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

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

**BANKING CORPORATION TAX
GENERAL CORPORATION TAX
UNINCORPORATED BUSINESS TAX
TAX YEAR 2003**

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**FINANCE
NEW • YORK**
THE CITY OF NEW YORK
DEPARTMENT OF FINANCE

**MICHAEL R. BLOOMBERG
MAYOR**

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COMMISSIONER**

**REPORT PREPARED BY THE
OFFICE OF TAX POLICY
FEBRUARY 2007**

Acknowledgements

The following individuals contributed to the production of the Statistical Profiles of New York City Business Income Taxes report for Tax Year 2003. Assistant Commissioner for Tax Policy Michael Hyman and Research Director Karen Schlain directed the data preparation and analysis. Sherill Rigual and Louis Pereira, senior analysts in the Office of Tax Policy, produced the tables and updated the text.

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Highlights

This report presents statistical information for tax year 2003 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 \$2.829 billion in tax year 2003 liability, an increase of 12 percent from tax year 2002. The number of taxpayers increased 1 percent from 2002, to almost 294,000. The data show the following characteristics in 2003:

- The service sector accounted for 33 percent of all tax liability, followed by the financial sector, which generated 30 percent.
- Over half of taxpayers reported liability of \$300 or less. Seventy-five percent of total liability was attributable to just 2 percent of taxpayers.

Banking Corporation Tax

In 2003, the Banking Corporation Tax generated \$362 million from 517 taxpayers, an increase in tax liability of 19 percent from tax year 2002. The data show the following characteristics of the BCT population in 2003:

- Foreign banks and clearing house banks generated 30 percent and 29 percent, respectively, of total BCT liability.
- The top 10 percent of taxpayers in terms of liability generated \$295 million, or 82 percent of total liability.
- About 79 percent of BCT liability was incurred under the entire net income base, and 45 percent of taxpayers paid on this base.

General Corporation Tax

The General Corporation Tax generated \$1.577 billion in tax year 2003 liability, an increase of 12 percent from tax year 2002. The number of taxpayers increased 1 percent from 2002, to 264,559. The data show the following characteristics of the GCT population in 2003:

- Services-sector firms incurred 25 percent of total liability, followed by firms in the trade sector, which generated 17 percent. Firms in the finance and insurance, real estate, and information sectors generated 16 percent, 14 percent and 14 percent, respectively, of total liability.
- The top 10 percent of taxpayers in terms of liability generated \$1.395 billion, or 88 percent of total liability. The top 1 percent of taxpayers accounted for \$1.007 billion, or 64 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 percent of total GCT liability was incurred under the entire net income base.
- Approximately 123,000 GCT taxpayers were recognized as S corporations for New York State tax purposes. S corporations accounted for \$668 million of GCT liability in 2003.

Unincorporated Business Tax

The Unincorporated Business Tax produced \$890 million in 2003 tax liability, an 8 percent increase from the previous year. Partnerships generated \$766 million, an increase of 11 percent from 2002. Proprietorships generated \$124 million in liability, down 6 percent from 2002. There were 7,805 partnership taxpayers and 20,614 proprietorship taxpayers, an increase of 4 percent for partnerships and 2 percent for proprietorships compared to 2002.

Other characteristics of the UBT population are as follows:

- Among UBT partnerships, legal, finance & insurance, and professional services firms generated \$640 million in tax liability, or 84 percent of total partnership liability. Among proprietorships, services-sector firms accounted for 55 percent of total liability, while legal-sector firms generated 15 percent.
- The top 10 percent of partnership taxpayers, or 780 firms, accounted for 84 percent of total partnership liability, and the top 1 percent accounted for 49 percent. The proprietorship liability distribution was far less skewed, with the top 10 percent generating 45 percent of proprietorship liability, while the top 1 percent generated 17 percent of liability.

- Under the UBT, limited liability companies (LLCs) are generally treated as partnerships for tax purposes. In 2003, firms identified as limited liability partnerships (LLPs) or LLCs accounted for 72 percent of UBT partnership liability and 73 percent of partnership taxpayers.

Introduction to Statistical Tables and Appendices

The report is divided into the following five sections: Total Business Income Taxes, Banking Corporation Tax, General Corporation Tax, Unincorporated Business Tax – Partnerships, and Unincorporated Business Tax – Proprietorships. Each section provides a distribution by industry sector (bank type for the BCT), liability range, and allocation method or status. The BCT and GCT sections supplement this information with data on tax base and form type. The GCT section also includes S corporation statistics, and the UBT partnership section provides information on LLPs/LLCs.

The report contains five appendices. Appendices A, B, and C describe the BCT, GCT, and UBT, respectively. Appendix D describes the methodologies used to compile the data. Appendix E contains a glossary of industry sectors.

BUSINESS INCOME TAX TABLES

Table 1 2003 BUSINESS INCOME TAXES

Total Taxpayers: 293,495

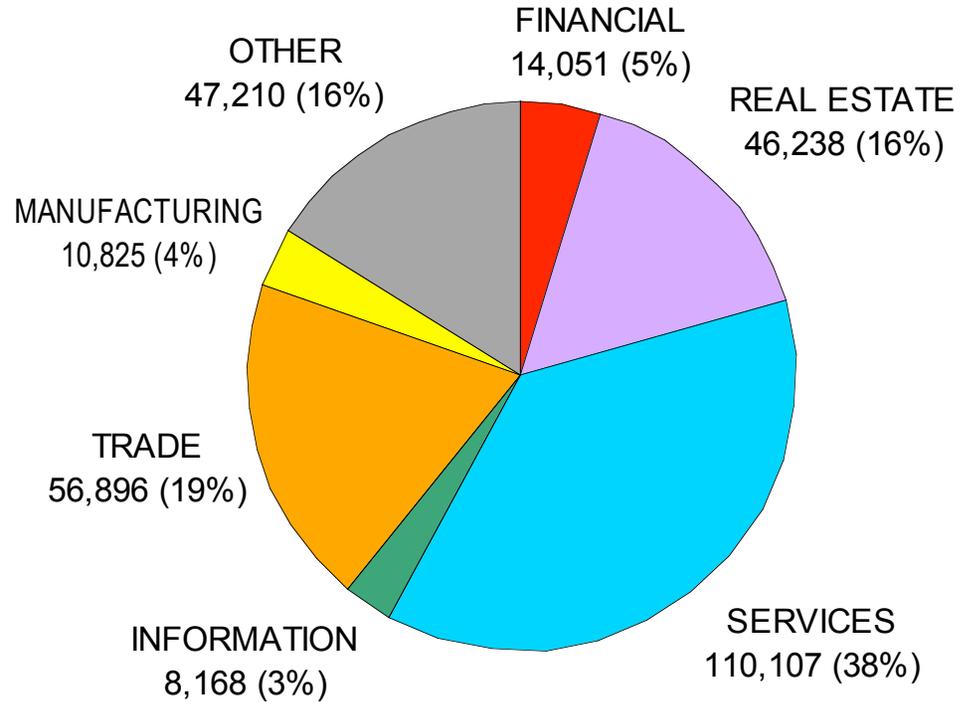
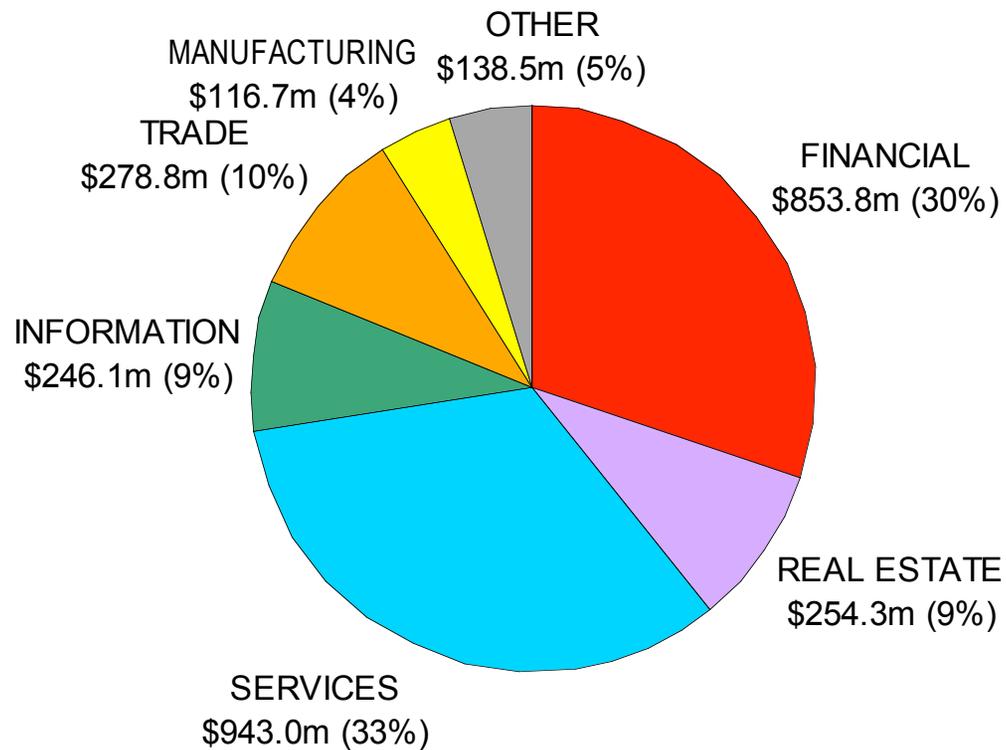


Table 2 2003 BUSINESS INCOME TAXES

Total Liability: \$2,829.2m



**BUSINESS INCOME TAXES
TAX YEAR 2003**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCIAL	14,051	4.8 %	\$853,804	30.2 %
REAL ESTATE	46,238	15.8	254,254	9.0
SERVICES	110,107	37.5	942,997	33.3
INFORMATION	8,168	2.8	246,113	8.7
TRADE	56,896	19.4	278,846	9.9
MANUFACTURING	10,825	3.7	116,714	4.1
OTHER	47,210	16.1	136,495	4.8
TOTAL	293,495	100.0 %	\$2,829,223	100.0 %

**BUSINESS INCOME TAXES
TAX YEAR 2003**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	160,600	54.7 %	\$47,674	1.7 %
\$300 - \$1,000	37,673	12.8	22,251	0.8
\$1,000 - \$5,000	53,586	18.3	135,625	4.8
\$5,000 - \$10,000	18,493	6.3	130,262	4.6
\$10,000 - \$50,000	17,769	6.1	364,432	12.9
\$50,000 - \$500,000	4,737	1.6	649,136	22.9
\$500,000 - \$1,000,000	301	0.1	208,285	7.4
MORE THAN \$1,000,000	336	0.1	1,271,558	44.9
TOTAL	293,495	100.0 %	\$2,829,223	100.0 %

BANKING CORPORATION TAX TABLES

Table 5
**2003 BANK TAX
TAXPAYERS BY BANK TYPE**

Total Taxpayers: 517

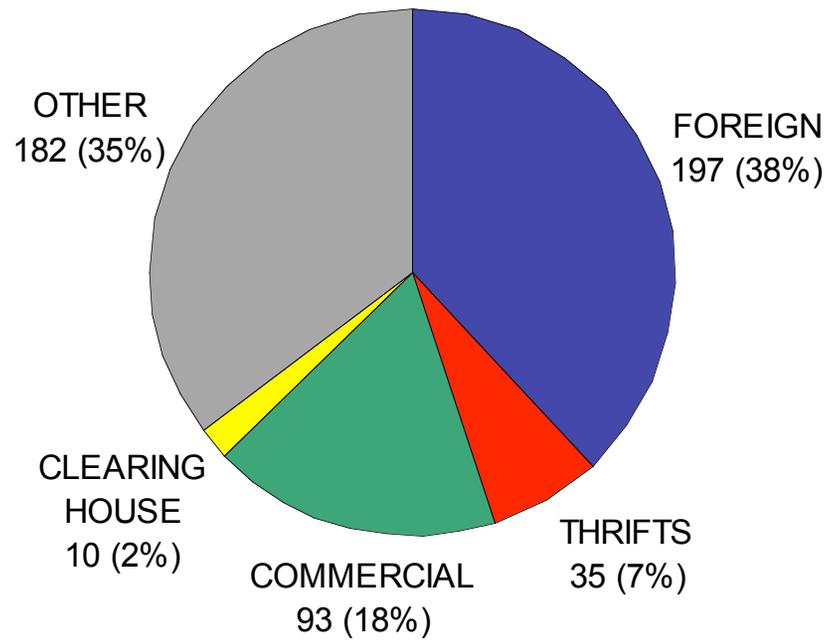
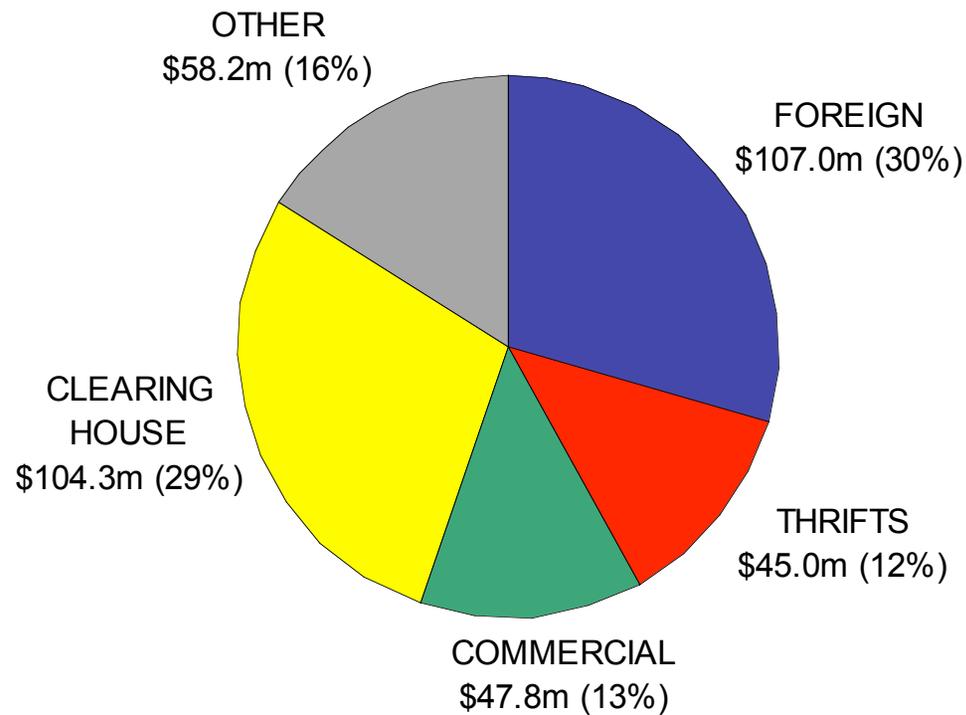


Table 6
**2003 BANK TAX
LIABILITY BY BANK TYPE**

Total Liability: \$362.2m



**BANK TAX
TAX YEAR 2003**

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

INDUSTRY	Number	% of Total	Liability	% of Total
COMMERCIAL	93	18.0 %	\$47,763	13.2 %
CLEARING HOUSE	10	1.9	104,252	28.8
FOREIGN	197	38.1	106,992	29.5
THRIFTS	35	6.8	44,969	12.4
OTHER	182	35.2	58,215	16.1
TOTAL	517	100.0 %	\$362,191	100.0 %

**BANK TAX
TAX YEAR 2003**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$125 OR LESS	94	18.2 %	\$12	0.0 %
\$125 - \$1,000	23	4.4	8	0.0
\$1,000 - \$5,000	48	9.3	122	0.0
\$5,000 - \$10,000	25	4.8	177	0.0
\$10,000 - \$50,000	76	14.7	1,863	0.5
\$50,000 - \$500,000	159	30.8	33,479	9.2
\$500,000 - \$1,000,000	36	7.0	26,066	7.2
MORE THAN \$1,000,000	56	10.8	300,464	83.0
TOTAL	517	100.0 %	\$362,191	100.0 %

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

BANK TYPE	Number	Liability
COMMERCIAL / CLEARING HOUSE	16	\$132,591
FOREIGN	21	84,747
OTHER	14	77,864
TOTAL	51	\$295,202

**BANK TAX
TAX YEAR 2003**

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	234	45.3 %	\$285,627	78.9 %
ALTERNATIVE NET INCOME	10	1.9	3,689	1.0
ASSET BASE	69	13.3	47,247	13.0
CAPITAL BASE	104	20.1	25,546	7.1
MINIMUM TAX	96	18.6	13	0.0
NOT AVAILABLE / EXTENSION	4	0.8	69	0.0
TOTAL	517	100.0 %	\$362,191	100.0 %

**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	72	\$106,172	60	\$80,512	102	\$98,943
ALTERNATIVE NET INCOME	*	*	*	*	*	*
ASSET OR CAPITAL BASE	23	44,618	104	25,546	46	2,630
MINIMUM TAX	*	*	*	*	59	8
NOT AVAILABLE / EXTENSION	*	*	*	*	*	*
TOTAL	103	\$152,015	197	\$106,992	217	\$103,184

* Number cannot be provided due to confidentiality restrictions.

**BANK TAX
TAX YEAR 2003**

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

FORM TYPE	Number	% of Total	Liability	% of Total
NYC-1	396	76.6 %	\$148,400	41.0 %
NYC-1A (COMBINED FORM)	115	22.2	213,722	59.0
NOT AVAILABLE / EXTENSION	6	1.2	69	0.0
TOTAL	517	100.0 %	\$362,191	100.0 %

**BANK TAX
TAX YEAR 2003**

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

ALLOCATION STATUS AND BANK TYPE	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	306	59.2 %	\$324,367	89.6 %
Commercial / Clearing House	76	14.7	147,568	40.7
Foreign	132	25.5	84,417	23.3
Other	98	19.0	92,382	25.5
100% N.Y.C.	197	38.1	36,043	10.0
Commercial / Clearing House	27	5.2	4,447	1.2
Foreign	62	12.0	20,864	5.8
Other	108	20.9	10,732	3.0
NOT AVAILABLE	14	2.7	1,781	0.5
Commercial / Clearing House	*	*	*	*
Foreign	*	*	*	*
Other	11	2.1	70	0.0
TOTAL	517	100.0 %	\$362,191	100.0 %

See Appendix A for definition of allocation status.

* Numbers cannot be provided due to confidentiality restrictions.

GENERAL CORPORATION TAX TABLES

Table 14
**2003 GENERAL CORPORATION TAX
TAXPAYERS BY INDUSTRY**

Total Taxpayers: 264,559

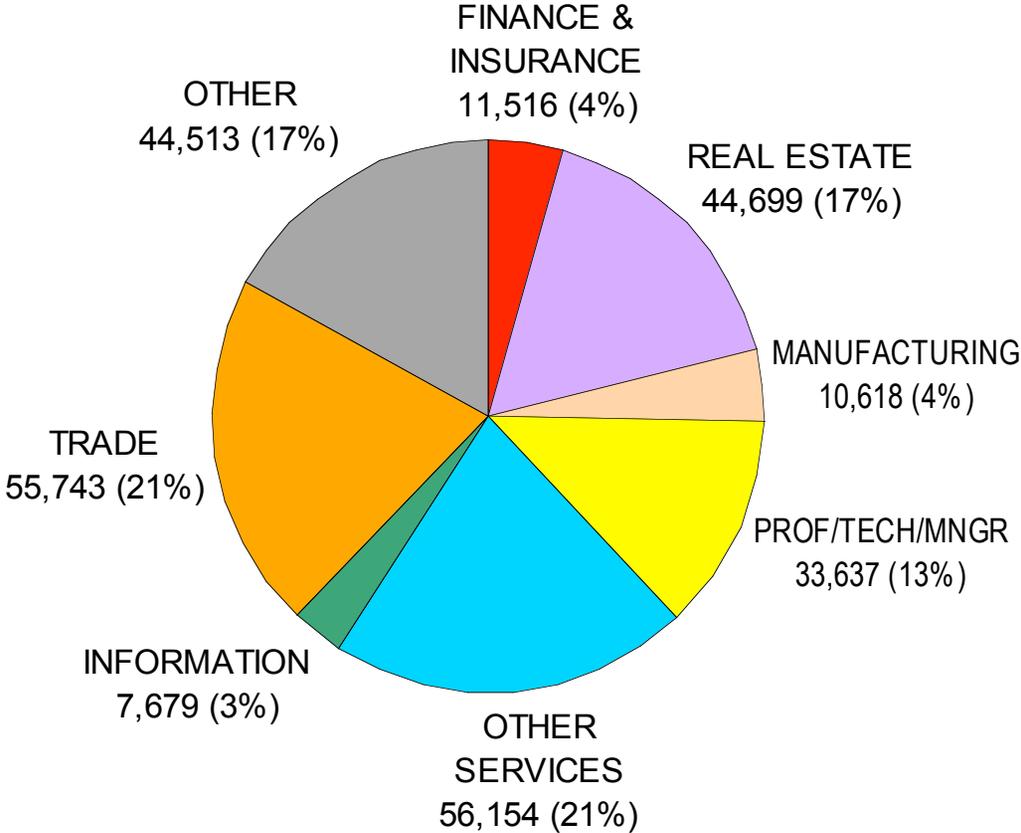
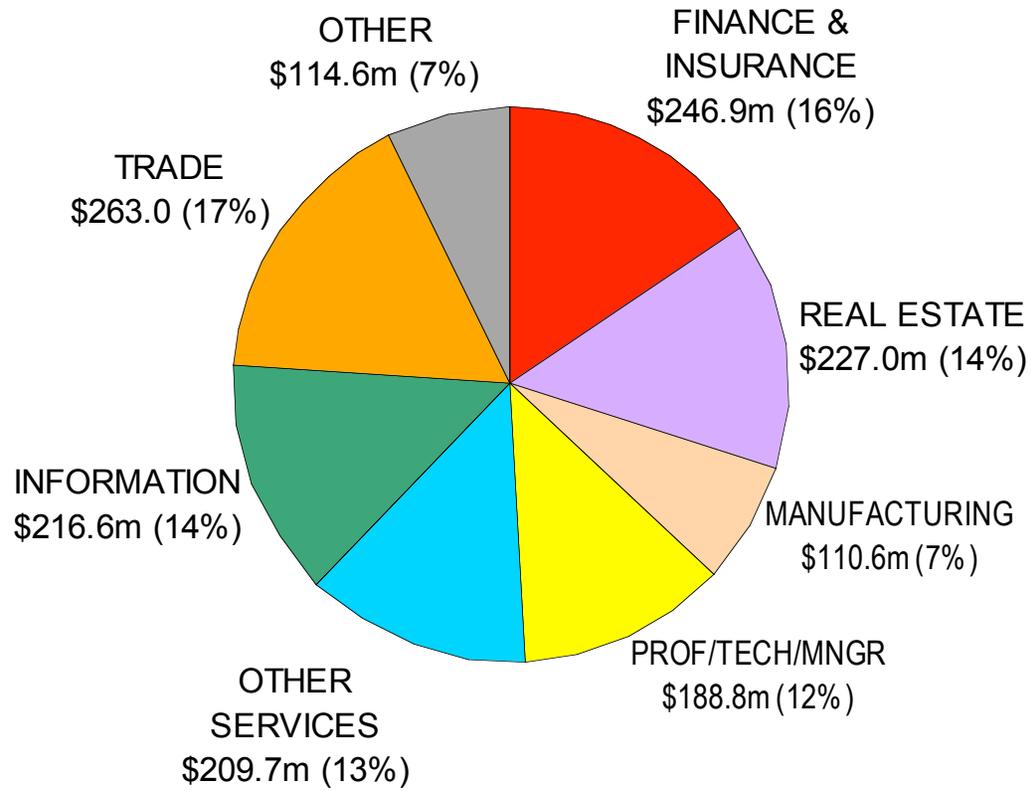


Table 15
**2003 GENERAL CORPORATION TAX
LIABILITY BY INDUSTRY**

Total Liability: \$1,577.1m



**GENERAL CORPORATION TAX
TAX YEAR 2003**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	11,516	4.4 %	246,887	15.7 %
Credit Agencies	1,012	0.4	10,429	0.7
Funds & Trusts	2,804	1.1	4,173	0.3
Insurance	2,414	0.9	46,895	3.0
Securities & Commodities	5,258	2.0	185,294	11.7
Other Finance	28	0.0	96	0.0
REAL ESTATE	44,699	16.9	226,967	14.4
MANUFACTURING	10,618	4.0	110,554	7.0
Textiles, Apparel & Leather	3,208	1.2	29,128	1.8
Food & Beverage	984	0.4	19,765	1.3
Printing	1,332	0.5	6,142	0.4
Wood/Paper	378	0.1	1,133	0.1
Other Manufacturing	4,716	1.8	54,386	3.4
PROF / TECH / MANAGERIAL	33,637	12.7	188,840	12.0
Holding Companies	1,262	0.5	17,119	1.1
Managerial	548	0.2	9,682	0.6
Legal	3,161	1.2	20,167	1.3
Other Prof / Tech / Managerial	28,666	10.8	141,872	9.0
OTHER SERVICES	56,154	21.2	209,650	13.3
Accommodations and Food	11,191	4.2	28,309	1.8
Administration/Support	6,071	2.3	43,752	2.8
Arts & Entertainment	7,403	2.8	29,358	1.9
Education	1,230	0.5	4,703	0.3
Health Care	11,041	4.2	67,156	4.3
Personal Services	11,732	4.4	21,523	1.4
Religious	294	0.1	346	0.0
Rental & Leasing	1,548	0.6	7,141	0.5
Repair/Maintenance	4,618	1.7	4,821	0.3
Social Services	435	0.2	487	0.0
Waste Management	305	0.1	1,676	0.1
Miscellaneous Other Services	286	0.1	378	0.0
INFORMATION	7,679	2.9	216,554	13.7
Broadcasting/Telecomm	1,519	0.6	67,848	4.3
Information Services/Data	1,527	0.6	34,718	2.2
Movies/Video/Sound	2,739	1.0	29,048	1.8
Publishing	1,894	0.7	84,940	5.4
TRADE	55,743	21.1	263,014	16.7
Durable Wholesale	12,528	4.7	54,469	3.5
Non-Durable Wholesale	12,292	4.6	80,556	5.1
Retail	30,896	11.7	127,972	8.1
Other Trade	27	0.0	17	0.0
OTHER	44,513	16.8	114,594	7.3
Construction	17,935	6.8	68,722	4.4
Transportation	10,118	3.8	24,228	1.5
Utilities	115	0.0	6,188	0.4
Not Available	16,019	6.1	14,960	0.9
Miscellaneous Other	326	0.1	496	0.0
TOTAL	264,559	100.0 %	\$1,577,060	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 2003**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	158340	59.9 %	\$47,369	3.0 %
\$300 - \$1,000	34,597	13.1	20,347	1.3
\$1,000 - \$5,000	43,111	16.3	103,610	6.6
\$5,000 - \$10,000	12,417	4.7	87,694	5.6
\$10,000 - \$50,000	12,564	4.7	259,704	16.5
\$50,000 - \$500,000	3,220	1.2	430,297	27.3
\$500,000 - \$1,000,000	165	0.1	111,999	7.1
MORE THAN \$1,000,000	145	0.1	516,040	32.7
TOTAL	264,559	100.0 %	\$1,577,060	100.0 %

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

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
FINANCE & INSURANCE	1,804	\$239,693	411	\$211,979
REAL ESTATE	5,067	192,524	428	121,381
MANUFACTURING	1,577	102,881	218	78,379
PROF/TECH/MANAGERIAL	4,128	162,724	357	101,788
OTHER SERVICES	5,296	171,689	364	95,287
INFORMATION	898	211,690	174	197,994
TRADE	5,076	225,760	488	150,461
OTHER	2,609	87,957	205	49,456
TOTAL	26,455	\$1,394,918	2,645	\$1,006,725

**GENERAL CORPORATION TAX
TAX YEAR 2003**

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	63,584	24.0 %	\$1,264,684	80.2 %
INCOME PLUS COMPENSATION	24,716	9.3	170,180	10.8
CAPITAL	15,732	5.9	82,113	5.2
MINIMUM TAX	158,570	59.9	48,974	3.1
NOT AVAILABLE	1,957	0.7	11,109	0.7
TOTAL	264,559	100.0 %	\$1,577,060	100.0 %

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

INDUSTRY	ENTIRE NET INCOME		INCOME + COMP		CAPITAL		MINIMUM TAX	
	Number	Liability	Number	Liability	Number	Liability	Number	Liability
FINANCE & INSURANCE	2,556	\$205,876	1,039	\$22,233	914	\$15,557	6,950	\$2,281
REAL ESTATE	12,511	194,122	980	6,513	8,049	18,093	22,872	6,926
MANUFACTURING	2,705	94,832	1,341	7,712	802	5,740	5,694	1,972
PROF/TECH/MANAGERIAL	8,470	129,235	5,469	39,427	1,188	12,252	18,315	5,896
OTHER SERVICES	12,400	141,344	7,360	51,877	1,067	4,262	34,965	10,671
INFORMATION	1,559	197,158	740	6,785	434	10,005	4,884	1,580
TRADE	14,114	220,421	4,820	21,963	2,205	8,175	34,118	10,376
OTHER	9,269	81,696	2,967	13,670	1,073	8,029	30,772	9,273
TOTAL	63,584	\$1,264,684	24,716	\$170,180	15,732	\$82,113	158,570	\$48,975

**GENERAL CORPORATION TAX
TAX YEAR 2003**

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

FORM TYPE	Number	% of Total	Liability	% of Total
SHORT FORM	140,223	53.0 %	\$273,394	17.3 %
LONG FORM	111,875	42.3	957,295	60.7
COMBINED FORM	1,595	0.6	332,589	21.1
NOT AVAILABLE / EXTENSION	10,866	4.1	13,782	0.9
TOTAL	264,559	100.0 %	\$1,577,060	100.0 %

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

LIABILITY PER RETURN (Actual \$)	SHORT FORM		LONG FORM		COMBINED FORM		NOT AVAILABLE	
	Number	Liability	Number	Liability	Number	Liability	Number	Liability
\$300 OR LESS	91,009	\$27,303	58,360	\$17,378	62	\$16	8,909	\$2,673
\$300 - \$1,000	18,858	10,904	14,497	8,641	221	156	1,021	647
\$1,000 - \$5,000	20,843	49,001	21,234	52,119	378	898	656	1,593
\$5,000 - \$10,000	5,045	35,421	7,056	49,987	187	1,330	129	956
\$10,000 - \$50,000	3,934	75,867	8,187	173,739	328	7,728	115	2,370
\$50,000 - \$500,000	518	57,194	2,341	305,649	325	61,910	36	5,543
\$500,000 - \$1,000,000	*	*	118	78,303	36	26,187	0	0
MORE THAN \$1,000,000	*	*	82	271,479	58	234,364	0	0
TOTAL	140,223	\$273,394	111,875	\$957,295	1,595	\$332,589	10,866	\$13,782

* Numbers cannot be provided due to confidentiality restrictions.

**GENERAL CORPORATION TAX
TAX YEAR 2003**

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

ALLOCATION STATUS AND INDUSTRY	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	29,601	11.2 %	\$934,188	59.2 %
Finance & Insurance	1,634	0.6	180,406	11.4
Real Estate	1,214	0.5	47,134	3.0
Manufacturing	3,315	1.3	93,487	5.9
Prof/Tech/Managerial	6,449	2.4	104,549	6.6
Other Services	4,452	1.7	80,423	5.1
Information	1,728	0.7	202,138	12.8
Trade	7,393	2.8	179,760	11.4
Other	3,416	1.3	46,291	2.9
100% N.Y.C.	223,810	84.6	628,985	39.9
Finance & Insurance	9,630	3.6	65,481	4.2
Real Estate	42,197	15.9	178,220	11.3
Manufacturing	6,934	2.6	16,662	1.1
Prof/Tech/Managerial	26,185	9.9	82,018	5.2
Other Services	49,544	18.7	127,192	8.1
Information	5,649	2.1	13,320	0.8
Trade	45,940	17.4	80,594	5.1
Other	37,731	14.3	65,498	4.2
NOT AVAILABLE	11,148	4.2	13,887	0.9
Finance & Insurance	252	0.1	999	0.1
Real Estate	1,288	0.5	1,613	0.1
Manufacturing	369	0.1	405	0.0
Prof/Tech/Managerial	1,003	0.4	2,274	0.1
Other Services	2,158	0.8	2,035	0.1
Information	302	0.1	1,097	0.1
Trade	2,410	0.9	2,659	0.2
Other	3,366	1.3	2,805	0.2
TOTAL	264,559	100.0 %	\$1,577,060	100.0 %

See Appendix B for definition of allocation status.

**GENERAL CORPORATION TAX
TAX YEAR 2003
STATE S CORPORATIONS**

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

S CORPORATION STATUS	Number	% of Total	Liability	% of Total
STATE S CORPORATION	122,610	46.3 %	\$668,133	42.4 %
STATE C CORPORATION	141,949	53.7	908,927	57.6
TOTAL	264,559	100.0 %	\$1,577,060	100.0 %

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	4,217	3.4 %	\$66,801	10.0 %
REAL ESTATE	21,346	17.4	130,642	19.6
MANUFACTURING	4,609	3.8	40,100	6.0
PROF/TECH/MANAGERIAL	18,050	14.7	86,593	13.0
OTHER SERVICES	28,642	23.4	117,243	17.5
INFORMATION	3,514	2.9	32,163	4.8
TRADE	23,972	19.6	128,130	19.2
OTHER	18,260	14.9	66,461	9.9
TOTAL	122,610	100.0 %	\$668,133	100.0 %

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	42,830	34.9 %	\$528,199	79.1 %
INCOME PLUS COMPENSATION	14,029	11.4	114,491	17.1
CAPITAL	4,263	3.5	6,476	1.0
MINIMUM TAX	61,356	50.0	18,427	2.8
NOT AVAILABLE	132	0.1	540	0.1
TOTAL	122,610	100.0 %	\$668,133	100.0 %

UNINCORPORATED BUSINESS TAX

PARTNERSHIP TABLES

Table 27
**2003 UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS BY
INDUSTRY**

Total Taxpayers: 7,805

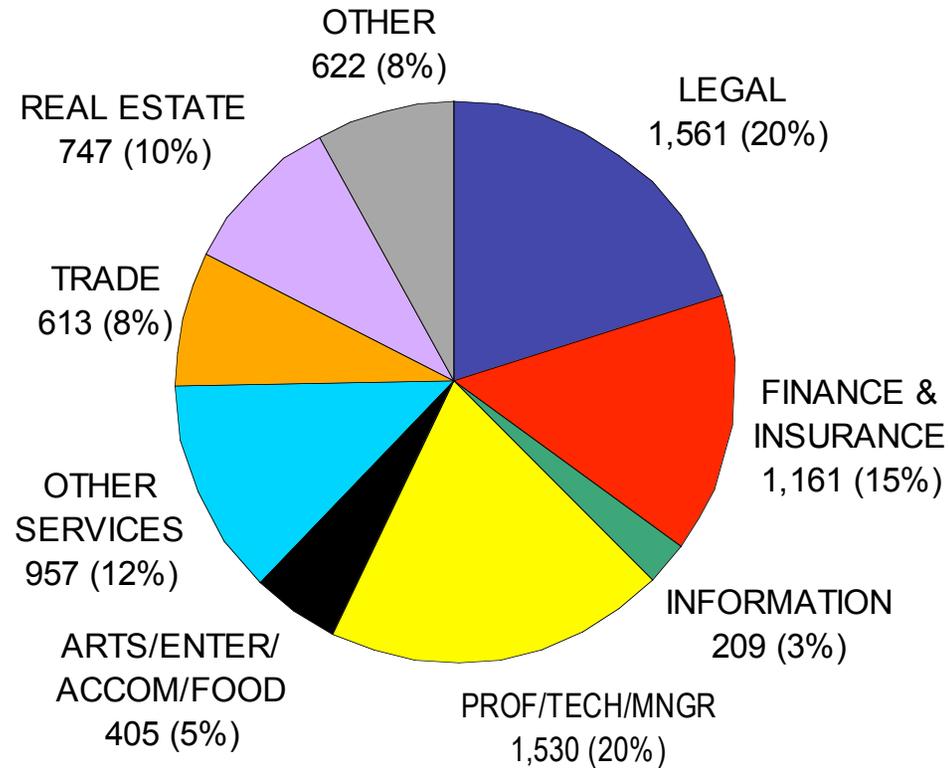
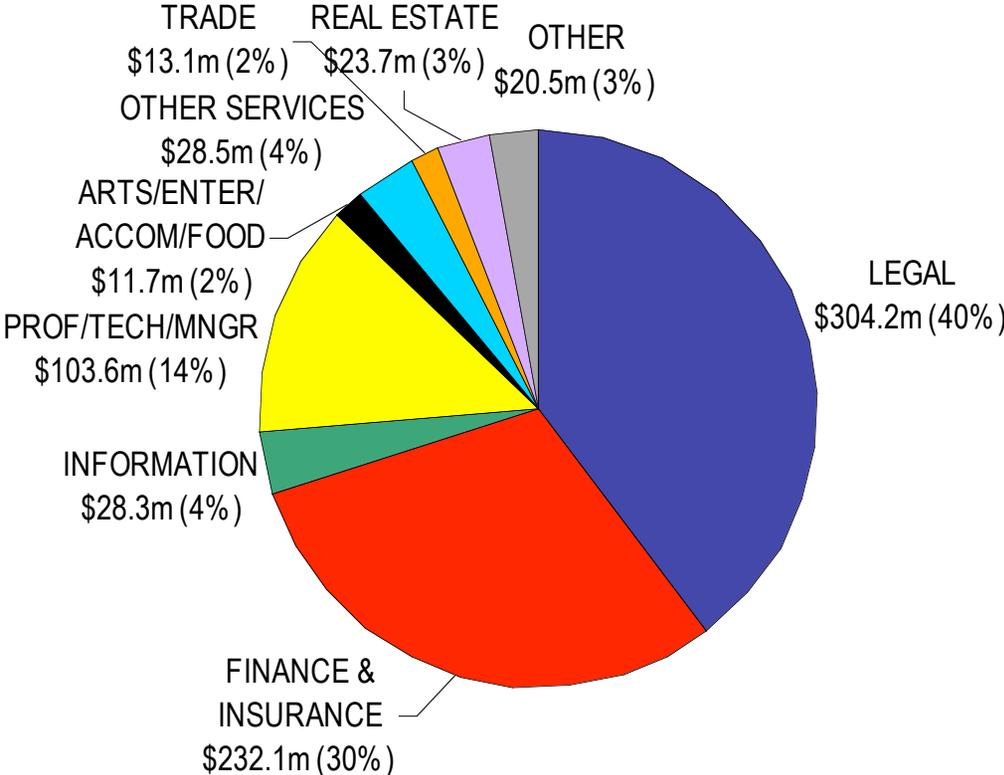


Table 28
**2003 UNINCORPORATED BUSINESS TAX
PARTNERSHIP LIABILITY BY INDUSTRY**

Total Liability: \$765.9m



**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2003**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,561	20.0 %	\$304,249	39.7 %
FINANCE & INSURANCE	1,161	14.9	232,146	30.3
Credit Agencies	53	0.7	3,763	0.5
Funds & Trusts	56	0.7	4,309	0.6
Insurance and Other Finance	70	0.9	2,120	0.3
Securities & Commodities	982	12.6	221,954	29.0
INFORMATION	209	2.7	28,267	3.7
Broadcasting/Telecomm	45	0.6	18,864	2.5
Information Services/Data	59	0.8	2,198	0.3
Movies/Video/Sound	65	0.8	4,146	0.5
Publishing	40	0.5	3,059	0.4
PROF / TECH / MANAGERIAL	1,530	19.6	103,603	13.5
Accounting	378	4.8	41,870	5.5
Holding Companies	46	0.6	1,491	0.2
Other Prof / Tech / Managerial	1,106	14.2	60,242	7.9
ARTS / ENTER / ACCOM / FOOD	405	5.2	11,735	1.5
Accommodations	51	0.7	3,765	0.5
Amusement	28	0.4	903	0.1
Food Services	170	2.2	3,571	0.5
Performing Arts	156	2.0	3,496	0.5
OTHER SERVICES	957	12.3	28,513	3.7
Administration/Support	141	1.8	5,711	0.7
Education	20	0.3	301	0.0
Health Care	564	7.2	17,502	2.3
Personal Service	159	2.0	2,811	0.4
Rental & Leasing	43	0.6	1,943	0.3
Repair/Maintenance	16	0.2	90	0.0
Miscellaneous Other Services	14	0.2	155	0.0
TRADE	613	7.9	13,142	1.7
Durable Wholesale	146	1.9	1,984	0.3
Non-Durable Wholesale	187	2.4	6,580	0.9
Retail	280	3.6	4,578	0.6
REAL ESTATE	747	9.6	23,739	3.1
OTHER	622	8.0	20,473	2.7
Construction	219	2.8	9,013	1.2
Manufacturing	141	1.8	5,874	0.8
Transportation & Utilities	66	0.8	4,541	0.6
Not Available	196	2.5	1,045	0.1
TOTAL	7,805	100.0 %	\$765,867	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2003**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	418	5.4 %	\$38	0.0 %
\$300 - \$1,000	395	5.1	245	0.0
\$1,000 - \$5,000	1,545	19.8	4,933	0.6
\$5,000 - \$10,000	1,416	18.1	10,169	1.3
\$10,000 - \$50,000	2,606	33.4	58,732	7.7
\$50,000 - \$500,000	1,193	15.3	169,769	22.2
\$500,000 - \$1,000,000	98	1.3	69,148	9.0
MORE THAN \$1,000,000	134	1.7	452,833	59.1
TOTAL	7,805	100.0 %	\$765,867	100.0 %

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

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	240	\$273,922	40	\$182,942
FINANCE & INSURANCE	269	211,985	25	115,966
INFORMATION	33	25,174	*	*
PROF / TECH / MANAGERIAL	97	80,689	*	*
ARTS / ENTER / ACCOM / FOOD	16	5,968	*	*
OTHER SERVICES	42	13,150	*	*
TRADE	19	5,824	*	*
REAL ESTATE	30	14,755	*	*
OTHER	34	12,928	*	*
TOTAL	780	\$644,395	78	\$376,793

* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2003**

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

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
FORMULA	1,761	22.6 %	\$331,531	43.3 %
Legal	323	4.1	83,782	10.9
Finance & Insurance	309	4.0	133,144	17.4
Information	97	1.2	25,309	3.3
Prof/Tech/Managerial	401	5.1	57,836	7.6
Arts/Enter/Accom/Food	43	0.6	871	0.1
Other Services	142	1.8	5,749	0.8
Trade	235	3.0	9,624	1.3
Real Estate	58	0.7	4,443	0.6
Other	153	2.0	10,773	1.4
100% N.Y.C.	5,738	73.5	253,961	33.2
Legal	1,125	14.4	53,902	7.0
Finance & Insurance	798	10.2	93,534	12.2
Information	106	1.4	2,649	0.3
Prof/Tech/Managerial	1,094	14.0	40,205	5.2
Arts/Enter/Accom/Food	346	4.4	10,515	1.4
Other Services	804	10.3	21,274	2.8
Trade	366	4.7	3,403	0.4
Real Estate	659	8.4	18,922	2.5
Other	440	5.6	9,557	1.2
SEPARATE BOOKS	251	3.2	179,841	23.5
Legal	110	1.4	166,553	21.7
Finance & Insurance	50	0.6	5,274	0.7
Prof/Tech/Managerial & Information	31	0.4	5,764	0.8
Real Estate	27	0.3	371	0.0
All Other Sectors	33	0.4	1,879	0.2
NOT AVAILABLE	55	0.7	534	0.1
TOTAL	7,805	100.0 %	\$765,867	100.0 %

See Appendix C for definition of allocation method.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2003**

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	5,727	73.4 %	\$553,795	72.3 %
NON-LLP/LLC	2,078	26.6	212,072	27.7
TOTAL	7,805	100.0 %	\$765,867	100.0 %

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,035	18.1 %	\$253,996	45.9 %
FINANCE & INSURANCE	917	16.0	146,327	26.4
INFORMATION	153	2.7	7,653	1.4
PROF / TECH / MANAGERIAL	1,193	20.8	80,939	14.6
ARTS / ENTER / ACCOM / FOOD	286	5.0	7,394	1.3
OTHER SERVICES	645	11.3	22,661	4.1
TRADE	477	8.3	9,459	1.7
REAL ESTATE	545	9.5	14,472	2.6
OTHER	476	8.3	10,894	2.0
TOTAL	5,727	100.0 %	\$553,795	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TABLES**

Table 35
**2003 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS BY
INDUSTRY**

Total Taxpayers: 20,614

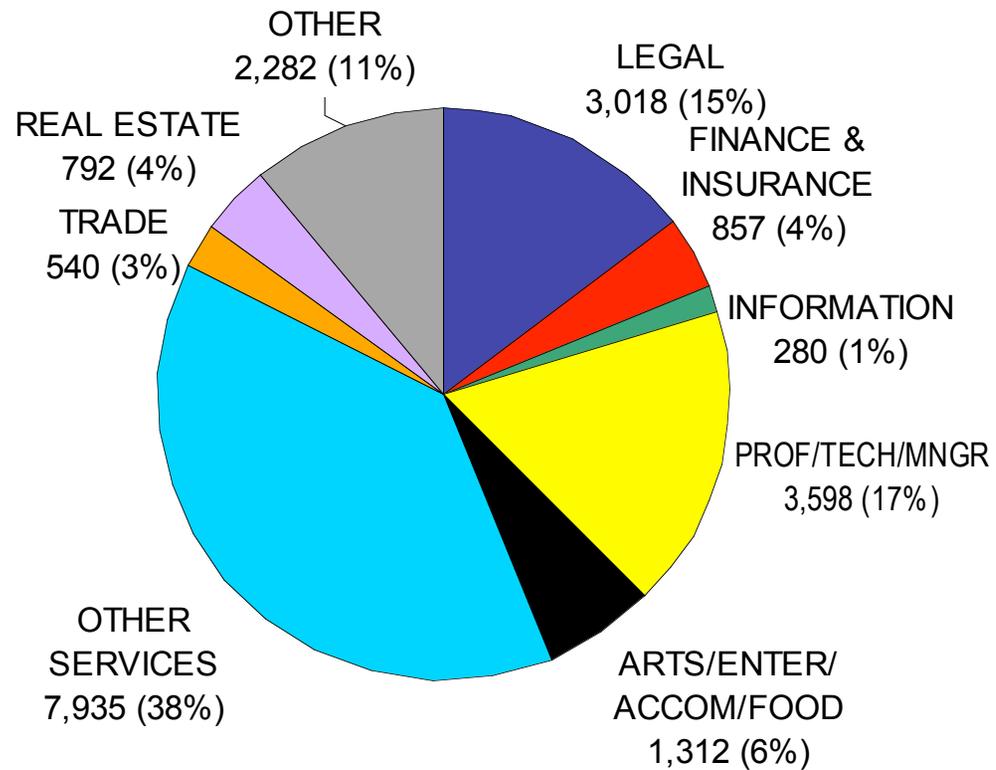
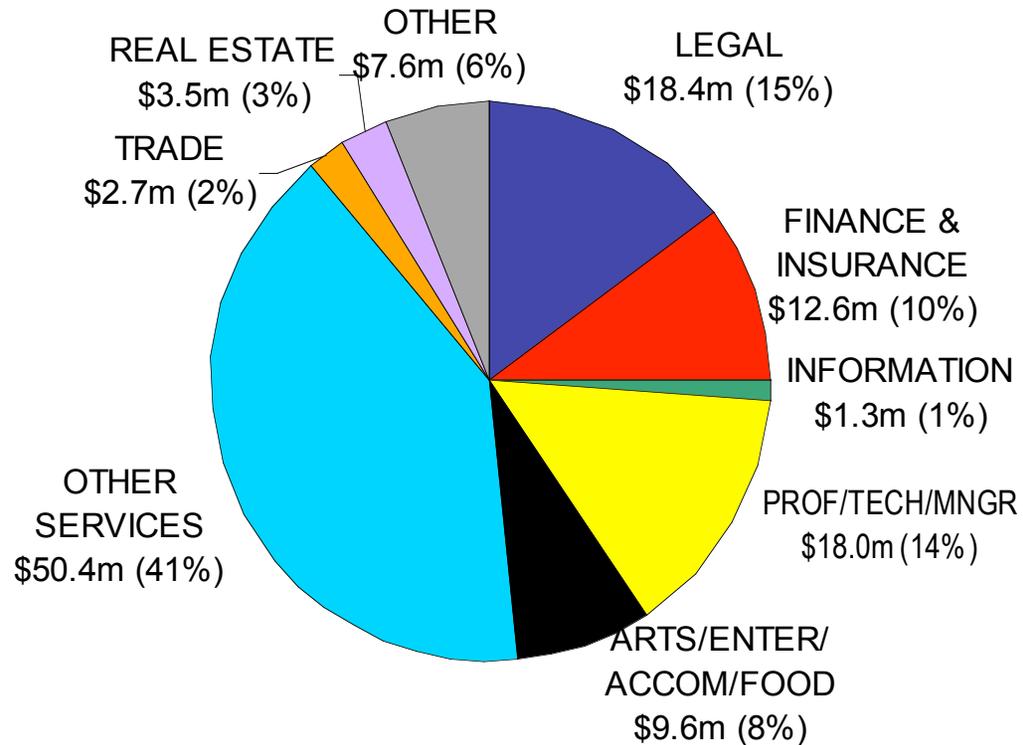


Table 36
**2003 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP LIABILITY BY
INDUSTRY**

Total Liability: \$124.1m



**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2003**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	3,018	14.6 %	\$18,412	14.8 %
FINANCE & INSURANCE	857	4.2	12,580	10.1
Credit Agencies	37	0.2	258	0.2
Insurance	283	1.4	1,780	1.4
Securities & Commodities	531	2.6	10,510	8.5
Other Finance	6	0.0	32	0.0
INFORMATION	280	1.4	1,292	1.0
Broadcasting/Telecomm	24	0.1	121	0.1
Information Services/Data	64	0.3	263	0.2
Movies/Video/Sound	96	0.5	389	0.3
Publishing	96	0.5	519	0.4
PROF / TECH / MANAGERIAL	3,598	17.5	17,995	14.5
Accounting	459	2.2	1,843	1.5
Other Prof / Tech / Managerial	3,139	15.2	16,152	13.0
ARTS / ENTER / ACCOM / FOOD	1,312	6.4	9,629	7.8
Accommodations	8	0.0	84	0.1
Amusement	36	0.2	170	0.1
Food Services	33	0.2	93	0.1
Performing Arts	1,227	6.0	9,229	7.4
Other Arts/Enter/Accom/Food	8	0.0	53	0.0
OTHER SERVICES	7,935	38.5	50,371	40.6
Administration/Support	199	1.0	1,030	0.8
Education	137	0.7	445	0.4
Health Care	6,928	33.6	46,473	37.4
Personal Service	413	2.0	1,620	1.3
Rental & Leasing	11	0.1	105	0.1
Repair/Maintenance	50	0.2	117	0.1
Social Services	81	0.4	173	0.1
Religious	17	0.1	82	0.1
Miscellaneous Other Services	99	0.5	326	0.3
TRADE	540	2.6	2,690	2.2
Durable Wholesale	144	0.7	665	0.5
Non-Durable Wholesale	108	0.5	683	0.6
Retail	288	1.4	1,342	1.1
REAL ESTATE	792	3.8	3,548	2.9
OTHER	2,282	11.1	7,588	6.1
Construction	199	1.0	668	0.5
Manufacturing	66	0.3	286	0.2
Transportation & Utilities	68	0.3	199	0.2
Miscellaneous Other	13	0.1	34	0.0
Not Available	1,936	9.4	6,401	5.2
TOTAL	20,614	100.0 %	124,105	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2003**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	1,737	8.4 %	\$253	0.2 %
\$300 - \$1,000	2,669	12.9	1,653	1.3
\$1,000 - \$5,000	8,882	43.1	26,960	21.7
\$5,000 - \$10,000	4,635	22.5	32,222	26.0
\$10,000 - \$50,000	2,523	12.2	44,133	35.6
MORE THAN \$50,000	168	0.8	18,884	15.2
TOTAL	20,614	100.0 %	\$124,105	100.0 %

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

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	305	\$7,513	34	\$2,386
FINANCE & INSURANCE	176	9,716	38	6,963
INFORMATION	18	478	*	*
PROF / TECH / MANAGERIAL	252	6,637	23	2,131
ARTS / ENTER / ACCOM / FOOD	154	5,624	25	2,770
OTHER SERVICES	994	22,337	71	5,156
TRADE	41	1,218	*	*
REAL ESTATE	46	1,133	*	*
OTHER	75	1,545	*	*
TOTAL	2,061	\$56,201	206	\$20,664

* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2003**

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

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
FORMULA	1,188	5.8 %	\$9,056	7.3 %
Legal	191	0.9	1,600	1.3
Finance & Insurance	47	0.2	380	0.3
Information	21	0.1	113	0.1
Prof/Tech/Managerial	227	1.1	1,839	1.5
Arts/Enter/Accom/Food	139	0.7	1,440	1.2
Other Services	420	2.0	2,661	2.1
Trade	30	0.1	449	0.4
Real Estate	23	0.1	137	0.1
Other	90	0.4	437	0.4
100% N.Y.C.	19,051	92.4	110,815	89.3
Legal	2,772	13.4	16,577	13.4
Finance & Insurance	799	3.9	9,877	8.0
Information	257	1.2	1,168	0.9
Prof/Tech/Managerial	3,314	16.1	15,772	12.7
Arts/Enter/Accom/Food	1,152	5.6	8,009	6.5
Other Services	7,425	36.0	47,177	38.0
Trade	505	2.4	2,222	1.8
Real Estate	759	3.7	3,329	2.7
Other	2,068	10.0	6,684	5.4
SEPARATE BOOKS	15	0.1	2,632	2.1
Legal/Finance & Insurance/Prof/Tech/Mngr	5	0.0	2,416	1.9
All Other Sectors	10	0.0	216	0.2
NOT AVAILABLE	360	1.7	1,602	1.3
TOTAL	20,614	100.0 %	124,105	100.0 %

See Appendix C for definition of allocation method.

APPENDIX A

DESCRIPTION OF THE NEW YORK CITY BANKING CORPORATION TAX FOR TAX YEAR 2003

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 22 1/2 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 have issued 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 2003 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2003 and December 31, 2003. In 2003, 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 2003

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 and taxed at 8.85 percent (the "income-plus-compensation" base);
- Business and investment capital allocated to the City and taxed at 0.15 percent up to a maximum of \$350,000;
- 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 owing more than 5 percent of the taxpayer's issued capital stock.

"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 2003 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2003 and December 31, 2003. In 2003, 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 2003

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.¹ The "self-trading exemption" was expanded effective for tax years beginning on or after January 1, 1996, in order to better reflect the types of investment vehicles utilized in today's markets. The exemption now covers a wider array of financial instruments, such as notional principal contracts and other types of derivative financial instruments. Investment partnerships and proprietorships may engage in limited business activity and still retain the 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.

¹ An individual or entity will not be disqualified from this exemption if it receives \$25,000 or less from other activities.

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.²

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.³

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. This credit is effective beginning in tax year 1997.

Filing Period

The 2003 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2003 and December 31, 2003. In 2003, 97 percent of all UBT filers reported on a calendar-year basis. The tax period used under the UBT must conform to the federal tax year.

² Prior to tax year 1996, investment income was allocated under the same rules as business income for the UBT.

³ Prior to tax year 1997, the mechanism for providing this relief from double taxation was an exemption at the distributing partnership level.

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 2003, 99 percent of all BCT taxpayers had filed annual returns, 96 percent of GCT taxpayers had filed annual returns, and 99 percent of UBT taxpayers had filed annual returns. For GCT, annual returns accounted for 99 percent of liability. Due to rounding, some rows or columns in the preceding tables may not sum to the totals shown.

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 extensions, annual returns, adjustments to liability, 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. This system for classifying taxpayers by sector was implemented by the Federal government beginning in tax year 1998. 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, 94 percent of corporate liability, 98 percent of partnership liability and 90 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-3L return, or the "long form." Firms that allocate income outside the City, own investment or subsidiary capital, or use certain deductions or special credits, must use the long form. The "short form," the NYC-4S, 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. 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.¹ The NYC-204 EZ can be used by partnerships that are required to file² 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.

¹ Limited liability companies doing business in New York City are generally taxed as partnerships under the UBT.

² 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

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