &amp; INSURANCE</b>	<b>11,740</b>	<b>4.3 %</b>	<b>585,334</b>	<b>25.2 %</b>
Credit Agencies	1,063	0.4	19,945	0.9
Funds & Trusts	3,024	1.1	8,907	0.4
Insurance	2,407	0.9	41,767	1.8
Securities & Commodities	5,224	1.9	512,105	22.0
Other Finance	22	0.0	2,610	0.1
<b>REAL ESTATE</b>	<b>45,448</b>	<b>16.8</b>	<b>375,717</b>	<b>16.2</b>
<b>MANUFACTURING</b>	<b>9,789</b>	<b>3.6</b>	<b>138,807</b>	<b>6.0</b>
Textiles, Apparel & Leather	2,603	1.0	27,100	1.2
Food & Beverage	964	0.4	18,426	0.8
Printing	1,211	0.4	7,937	0.3
Wood/Paper	370	0.1	1,281	0.1
Other Manufacturing	4,641	1.7	84,062	3.6
<b>PROF / TECH / MANAGERIAL</b>	<b>32,806</b>	<b>12.1</b>	<b>255,221</b>	<b>11.0</b>
Holding Companies	809	0.3	9,911	0.4
Managerial	967	0.4	14,900	0.6
Legal	3,277	1.2	30,965	1.3
Other Prof / Tech / Managerial	27,753	10.3	199,445	8.6
<b>OTHER SERVICES</b>	<b>58,477</b>	<b>21.6</b>	<b>260,449</b>	<b>11.2</b>
Accommodations and Food	11,786	4.4	40,659	1.7
Administration/Support	6,276	2.3	57,481	2.5
Arts & Entertainment	7,646	2.8	32,941	1.4
Education	1,274	0.5	9,069	0.4
Health Care	11,397	4.2	75,503	3.2
Personal Services	12,234	4.5	25,615	1.1
Religious	439	0.2	465	0.0
Rental & Leasing	1,465	0.5	8,257	0.4
Repair/Maintenance	4,656	1.7	6,252	0.3
Social Services	484	0.2	1,407	0.1
Waste Management	304	0.1	1,878	0.1
Miscellaneous Other Services	516	0.2	921	0.0
<b>INFORMATION</b>	<b>7,497</b>	<b>2.8</b>	<b>233,721</b>	<b>10.1</b>
Broadcasting/Telecomm	1,409	0.5	62,926	2.7
Information Services/Data	1,464	0.5	50,805	2.2
Movies/Video/Sound	2,722	1.0	45,491	2.0
Publishing	1,902	0.7	74,500	3.2
<b>TRADE</b>	<b>56,033</b>	<b>20.7</b>	<b>339,821</b>	<b>14.6</b>
Durable Wholesale	12,702	4.7	78,104	3.4
Non-Durable Wholesale	11,341	4.2	93,217	4.0
Retail	31,990	11.8	168,500	7.2
<b>OTHER</b>	<b>48,454</b>	<b>17.9</b>	<b>135,080</b>	<b>5.8</b>
Construction	17,802	6.6	82,155	3.5
Transportation	9,620	3.6	31,609	1.4
Utilities	96	0.0	8,966	0.4
Not Available	20,622	7.6	11,749	0.5
Miscellaneous Other	314	0.1	601	0.0
<b>TOTAL</b>	<b>270,244</b>	<b>100.0 %</b>	<b>\$2,324,151</b>	<b>100.0 %</b>



**GENERAL CORPORATION TAX  
TAX YEAR 2005**

**Table 17  
DISTRIBUTION BY LIABILITY RANGE  
(\$ THOUSANDS)**

<b>LIABILITY PER RETURN (Actual \$)</b>	<b>Number</b>	<b>% of Total</b>	<b>Total Liability</b>	<b>% of Total</b>
<b>\$300 OR LESS</b>	158,022	58.5 %	\$47,279	2.0 %
<b>\$300 - \$1,000</b>	34,925	12.9	20,644	0.9
<b>\$1,000 - \$5,000</b>	44,990	16.6	109,150	4.7
<b>\$5,000 - \$10,000</b>	13,447	5.0	94,930	4.1
<b>\$10,000 - \$50,000</b>	14,340	5.3	302,607	13.0
<b>\$50,000 - \$500,000</b>	4,046	1.5	555,348	23.9
<b>\$500,000 - \$1,000,000</b>	247	0.1	171,411	7.4
<b>MORE THAN \$1,000,000</b>	227	0.1	1,022,782	44.0
<b>TOTAL</b>	<b>270,244</b>	<b>100.0 %</b>	<b>\$2,324,151</b>	<b>100.0 %</b>

**Table 18  
TOP TEN PERCENT AND TOP ONE PERCENT OF TAXPAYERS  
BY INDUSTRY  
(\$ THOUSANDS)**

<b>INDUSTRY</b>	<b>TOP TEN PERCENT</b>		<b>TOP ONE PERCENT</b>	
	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>
<b>FINANCE &amp; INSURANCE</b>	1,911	\$577,328	448	\$542,071
<b>REAL ESTATE</b>	5,268	336,292	516	245,117
<b>MANUFACTURING</b>	1,490	130,631	215	103,065
<b>PROF/TECH/MANAGERIAL</b>	4,330	226,181	319	146,860
<b>OTHER SERVICES</b>	5,495	215,608	340	117,422
<b>INFORMATION</b>	889	228,139	156	211,657
<b>TRADE</b>	5,088	298,627	511	204,982
<b>OTHER</b>	2,553	104,432	197	58,228
<b>TOTAL</b>	<b>27,024</b>	<b>\$2,117,238</b>	<b>2,702</b>	<b>\$1,629,402</b>

**GENERAL CORPORATION TAX  
TAX YEAR 2005**

**Table 19  
DISTRIBUTION BY TAX BASE  
(\$ THOUSANDS)**

<b>TAX BASE</b>	<b>Number</b>	<b>% of Total</b>	<b>Liability</b>	<b>% of Total</b>
<b>ENTIRE NET INCOME</b>	68,106	25.2 %	\$1,973,892	84.9 %
<b>INCOME PLUS COMPENSATION</b>	25,649	9.5	190,076	8.2
<b>CAPITAL</b>	16,039	5.9	84,574	3.6
<b>MINIMUM TAX</b>	158,145	58.5	48,870	2.1
<b>NOT AVAILABLE</b>	2,305	0.9	26,738	1.2
<b>TOTAL</b>	<b>270,244</b>	<b>100.0 %</b>	<b>\$2,324,151</b>	<b>100.0 %</b>

**Table 20  
DISTRIBUTION BY TAX BASE AND INDUSTRY  
(\$ THOUSANDS)**

<b>INDUSTRY</b>	<b>ENTIRE NET INCOME</b>		<b>INCOME + COMP</b>		<b>CAPITAL</b>		<b>MINIMUM TAX</b>	
	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>
<b>FINANCE &amp; INSURANCE</b>	2,816	\$528,202	1,016	\$27,297	851	\$17,519	6,975	\$2,197
<b>REAL ESTATE</b>	13,112	339,216	1,087	7,981	8,752	19,720	22,137	6,709
<b>MANUFACTURING</b>	2,707	123,680	1,304	7,823	716	4,407	4,966	1,550
<b>PROF/TECH/MANAGERIAL</b>	9,049	195,949	5,551	40,127	1,178	12,179	16,798	5,621
<b>OTHER SERVICES</b>	13,657	183,180	7,899	58,964	1,069	4,264	35,437	10,800
<b>INFORMATION</b>	1,664	209,250	794	7,778	428	10,304	4,555	1,650
<b>TRADE</b>	14,829	293,473	5,077	25,703	2,065	8,238	33,548	10,211
<b>OTHER</b>	10,272	100,942	2,921	14,402	980	7,942	33,729	10,134
<b>TOTAL</b>	<b>68,106</b>	<b>\$1,973,892</b>	<b>25,649</b>	<b>\$190,076</b>	<b>16,039</b>	<b>\$84,574</b>	<b>158,145</b>	<b>\$48,870</b>

**GENERAL CORPORATION TAX  
TAX YEAR 2005**

**Table 21  
DISTRIBUTION BY FORM TYPE  
(\$ THOUSANDS)**

<b>FORM TYPE</b>	<b>Number</b>	<b>% of Total</b>	<b>Liability</b>	<b>% of Total</b>
<b>SHORT FORM</b>	143,490	53.1 %	\$327,996	14.1 %
<b>LONG FORM</b>	112,810	41.7	1,251,548	53.8
<b>COMBINED FORM</b>	1,749	0.6	714,901	30.8
<b>NOT AVAILABLE / EXTENSION</b>	12,195	4.5	29,705	1.3
<b>TOTAL</b>	<b>270,244</b>	<b>100.0 %</b>	<b>\$2,324,151</b>	<b>100.0 %</b>

**Table 22  
DISTRIBUTION BY FORM TYPE AND LIABILITY RANGE  
(\$ THOUSANDS)**

<b>LIABILITY PER RETURN (Actual \$)</b>	<b>SHORT FORM</b>		<b>LONG FORM</b>		<b>COMBINED FORM</b>		<b>NOT AVAILABLE</b>	
	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>
<b>\$300 OR LESS</b>	90,812	\$27,244	57,224	\$17,045	94	\$23	9,892	\$2,967
<b>\$300 - \$1,000</b>	19,407	11,306	14,164	8,469	225	157	1,129	712
<b>\$1,000 - \$5,000</b>	22,105	52,499	21,685	53,724	392	958	808	1,969
<b>\$5,000 - \$10,000</b>	5,663	39,679	7,459	52,881	155	1,131	170	1,239
<b>\$10,000 - \$50,000</b>	4,767	94,161	9,058	196,647	366	8,689	149	3,110
<b>\$50,000 - \$500,000</b>	709	78,477	2,919	397,789	376	73,090	42	5,991
<b>\$500,000 - \$1,000,000</b>	20	12,638	175	120,743	49	35,891	*	*
<b>MORE THAN \$1,000,000</b>	7	11,992	126	404,250	92	594,962	*	*
<b>TOTAL</b>	<b>143,490</b>	<b>\$327,996</b>	<b>112,810</b>	<b>\$1,251,548</b>	<b>1,749</b>	<b>\$714,901</b>	<b>12,195</b>	<b>\$29,705</b>

\* Numbers cannot be provided due to confidentiality restrictions.

**GENERAL CORPORATION TAX  
TAX YEAR 2005**

**Table 23  
DISTRIBUTION BY ALLOCATION STATUS AND INDUSTRY  
(\$ THOUSANDS)**

ALLOCATION STATUS AND INDUSTRY	Number	% of Total	Liability	% of Total
<b>MULTI-JURISDICTIONAL</b>	<b>30,481</b>	<b>11.3 %</b>	<b>\$1,447,564</b>	<b>62.3 %</b>
Finance & Insurance	1,735	0.6	483,442	20.8
Real Estate	1,314	0.5	72,360	3.1
Manufacturing	3,148	1.2	120,715	5.2
Prof/Tech/Managerial	6,657	2.5	152,670	6.6
Other Services	4,874	1.8	107,693	4.6
Information	1,727	0.6	214,521	9.2
Trade	7,442	2.8	239,579	10.3
Other	3,584	1.3	56,584	2.4
<b>100% N.Y.C.</b>	<b>227,452</b>	<b>84.2</b>	<b>842,145</b>	<b>36.2</b>
Finance & Insurance	9,681	3.6	91,025	3.9
Real Estate	42,741	15.8	300,376	12.9
Manufacturing	6,299	2.3	15,896	0.7
Prof/Tech/Managerial	24,985	9.2	100,879	4.3
Other Services	51,510	19.1	148,304	6.4
Information	5,426	2.0	14,346	0.6
Trade	46,328	17.1	96,072	4.1
Other	40,482	15.0	75,246	3.2
<b>NOT AVAILABLE</b>	<b>12,311</b>	<b>4.6</b>	<b>34,442</b>	<b>1.5</b>
Finance & Insurance	324	0.1	10,868	0.5
Real Estate	1,393	0.5	2,981	0.1
Manufacturing	342	0.1	2,196	0.1
Prof/Tech/Managerial	1,164	0.4	1,671	0.1
Other Services	2,093	0.8	4,452	0.2
Information	344	0.1	4,855	0.2
Trade	2,263	0.8	4,169	0.2
Other	4,388	1.6	3,250	0.1
<b>TOTAL</b>	<b>270,244</b>	<b>100.0 %</b>	<b>\$2,324,151</b>	<b>100.0 %</b>

See Appendix B for definition of allocation status.

**GENERAL CORPORATION TAX  
TAX YEAR 2005  
STATE S CORPORATIONS**

**Table 24  
DISTRIBUTION BY STATE S CORPORATION STATUS  
(\$ THOUSANDS)**

S CORPORATION STATUS	Number	% of Total	Liability	% of Total
STATE S CORPORATION	113,766	42.1 %	\$887,604	38.2 %
STATE C CORPORATION	156,478	57.9	1,436,546	61.8
<b>TOTAL</b>	<b>270,244</b>	<b>100.0 %</b>	<b>\$2,324,151</b>	<b>100.0 %</b>

**Table 25  
DISTRIBUTION OF STATE S CORPORATIONS BY INDUSTRY  
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	3,954	3.5 %	\$80,093	9.0 %
REAL ESTATE	20,951	18.4	236,168	26.6
MANUFACTURING	4,149	3.6	43,235	4.9
PROF/TECH/MANAGERIAL	16,453	14.5	122,878	13.8
OTHER SERVICES	27,338	24.0	135,576	15.3
INFORMATION	3,187	2.8	38,292	4.3
TRADE	22,114	19.4	157,687	17.8
OTHER	15,620	13.7	73,675	8.3
<b>TOTAL</b>	<b>113,766</b>	<b>100.0 %</b>	<b>\$887,604</b>	<b>100.0 %</b>

**Table 26  
DISTRIBUTION OF STATE S CORPORATIONS BY TAX BASE  
(\$ THOUSANDS)**

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	42,403	37.3 %	\$735,573	82.9 %
INCOME PLUS COMPENSATION	14,206	12.5	126,181	14.2
CAPITAL	4,232	3.7	6,679	0.8
MINIMUM TAX	52,411	46.1	15,741	1.8
NOT AVAILABLE	514	0.5	3,430	0.4
<b>TOTAL</b>	<b>113,766</b>	<b>100.0 %</b>	<b>\$887,604</b>	<b>100.0 %</b>

**UNINCORPORATED BUSINESS TAX**

**PARTNERSHIPS**

Table 27  
**2005 UNINCORPORATED BUSINESS TAX  
PARTNERSHIP TAXPAYERS BY INDUSTRY**

**Total Taxpayers: 9,752**

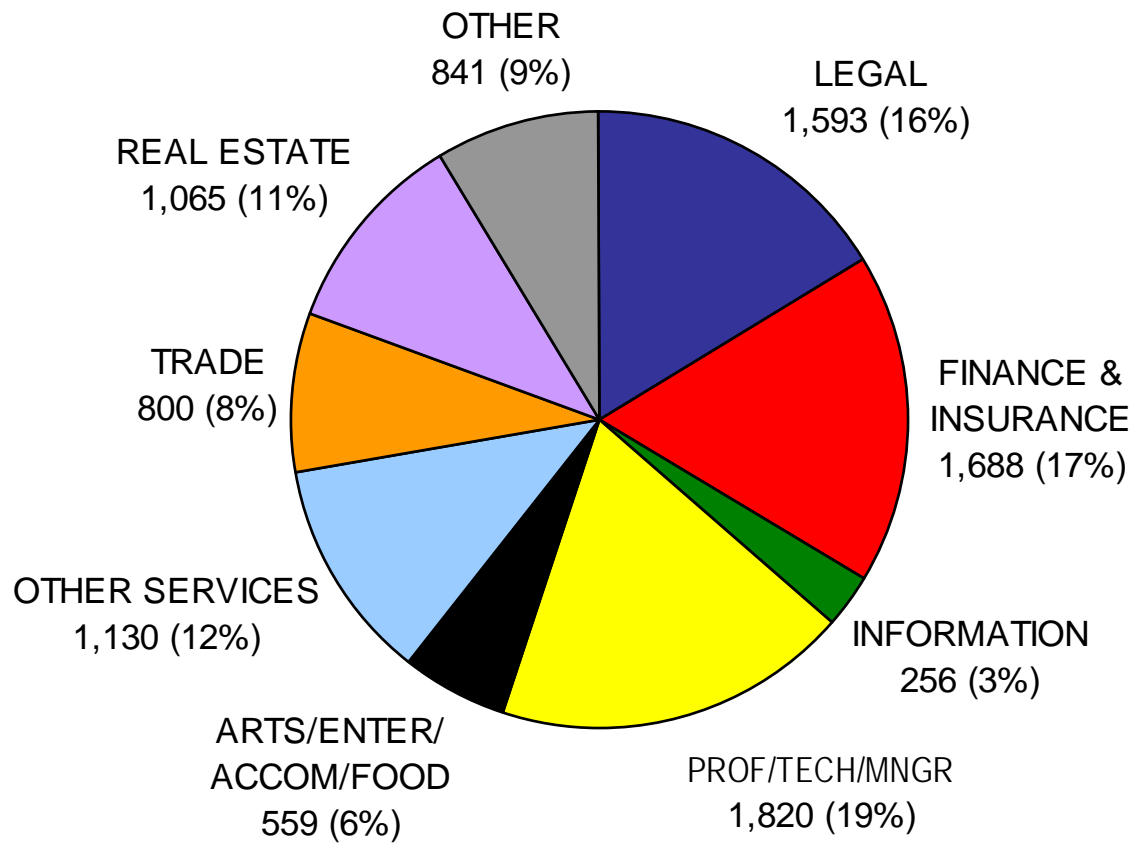
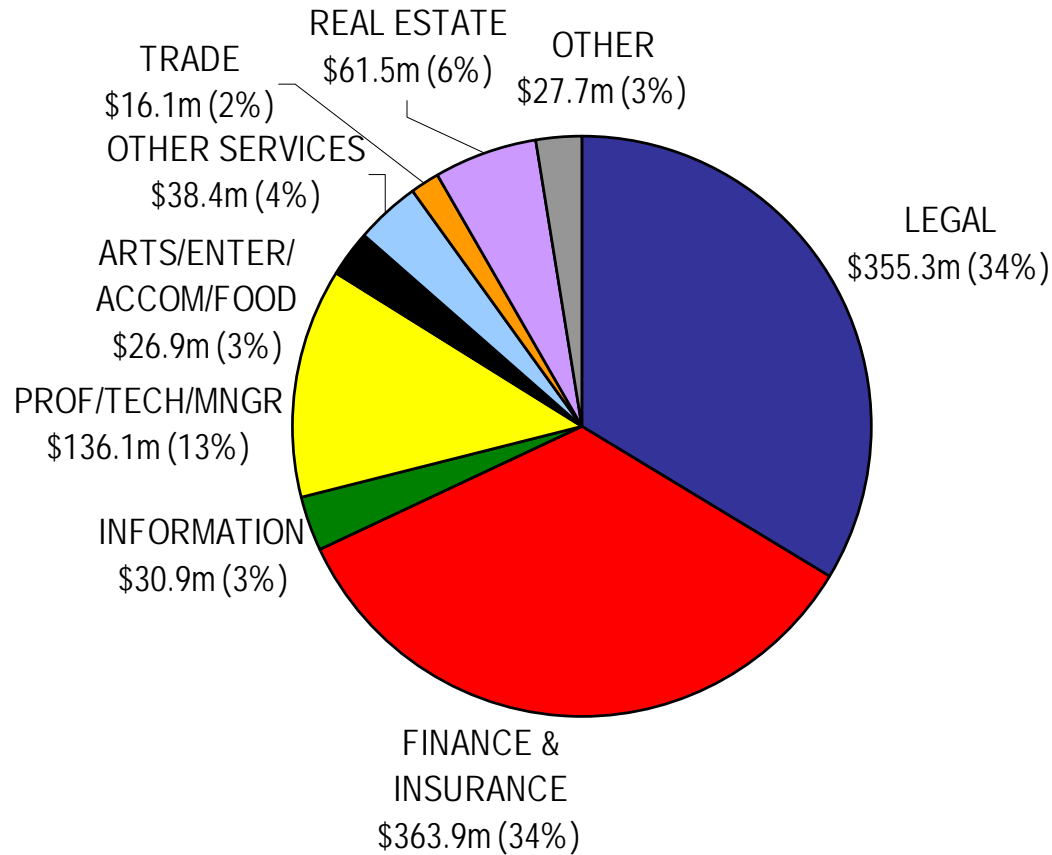


Table 28  
**2005 UNINCORPORATED BUSINESS TAX  
PARTNERSHIP LIABILITY BY INDUSTRY**

**Total Liability: \$1,056.8m**





**UNINCORPORATED BUSINESS TAX  
PARTNERSHIP TAXPAYERS  
TAX YEAR 2005**

**Table 29  
DISTRIBUTION BY INDUSTRY  
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
<b>LEGAL</b>	<b>1,593</b>	<b>16.3 %</b>	<b>\$355,303</b>	<b>33.6 %</b>
<b>FINANCE &amp; INSURANCE</b>	<b>1,688</b>	<b>17.3</b>	<b>363,893</b>	<b>34.4</b>
Credit Agencies	73	0.7	13,535	1.3
Funds & Trusts	77	0.8	5,601	0.5
Insurance and Other Finance	88	0.9	2,894	0.3
Securities & Commodities	1,450	14.9	341,863	32.4
<b>INFORMATION</b>	<b>256</b>	<b>2.6</b>	<b>30,877</b>	<b>2.9</b>
Broadcasting/Telecomm	40	0.4	16,157	1.5
Information Services/Data	76	0.8	2,901	0.3
Movies/Video/Sound	86	0.9	5,293	0.5
Publishing	54	0.6	6,527	0.6
<b>PROF / TECH / MANAGERIAL</b>	<b>1,820</b>	<b>18.7</b>	<b>136,131</b>	<b>12.9</b>
Accounting	375	3.8	51,903	4.9
Holding Companies	30	0.3	397	0.0
Other Prof / Tech / Managerial	1,415	14.5	83,830	7.9
<b>ARTS / ENTER / ACCOM / FOOD</b>	<b>559</b>	<b>5.7</b>	<b>26,860</b>	<b>2.5</b>
Accommodations	82	0.8	10,478	1.0
Amusement	28	0.3	1,033	0.1
Food Services	236	2.4	5,733	0.5
Performing Arts	213	2.2	9,616	0.9
<b>OTHER SERVICES</b>	<b>1,130</b>	<b>11.6</b>	<b>38,414</b>	<b>3.6</b>
Administration/Support	191	2.0	8,968	0.8
Education	29	0.3	683	0.1
Health Care	610	6.3	20,953	2.0
Personal Service	206	2.1	4,719	0.4
Rental & Leasing	49	0.5	2,750	0.3
Repair/Maintenance	23	0.2	141	0.0
Miscellaneous Other Services	22	0.2	200	0.0
<b>TRADE</b>	<b>800</b>	<b>8.2</b>	<b>16,142</b>	<b>1.5</b>
Durable Wholesale	188	1.9	3,405	0.3
Non-Durable Wholesale	225	2.3	6,494	0.6
Retail	387	4.0	6,243	0.6
<b>REAL ESTATE</b>	<b>1,065</b>	<b>10.9</b>	<b>61,488</b>	<b>5.8</b>
<b>OTHER</b>	<b>841</b>	<b>8.6</b>	<b>27,655</b>	<b>2.6</b>
Construction	286	2.9	11,626	1.1
Manufacturing	164	1.7	5,954	0.6
Transportation & Utilities	69	0.7	8,097	0.8
Miscellaneous Other & Not Available	322	3.3	1,978	0.2
<b>TOTAL</b>	<b>9,752</b>	<b>100.0 %</b>	<b>\$1,056,762</b>	<b>100.0 %</b>

**UNINCORPORATED BUSINESS TAX  
PARTNERSHIP TAXPAYERS  
TAX YEAR 2005**

**Table 30  
DISTRIBUTION BY LIABILITY RANGE  
(\$ THOUSANDS)**

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	522	5.4 %	\$40	0.0 %
\$300 - \$1,000	489	5.0	302	0.0
\$1,000 - \$5,000	1,877	19.2	6,024	0.6
\$5,000 - \$10,000	1,789	18.3	12,911	1.2
\$10,000 - \$50,000	3,119	32.0	72,483	6.9
\$50,000 - \$500,000	1,613	16.5	241,591	22.9
\$500,000 - \$1,000,000	166	1.7	119,536	11.3
MORE THAN \$1,000,000	177	1.8	603,875	57.1
<b>TOTAL</b>	<b>9,752</b>	<b>100.0 %</b>	<b>\$1,056,762</b>	<b>100.0 %</b>

**Table 31  
TOP TEN PERCENT AND TOP ONE PERCENT OF TAXPAYERS  
(\$ THOUSANDS)**

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	227	\$319,042	42	\$220,815
FINANCE & INSURANCE	380	327,730	37	170,945
INFORMATION	33	26,663	*	*
PROF / TECH / MANAGERIAL	111	105,632	*	*
ARTS / ENTER / ACCOM / FOOD	37	16,760	*	*
OTHER SERVICES	56	19,779	*	*
TRADE	17	4,926	*	*
REAL ESTATE	77	46,784	*	*
OTHER	37	17,241	*	*
<b>TOTAL</b>	<b>975</b>	<b>\$884,556</b>	<b>97</b>	<b>\$492,172</b>

\* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX  
PARTNERSHIP TAXPAYERS  
TAX YEAR 2005**

**Table 32  
DISTRIBUTION BY ALLOCATION METHOD AND INDUSTRY  
(\$ THOUSANDS)**

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
<b>FORMULA</b>	<b>2,243</b>	<b>23.0 %</b>	<b>\$491,073</b>	<b>46.5 %</b>
Legal	345	3.5	148,812	14.1
Finance & Insurance	429	4.4	183,263	17.3
Information	109	1.1	27,627	2.6
Prof/Tech/Managerial	497	5.1	81,213	7.7
Arts/Enter/Accom/Food	76	0.8	9,808	0.9
Other Services	173	1.8	10,781	1.0
Trade	317	3.3	10,247	1.0
Real Estate	81	0.8	11,501	1.1
Other	216	2.2	7,822	0.7
<b>100% N.Y.C.</b>	<b>7,122</b>	<b>73.0</b>	<b>387,504</b>	<b>36.7</b>
Legal	1,140	11.7	59,867	5.7
Finance & Insurance	1,147	11.8	168,771	16.0
Information	143	1.5	3,151	0.3
Prof/Tech/Managerial	1,288	13.2	40,449	3.8
Arts/Enter/Accom/Food	475	4.9	16,553	1.6
Other Services	941	9.6	26,434	2.5
Trade	472	4.8	5,686	0.5
Real Estate	931	9.5	47,007	4.4
Other	585	6.0	19,586	1.9
<b>SEPARATE BOOKS</b>	<b>306</b>	<b>3.1</b>	<b>176,904</b>	<b>16.7</b>
Legal	98	1.0	146,529	13.9
Finance & Insurance	108	1.1	11,231	1.1
Prof/Tech/Managerial & Information	24	0.2	14,380	1.4
Arts/Enter/Accom/Food	*	*	*	*
Other Services	8	0.1	1,108	0.1
Trade	*	*	*	*
Real Estate	45	0.5	2,902	0.3
All Other Sectors	12	0.1	78	0.0
<b>NOT AVAILABLE</b>	<b>81</b>	<b>0.8</b>	<b>1,282</b>	<b>0.1</b>
<b>TOTAL</b>	<b>9,752</b>	<b>100.0 %</b>	<b>\$1,056,762</b>	<b>100.0 %</b>

See Appendix C for definition of allocation method.

\* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX  
PARTNERSHIP TAXPAYERS  
TAX YEAR 2005**

**LIMITED LIABILITY PARTNERSHIPS/COMPANIES**

**Table 33  
DISTRIBUTION OF TAXPAYERS BY LIMITED LIABILITY PARTNERSHIP/COMPANY STATUS  
(\$ THOUSANDS)**

LLP/LLC STATUS	Number	% of Total	Liability	% of Total
LLP/LLC	7,648	78.4 %	\$802,300	75.9 %
NON-LLP/LLC	2,104	21.6	254,462	24.1
<b>TOTAL</b>	<b>9,752</b>	<b>100.0 %</b>	<b>\$1,056,762</b>	<b>100.0 %</b>

**Table 34  
DISTRIBUTION OF LIMITED LIABILITY PARTNERSHIPS/COMPANIES BY INDUSTRY  
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,166	15.2 %	\$318,460	39.7 %
FINANCE & INSURANCE	1,270	16.6	235,020	29.3
INFORMATION	213	2.8	14,987	1.9
PROF / TECH / MANAGERIAL	1,526	20.0	107,746	13.4
ARTS / ENTER / ACCOM / FOOD	427	5.6	20,794	2.6
OTHER SERVICES	854	11.2	30,724	3.8
TRADE	655	8.6	13,860	1.7
REAL ESTATE	847	11.1	45,114	5.6
OTHER	690	9.0	15,595	1.9
<b>TOTAL</b>	<b>7,648</b>	<b>100.0 %</b>	<b>\$802,300</b>	<b>100.0 %</b>

**UNINCORPORATED BUSINESS TAX**

**PROPRIETORSHIPS**

Table 35  
**2005 UNINCORPORATED BUSINESS TAX  
PROPRIETORSHIP TAXPAYERS  
BY INDUSTRY**

**Total Taxpayers: 22,783**

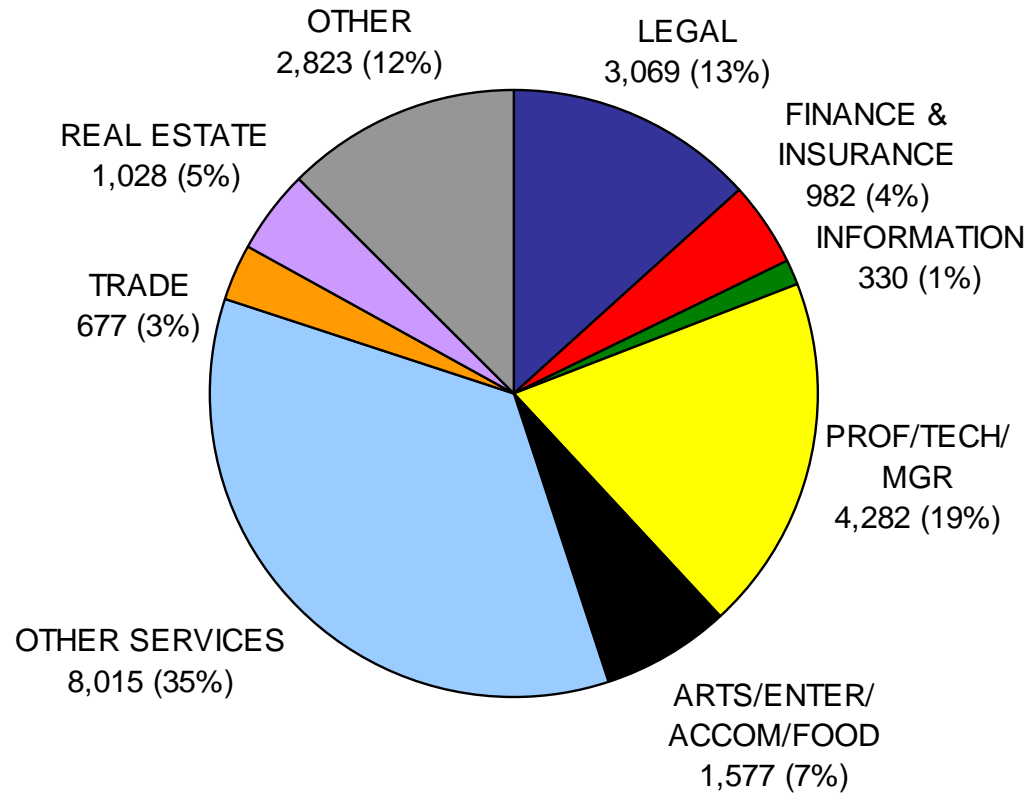
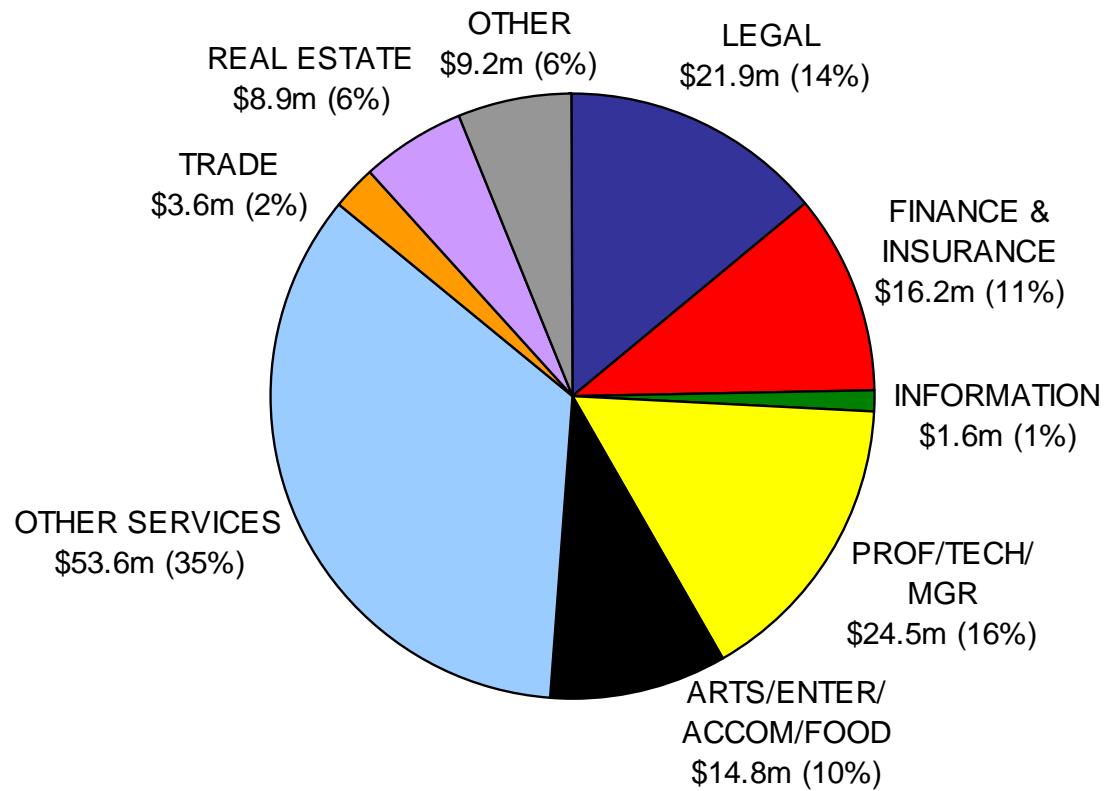


Table 36  
**2005 UNINCORPORATED BUSINESS TAX  
PROPRIETORSHIP LIABILITY  
BY INDUSTRY**

**Total Liability: \$154.2m**



**UNINCORPORATED BUSINESS TAX  
PROPRIETORSHIP TAXPAYERS  
TAX YEAR 2005**

**Table 37  
DISTRIBUTION BY INDUSTRY  
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
<b>LEGAL</b>	<b>3,069</b>	<b>13.5 %</b>	<b>\$21,878</b>	<b>14.2 %</b>
<b>FINANCE &amp; INSURANCE</b>	<b>982</b>	<b>4.3</b>	<b>16,192</b>	<b>10.5</b>
Credit Agencies	39	0.2	242	0.2
Insurance	316	1.4	2,586	1.7
Securities & Commodities	623	2.7	13,157	8.5
Other Finance	4	0.0	208	0.1
<b>INFORMATION</b>	<b>330</b>	<b>1.4</b>	<b>1,631</b>	<b>1.1</b>
Broadcasting/Telecomm	36	0.2	192	0.1
Information Services/Data	62	0.3	234	0.2
Movies/Video/Sound	126	0.6	622	0.4
Publishing	106	0.5	583	0.4
<b>PROF / TECH / MANAGERIAL</b>	<b>4,282</b>	<b>18.8</b>	<b>24,457</b>	<b>15.9</b>
Accounting	502	2.2	2,134	1.4
Other Prof / Tech / Managerial	3,780	16.6	22,324	14.5
<b>ARTS / ENTER / ACCOM / FOOD</b>	<b>1,577</b>	<b>6.9</b>	<b>14,795</b>	<b>9.6</b>
Accommodations	12	0.1	176	0.1
Amusement	42	0.2	242	0.2
Food Services	37	0.2	309	0.2
Performing Arts	1,480	6.5	14,029	9.1
Other Arts/Enter/Accom/Food	6	0.0	40	0.0
<b>OTHER SERVICES</b>	<b>8,015</b>	<b>35.2</b>	<b>53,565</b>	<b>34.7</b>
Administration/Support	322	1.4	1,701	1.1
Education	148	0.6	591	0.4
Health Care	6,827	30.0	48,160	31.2
Personal Service	479	2.1	2,249	1.5
Rental & Leasing	8	0.0	113	0.1
Repair/Maintenance	57	0.3	185	0.1
Social Services	96	0.4	217	0.1
Religious	15	0.1	46	0.0
Miscellaneous Other Services	63	0.3	303	0.2
<b>TRADE</b>	<b>677</b>	<b>3.0</b>	<b>3,564</b>	<b>2.3</b>
Durable Wholesale	191	0.8	934	0.6
Non-Durable Wholesale	134	0.6	650	0.4
Retail	352	1.5	1,980	1.3
<b>REAL ESTATE</b>	<b>1,028</b>	<b>4.5</b>	<b>8,876</b>	<b>5.8</b>
<b>OTHER</b>	<b>2,823</b>	<b>12.4</b>	<b>9,207</b>	<b>6.0</b>
Construction	239	1.0	898	0.6
Manufacturing	73	0.3	392	0.3
Transportation & Utilities	69	0.3	265	0.2
Miscellaneous Other	14	0.1	57	0.0
Not Available	2,428	10.7	7,596	4.9
<b>TOTAL</b>	<b>22,783</b>	<b>100.0 %</b>	<b>\$154,166</b>	<b>100.0 %</b>



**UNINCORPORATED BUSINESS TAX  
PROPRIETORSHIP TAXPAYERS  
TAX YEAR 2005**

**Table 38  
DISTRIBUTION BY LIABILITY RANGE  
(\$ THOUSANDS)**

<b>LIABILITY RANGE</b>	<b>Number</b>	<b>% of Total</b>	<b>Total Liability</b>	<b>% of Total</b>
<b>\$300 OR LESS</b>	1,862	8.2 %	\$288	0.2 %
<b>\$300 - \$1,000</b>	2,851	12.5	1,786	1.2
<b>\$1,000 - \$5,000</b>	9,601	42.1	29,252	19.0
<b>\$5,000 - \$10,000</b>	5,136	22.5	35,642	23.1
<b>\$10,000 - \$50,000</b>	3,078	13.5	54,927	35.6
<b>MORE THAN \$50,000</b>	255	1.1	32,272	20.9
<b>TOTAL</b>	<b>22,783</b>	<b>100.0 %</b>	<b>\$154,166</b>	<b>100.0 %</b>

**Table 39  
TOP TEN PERCENT AND TOP ONE PERCENT OF TAXPAYERS  
BY INDUSTRY  
(\$ THOUSANDS)**

<b>INDUSTRY</b>	<b>TOP TEN PERCENT</b>		<b>TOP ONE PERCENT</b>	
	<b>Number</b>	<b>Liability</b>	<b>Number</b>	<b>Liability</b>
<b>LEGAL</b>	346	\$10,005	31	\$3,553
<b>FINANCE &amp; INSURANCE</b>	206	12,700	40	8,580
<b>INFORMATION</b>	16	606	*	*
<b>PROF / TECH / MANAGERIAL</b>	335	9,871	33	3,463
<b>ARTS / ENTER / ACCOM / FOOD</b>	198	9,655	45	5,896
<b>OTHER SERVICES</b>	954	23,852	59	4,913
<b>TRADE</b>	57	1,506	*	*
<b>REAL ESTATE</b>	92	5,399	8	3,487
<b>OTHER</b>	74	1,726	*	*
<b>TOTAL</b>	<b>2,278</b>	<b>\$75,320</b>	<b>227</b>	<b>\$30,831</b>

\* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX  
PROPRIETORSHIP TAXPAYERS  
TAX YEAR 2005**

**Table 40  
DISTRIBUTION BY ALLOCATION METHOD AND INDUSTRY  
(\$ THOUSANDS)**

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
<b>FORMULA</b>	<b>1,388</b>	<b>6.1 %</b>	<b>\$14,714</b>	<b>9.5 %</b>
Legal	191	0.8	1,649	1.1
Finance & Insurance	66	0.3	3,448	2.2
Information	19	0.1	138	0.1
Prof/Tech/Managerial	293	1.3	2,420	1.6
Arts/Enter/Accom/Food	201	0.9	3,271	2.1
Other Services	401	1.8	2,474	1.6
Trade	70	0.3	717	0.5
Real Estate	18	0.1	65	0.0
Other	129	0.6	531	0.3
<b>100% N.Y.C.</b>	<b>20,655</b>	<b>90.7</b>	<b>132,032</b>	<b>85.6</b>
Legal	2,789	12.2	19,640	12.7
Finance & Insurance	880	3.9	12,203	7.9
Information	303	1.3	1,448	0.9
Prof/Tech/Managerial	3,873	17.0	21,346	13.8
Arts/Enter/Accom/Food	1,320	5.8	10,695	6.9
Other Services	7,405	32.5	49,656	32.2
Trade	584	2.6	2,757	1.8
Real Estate	981	4.3	6,647	4.3
Other	2,520	11.1	7,641	5.0
<b>SEPARATE BOOKS</b>	<b>261</b>	<b>1.1</b>	<b>4,508</b>	<b>2.9</b>
Legal/Finance & Insurance/Prof/Tech/Mngr	93	0.4	738	0.5
All Other Sectors	168	0.7	3,770	2.4
<b>NOT AVAILABLE</b>	<b>479</b>	<b>2.1</b>	<b>2,911</b>	<b>1.9</b>
<b>TOTAL</b>	<b>22,783</b>	<b>100.0 %</b>	<b>\$154,166</b>	<b>100.0 %</b>

See Appendix C for definition of allocation method.

# **APPENDICES**

## APPENDIX A

### DESCRIPTION OF THE NEW YORK CITY BANKING CORPORATION TAX FOR TAX YEAR 2005

The New York City Banking Corporation Tax (BCT) is imposed on all banking corporations, wherever organized, for the privilege of doing business in New York City. The term “banking corporation” includes any corporation organized under the laws of the United States, New York State, or any other state or country, which is doing a banking business. The term also includes any corporation at least 65 percent of whose stock is directly or indirectly owned by a bank or bank holding company, provided it is principally engaged in a business that a bank could conduct or that is so closely related to banking as to be a proper incident thereto within the meaning of the Federal Bank Holding Company Act of 1956.

#### **Basis and Rate of Tax**

The tax is the greatest of the four amounts determined under the following liability calculations:

- Entire net income allocated to the City and taxed at 9 percent;
- Alternative entire net income allocated to the City and taxed at 3 percent;
- For non-alien banks only, taxable assets allocated to the City and taxed at 0.01 percent;
- For alien banks only, issued capital stock allocated to the City and taxed at 0.26 percent;
- A fixed minimum tax of \$125.

“Entire net income” means the taxpayer's federal taxable income, computed without regard to an S corporation election, and subject to certain modifications. Among other modifications, entire net income must be computed without any deduction for federally allowable net operating losses, but deductions are allowed for 17 percent of interest income from subsidiary capital, 60 percent of dividend income and net gains from subsidiary capital, and 22½ percent of interest income on obligations of the United States or of New York State or its political subdivisions (other than those held for resale in connection with regular trading activities).

“Alternative entire net income” means entire net income as described above, except that the above-described percentage deductions with regard to income from subsidiary capital and governmental obligations are not allowed.

“Taxable assets” means the average value of the taxpayer’s total assets less certain sums received from the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

“Issued capital stock” is included in the tax calculation at its face value, but if the stock is without par value, its actual or market value (but not less than \$5 per share) must be used. If the taxpayer does not issue capital stock, it must use, instead, the amount by which its average total assets exceed its average total liabilities.

### **Allocation**

If a taxpayer’s entire net income, alternative entire net income, or taxable assets are derived from business carried on within and outside the City, it can allocate each tax base by use of a three-factor formula employing payroll, receipts, and deposits factors. In calculating the entire net income allocation percentage, the numerator of the payroll factor includes only 80 percent of compensation paid to employees in the City, and the receipts and deposits factors are double-weighted. In allocating alternative entire net income, the numerator of the payroll factor is recalculated by including 100 percent of in-city compensation, and the receipts and deposits factors are not double-weighted. In allocating taxable assets, the entire net income allocation percentage is used but it is adjusted to reflect the inclusion of in-city wages, receipts, and deposits of an international banking facility (IBF) maintained by the taxpayer.

### **International Banking Facilities (IBF’s)**

The Federal Reserve Board authorizes banks to establish units, known as International Banking Facilities, through which they can conduct certain exclusively international banking activities without being subject to certain reserve and deposit insurance requirements. The establishing bank must maintain separate IBF accounts that comply with Federal Reserve reporting requirements and the tax requirements of states that provide an IBF exemption. Under the BCT, a bank that has established a New York IBF can exclude the IBF’s net income—the excess of income over expenses from qualifying foreign banking transactions—from the calculation of its entire net income; the IBF’s payroll, receipts, and deposits are also excluded from the numerator and denominator of the bank’s allocation formula. In the alternative, the bank can make an election to include the IBF’s net income in its entire net income; however, in allocating such entire net income, the IBF’s payroll, receipts, and deposits are included in the denominator, but excluded from the numerator, of the bank’s allocation formula.

### **Credits**

In order to eliminate multiple taxation of the same income, the BCT allows a credit for banking corporations that are partners in firms subject to the UBT. The credit is based upon the distributing partnership’s UBT liability, and is applied against the bank partner’s tax liability.

Other credits against the tax are allowed for certain expenses (including real estate tax escalation payments) of taxpayers relocating into the City from outside New York State and creating employment opportunities, and for employment opportunities relocated to targeted areas within the City.

## **Combined Reporting**

Corporations that are closely linked may be required or permitted to file a combined return. Generally, a banking corporation or bank holding company doing business in the city is required to file a combined return with any other banking corporation or bank holding company doing business in the city where an 80-percent-stock-ownership requirement is met. However, a corporation can be excluded from a combined return if it can be shown that its inclusion fails to properly reflect its tax liability. Certain banking corporations or bank holding companies that meet a 65 percent stock ownership requirement may be permitted or required to file a combined return if the Department of Finance determines that such filing is necessary to properly reflect the tax liability of such corporations because they are engaged in a unitary business and have other interrelationships. The tax on a combined return is measured by the combined entire net income, combined alternative entire net income, or combined assets of all the corporations included in the return, after the elimination of inter-corporate transactions and inter-corporate stockholdings and indebtedness.

## **Filing Period**

The 2005 tax year includes all reported activity and income over a twelve-month period that began between January 1, 2005 and December 31, 2005. In 2005, 79 percent of all BCT filers reported on a calendar-year basis. Among the remaining firms, the reporting period was either the fiscal year or a partial year. The tax period used under the BCT must conform to the federal tax year.

## APPENDIX B

### DESCRIPTION OF THE NEW YORK CITY GENERAL CORPORATION TAX FOR TAX YEAR 2005

The New York City General Corporation Tax (GCT) is imposed on all corporations, wherever organized, for the privilege of doing business, employing capital, owning or leasing property, or maintaining an office in New York City. Corporations that are subject to other special taxes, namely banking institutions and regulated utilities, are not subject to this tax. Insurance corporations pay no City business income taxes.

#### **Basis and Rate of Tax**

The tax is the greatest of the four amounts determined under the following liability calculations:

- Entire net income allocated to the City and taxed at 8.85 percent;
- Entire net income, increased by compensation paid to certain shareholders, reduced by a \$40,000 allowance, allocated to the City, multiplied by 30 percent<sup>1</sup> and taxed at 8.85 percent (the “income-plus-compensation” base);<sup>2</sup>
- Business and investment capital allocated to the City and taxed at 0.15 percent up to a maximum of \$350,000;<sup>3</sup>
- A fixed minimum tax of \$300.

In addition, there is a tax of 0.075 percent on subsidiary capital allocated to the City, as well as a \$300 minimum tax for each taxable subsidiary filing as part of a combined group.

“Entire net income” means the taxpayer's federal taxable income, computed without regard to an S corporation election, subject to certain modifications. Real estate investment trusts and regulated investment companies are subject to tax on “real estate investment trust taxable income” or “investment company taxable income,” respectively, as defined in the Internal Revenue Code, with certain modifications.

The income-plus-compensation base includes the total salaries and other compensation paid to every stockholder owning more than 5 percent of the taxpayer's issued capital stock.

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<sup>1</sup> Under legislation enacted in 2007, this percentage is reduced, in four annual steps, as follows: years beginning in 2007 — 26.25 percent; years beginning in 2008 — 22.5 percent; years beginning in 2009 — 18.75 percent; and years beginning in 2010 and thereafter — 15 percent.

<sup>2</sup> Under 2007 legislation, a taxpayer is exempt from these calculations for years beginning in 2007 and thereafter if its Federal gross income is less than \$250,000, its business allocation percentage is 100 percent, and it has no investment or subsidiary capital.

<sup>3</sup> Ibid.

“Business capital” means all assets, other than subsidiary capital, investment capital, and stock issued by the taxpayer, minus short- and long-term liabilities not deducted from subsidiary or investment capital.

“Investment capital” means investments in corporate and governmental stocks, bonds, and other securities, other than subsidiary capital and stock issued by the taxpayer, minus total liabilities directly or indirectly attributable to investment capital.

“Subsidiary capital” means investments in the stock of subsidiaries and any indebtedness from subsidiaries (other than accounts receivable) on which interest is not claimed and deducted by the subsidiary on a General Corporation Tax or Banking Corporation Tax return, minus total liabilities directly or indirectly attributable to subsidiary capital. A subsidiary is a corporation whose stock is more than 50 percent owned by the taxpayer.

### **Allocation**

A corporation is taxed on the City-allocated portions of its business income and business capital. The City's taxable share of total business income and capital is allocated using the business allocation percentage (BAP), which is based upon the traditional three-factor formula (property, payroll, and receipts). Manufacturers have the option of double-weighting their receipts factor. Investment income and investment capital are allocated to the City according to the extent of activity within the City of the issuer of the investment; subsidiary capital is allocated based on the extent of the subsidiary's activity within the City. (Income from subsidiary capital is not taxable.)

### **Credits**

In order to eliminate multiple taxation of the same income, the GCT allows a credit for corporations that are partners in firms subject to the UBT. The credit is based upon the distributing partnership's UBT liability, and is applied against the corporate partner's tax liability.

Other credits against the tax are allowed for certain expenses (including real estate tax escalation payments) of taxpayers relocating into the City from outside New York State and creating employment opportunities, and for employment opportunities relocated to targeted areas within the City. Due to credits, some taxpayers may have liabilities below the \$300 minimum tax.

### **Combined Reporting**

Groups of corporations that are closely linked may be permitted or required to file a combined return. The statutory requirements for combined filing are as follows: the group must form a “unitary business,” for example, one in which the goods or services produced or acquired by one member of the group are acquired, used, or sold by other members of the group; 80 percent or more of the stock of the members of the combined group must be directly or indirectly owned by other members of the group, by the parent corporation, or by the same interests; and, filing on a separate basis would distort a corporation's New York City activities, business,



income, or capital. When filing a combined return, the group's tax liability is computed by summing information for all members of the group and subtracting inter-corporate transactions.

**Filing Period**

The 2005 tax year includes all reported activity and income over a twelve-month period beginning between January 1, 2005 and December 31, 2005. In 2005, 70 percent of all GCT filers reported on a calendar-year basis. Among the remaining firms, the reporting period was either the fiscal year or a partial year. The tax period used under the GCT must conform to the federal tax year.

## APPENDIX C

### DESCRIPTION OF THE NEW YORK CITY UNINCORPORATED BUSINESS TAX FOR TAX YEAR 2005

The New York City Unincorporated Business Tax (UBT) is imposed on partnerships, individuals, trusts, and estates that carry on or liquidate unincorporated businesses or professions wholly or partly within New York City. The tax also applies to corporations in liquidation. For partnerships, a tax return must be filed if gross income exceeds \$25,000 or taxable income exceeds \$15,000. All other unincorporated entities must file if they have more than \$75,000 of gross income or \$35,000 of taxable income.

#### **Basis and Rate of Tax**

The UBT is imposed at the rate of 4 percent on New York City taxable income. For proprietors, taxable income is based upon net profit from federal form 1040, Schedule C. For partnerships, taxable income is based upon net income from the partnership's federal form 1065. Taxpayers are required to make certain New York City modifications to this income, and the resulting amount is then allocated to New York City if the business is carried on both in and out of the City.

Individuals or unincorporated entities, other than dealers, are not considered to be unincorporated businesses subject to the UBT solely by reason of the purchase or sale of property or stock option contracts for their own account.<sup>4</sup> Investment partnerships and proprietorships may engage in limited business activity and still retain this self-trading exemption.

Owners, lessees, or fiduciaries that solely hold, lease, or manage real property are also not considered to be engaged in an unincorporated business. By contrast, dealers who hold real property primarily for sale to customers in the ordinary course of business are subject to the tax.

#### **Allocation**

An unincorporated business is taxed on the City-allocated portion of its business income. UBT taxpayers may allocate net income to the City based upon separate books and records if such records fairly and equitably reflect income from the City. If New York City income cannot be determined from the taxpayer's books and records, total net income must be apportioned in accordance with the traditional three-factor formula based on property, payroll, and receipts. Manufacturers have the option of double-weighting their receipts factor. Investment income is allocated to the City according to the extent of activity within the City of the issuer of the investment.

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<sup>4</sup> An individual or entity is not disqualified from this exemption if it receives \$25,000 or less from other activities.

## **Exemptions and Credits**

Through a combination of exemptions and credits, no tax is levied on proprietorships with allocated net income of less than \$55,000 and on partnerships with allocated net income of less than the sum of \$50,000 plus \$5,000 times the number of active partners. A proprietorship is allowed one exemption of \$5,000 and another exemption of up to \$5,000 as an allowance for proprietor services. A partnership is allowed one \$5,000 exemption and another exemption of up to \$5,000 for each active partner's services. The allowance for services is in lieu of any other deduction for payments to a proprietor or partner for services or use of capital. Both partnerships and proprietorships with tax after exemptions of \$1,800 or less (e.g., income after exemptions not greater than \$45,000) receive a full credit and owe no tax. Entities with tax after exemptions ranging from \$1,800 to \$3,200 receive a partial credit.

In order to eliminate multiple taxation of the same income, the UBT allows a credit for partnerships that are themselves partners in firms subject to the UBT. The partner receiving the distribution may take a UBT credit that is based upon the distributing partnership's UBT liability, and is applied against the partner's UBT liability.

Other credits against the tax are allowed for certain expenses (including real estate tax escalation payments) of taxpayers relocating into the City from outside New York State and creating employment opportunities, and for employment opportunities relocated to targeted areas within the City.

In addition, in order to address the double taxation of income under both the PIT and the UBT, partners and proprietors may take a credit against the New York City Personal Income Tax for a portion of their share of UBT paid.

## **Filing Period**

The 2005 tax year includes all reported activity and income over a twelve-month period that began between January 1, 2005 and December 31, 2005. In 2005, 96 percent of UBT filers reported on a calendar-year basis. The tax period used under the UBT must conform to the federal tax year.

## **APPENDIX D**

### **METHODOLOGY**

The Banking Corporation Tax (BCT), General Corporation Tax (GCT), and Unincorporated Business Tax (UBT) data are obtained from tax data files maintained by the Department of Finance for purposes of processing, recording, and monitoring the payment history of individual taxpayers. The Office of Tax Policy converted these tax files into an aggregate database in order to analyze various characteristics of the BCT, GCT, and UBT. The distributions presented in this report reflect data that are as complete as possible. For tax year 2005, 99 percent of all BCT taxpayers had filed annual returns, 95 percent of GCT taxpayers had filed annual returns, and 98 percent of UBT taxpayers had filed annual returns.

#### **Liability and Number**

The Finance Department's master files contain BCT, GCT, and UBT transactions, including declarations of estimated liability, quarterly estimated payments, applications for extension, annual returns, liability adjustments, penalties, and interest charges. Liability was estimated based on either the tax reported on the annual return, or, if no annual return was filed, on the application for an extension. Liability excludes penalty and interest charges. The number of GCT and BCT taxpayers refers to the number of annual returns received or if no annual return was filed, the number of applications for an extension received. The number of UBT taxpayers refers to the number of annual returns received with liability greater than zero or if no annual return was filed, the number of applications for an extension received with liability greater than zero. In rare instances, a taxpayer will file more than one return for a tax year, with each return covering a portion of the year. For these cases filing short year returns, the number of GCT and BCT taxpayers reported reflects the number of returns filed, while the number of UBT taxpayers reported reflects the number of returns with liability greater than zero, and the liability reported reflects the total liability on these returns.

#### **Industry**

The GCT and UBT distributions by industry sector are based upon the NAICS (North American Industry Classification System) code, as reported by taxpayers. Since firms select the one code that best describes their national activity, some multi-jurisdictional firms may use a NAICS code that does not accurately reflect their New York City activity.

In cases where the codes were missing or incorrect, various procedures were employed to identify the correct values. Computer programs assigned codes based upon name and data from other tax years. Unidentified large taxpayers were assigned codes manually. By these means, 99 percent of corporate liability, 100 percent of partnership liability and 95 percent of proprietorship liability were ultimately identified by industry sector.

The report reflects additional verification of firms reporting as holding companies. Because under the NAICS system the definition of holding company is very broad, some

taxpayers reported a holding company code when that code did not best describe the taxpayer's activity.

For UBT taxpayers, the sector groups differ from those commonly employed, in order to highlight the industries most significant to the UBT. Thus, the legal profession, which contributes over one-third of all UBT liability, is treated as a distinct sector.

For banks, the sector reporting is by type of bank, as reported by the taxpayer on the City return.

### **Form Type**

BCT taxpayers use one of two types of annual returns. The most commonly used is the NYC-1 return. The NYC-1A is used by combined groups of banking corporations.

GCT taxpayers use one of three types of annual returns. The most commonly used is the NYC-4S return, or the "short form." This form is the simplest to complete. Only firms that do not own investment or subsidiary capital, do not have any income that could be allocated outside New York City, and do not use certain deductions or special credits, may use the short form. Firms that allocate income outside the City, own investment or subsidiary capital, or use certain deductions or special credits, must use the NYC-3L, or the "long form." Some firms that are eligible to use the NYC-4S choose to report on the NYC-3L. The NYC-3A is used by combined groups of corporations.

UBT taxpayers use one of four types of annual returns. The NYC-204 is used by partnerships, including syndicates, groups, pools, or other unincorporated organizations.<sup>5</sup> The NYC-204 EZ can be used by partnerships that are required to file<sup>6</sup> an unincorporated business tax return but have: no tax liability, no New York City modifications, all business income allocated to New York City, no credit for unincorporated business tax paid, no partial exemption for investment activities, no investment income, no net operating loss, and unincorporated business gross income, after the allowance for active partners, that is not more than \$50,000. This form may also be used by partnerships that are not required to file but wish to disclaim any liability for tax because they are engaged solely in activities exempt from the tax. The NYC-202 is used by individuals, estates, and trusts. The NYC-202 EZ form can be used by individuals who have no New York City modifications, allocate all business income to New York City, and have total income from business that does not exceed \$55,000.

### **Allocation**

Taxpayers were classified as multi-jurisdictional if their business allocation percentage (BAP) was less than 100. For BCT, the percentage used was the combined entire net income

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<sup>5</sup> Limited liability companies doing business in New York City are generally taxed as partnerships under the UBT.

<sup>6</sup> A partnership engaged in an unincorporated business is required to file an unincorporated business tax return if its unincorporated business gross income is more than \$25,000 or it has unincorporated business taxable income of more than \$15,000.

allocation percentage; if this was not available, the issuer's allocation percentage was used. For GCT combined taxpayers, the stock allocation percentage was used as a proxy, since the BAP was not available. Data for UBT proprietorship and partnership distributions were supplemented by information from statistical samples.

**New York State S Corporation Status (GCT only)**

Data from the New York State Department of Taxation and Finance were used to identify New York City corporations that made the S corporation election at the State level.

**LLP/ LLC Status (UBT only)**

LLC status was determined using the following methods: taxpayer name, LLC status from files supplied by the New York State Department of Taxation and Finance, and partnership type indicator on the NYC-204 or NYC-204 EZ return.

## **APPENDIX E**

### **GLOSSARY OF INDUSTRY SECTORS**

#### **BANKING CORPORATION TAX BANK TYPES**

- **COMMERCIAL BANKS** - U.S. incorporated banks that specialize in accepting corporate demand and time deposits and make commercial loans to businesses.
- **CLEARING HOUSE BANKS** - large commercial banks that are members of the New York Clearing House Association.
- **FOREIGN BANKS** - non-U.S. incorporated commercial banks with branches and offices in the United States. Domestic banks majority-owned by foreign banks and subsidiaries of foreign banks that provide limited banking services are classified elsewhere.
- **THRIFT BANKS** - both savings and loan associations and savings banks.
- **OTHER BANKS**
  - Edge Act Banks -- banks formed under the Edge Act banking legislation that allows national banks to conduct foreign lending operations through federal- or state-chartered subsidiaries.
  - Trust Companies -- banks specializing in the administration of trust funds, estates, custodial arrangements, stock transfers and registration, and other related services.
  - Subsidiaries of domestic and foreign banks that file separately from their parents as individual entities (and whose activities do not fall into the above categories).
  - Non-bank banks -- limited-service banks, which include certain leasing corporations, mortgage, and loan production offices.
  - Banking institutions whose bank types cannot be determined.

#### **GENERAL CORPORATION TAX INDUSTRIES**

- **FINANCE and INSURANCE** - credit agencies, firms engaged in banking, lending or financing activities, funds, trusts, securities and commodities brokers and dealers, exchanges, insurance agents and brokers, and related corporations.
- **REAL ESTATE** – lessors of real estate, property management, real estate brokers, and related real estate activity.

- MANUFACTURING - apparel and textile, food and beverages, printing, and other manufacturing.
- PROFESSIONAL/TECHNICAL/MANAGERIAL SERVICES - legal, accounting, consulting, architectural, engineering, advertising, veterinary services, and holding companies.
- OTHER SERVICES - administrative and support services, education, social assistance, entertainment, amusement and recreation, lodging, personal services, repair services, food services and drinking places, non-realty rental and leasing services, and medical care.
- INFORMATION - publishing, motion picture, broadcasting, telecommunications, information services, and data processing.
- TRADE - retail and wholesale.
- OTHER - construction, transportation, unregulated utilities, and unknown.

### **UNINCORPORATED BUSINESS TAX INDUSTRIES**

- LEGAL
- FINANCE and INSURANCE - credit agencies, firms engaged in banking, lending or financing activities, funds, trusts, securities and commodities brokers and dealers, exchanges, insurance agents and brokers, and related firms.
- INFORMATION - publishing, motion picture, broadcasting, telecommunications, information, and data processing.
- PROFESSIONAL/TECHNICAL/MANAGERIAL SERVICES - accounting, consulting, architectural, engineering, advertising, veterinary services, and holding companies.
- ARTS/ENTERTAINMENT/ACCOMMODATIONS/ FOOD SERVICES - performing arts, amusements and recreation, museums, accommodations, and food services and drinking places.
- OTHER SERVICES - administrative and support services, education, social assistance, personal services, repair services, non-realty rental and leasing services, and medical care.
- TRADE - retail and wholesale.
- REAL ESTATE – lessors of real estate, property management, real estate brokers, and related real estate activity.
- OTHER - manufacturing, construction, transportation, and unknown.