
**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 2004**

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**FINANCE
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DEPARTMENT OF FINANCE

**MICHAEL R. BLOOMBERG
MAYOR**

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

Acknowledgements

The following individuals contributed to the production of the Statistical Profiles of New York City Business Income Taxes report for Tax Year 2004. 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 2004 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 \$3.513 billion in tax year 2004 liability, an increase of 24 percent from tax year 2003. The number of taxpayers increased 2 percent from 2003, to 299,072. The data show the following characteristics in 2004:

- The financial sector accounted for 35 percent of all tax liability, followed by the services sector, which generated 31 percent.
- More than half of NYC business income taxpayers reported liability of \$300 or less. Seventy-nine percent of total liability was attributable to just 2 percent of taxpayers.

Banking Corporation Tax

In 2004, the Banking Corporation Tax generated \$544 million from 522 taxpayers, an increase in tax liability of 50 percent from tax year 2003. The data show the following characteristics of the BCT population in 2004:

- Clearing house banks and foreign banks generated 35 percent and 32 percent, respectively, of total BCT liability.
- The top 10 percent of taxpayers in terms of liability generated \$451 million, or 83 percent of total liability.
- About 92 percent of BCT liability was incurred under the entire net income base, and 53 percent of taxpayers paid on this base.

General Corporation Tax

The General Corporation Tax generated \$1.918 billion in tax year 2004 liability, an increase of 22 percent from tax year 2003. The number of taxpayers increased 1

percent from 2003, to 267,682. The data show the following characteristics of the GCT population in 2004:

- Services-sector firms incurred 24 percent of total liability, followed by firms in the finance and insurance sector, which generated 20 percent. Firms in the trade, real estate and information sectors generated 16 percent, 15 percent, and 11 percent of total liability, respectively.
- The top 10 percent of taxpayers in terms of liability generated \$1.723 billion, or 90 percent of total liability. The top 1 percent of taxpayers accounted for \$1.284 billion, or 67 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 125,000 GCT taxpayers were recognized as S corporations for New York State tax purposes. S corporations accounted for \$795 million of GCT liability in 2004.

Unincorporated Business Tax

The Unincorporated Business Tax produced \$1.051 billion in 2004 tax liability, an 18 percent increase from the previous year. Partnerships generated \$912 million, an increase of 19 percent from 2003. Proprietorships generated \$139 million in liability, up 12 percent from 2003. There were 8,879 partnership taxpayers and 21,989 proprietorship taxpayers, an increase of 14 percent for partnerships and 7 percent for proprietorships compared to 2003.

Other characteristics of the UBT population are as follows:

- Among UBT partnerships, legal, finance & insurance, and professional services firms generated \$725 million in tax liability, or 80 percent of total partnership liability. Among proprietorships, services-sector firms accounted for 54 percent of total liability, while legal-sector firms generated 15 percent.

- The top 10 percent of partnership taxpayers, or 887 firms, accounted for 84 percent of total partnership liability, and the top 1 percent accounted for 48 percent. The proprietorship liability distribution was far less skewed, with the top 10 percent generating 47 percent of proprietorship liability, while the top 1 percent generated 18 percent of liability.
- Under the UBT, limited liability companies (LLCs) are generally treated as partnerships for tax purposes. In 2004, firms identified as limited liability partnerships (LLPs) or LLCs accounted for 73 percent of UBT partnership liability and 77 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
2004 BUSINESS INCOME TAXES

Total Taxpayers: 299,072

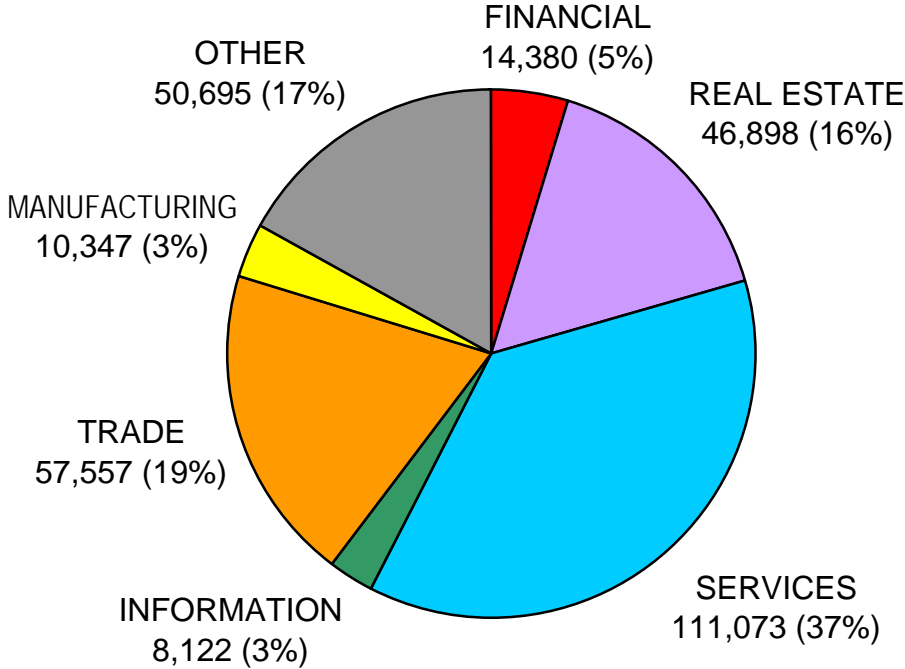
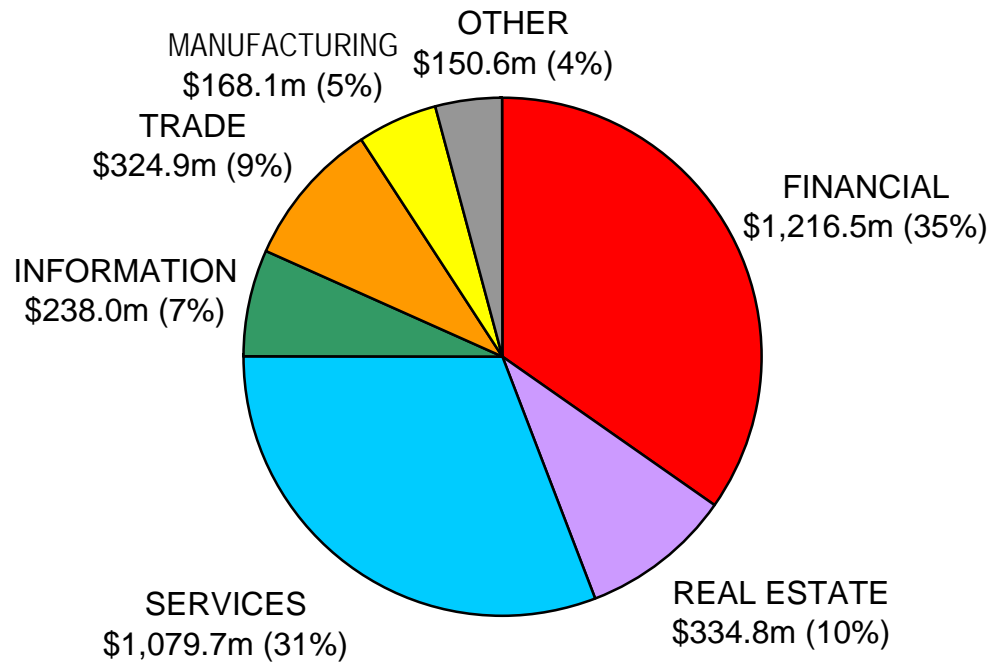


Table 2 2004 BUSINESS INCOME TAXES

Total Liability: \$3,512.6m



**BUSINESS INCOME TAXES
TAX YEAR 2004**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCIAL	14,380	4.8 %	\$1,216,484	34.6 %
REAL ESTATE	46,898	15.7	334,844	9.5
SERVICES	111,073	37.1	1,079,696	30.7
INFORMATION	8,122	2.7	237,962	6.8
TRADE	57,557	19.2	324,886	9.2
MANUFACTURING	10,347	3.5	168,129	4.8
OTHER	50,695	17.0	150,613	4.3
TOTAL	299,072	100.0 %	\$3,512,614	100.0 %

**BUSINESS INCOME TAXES
TAX YEAR 2004**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	160,506	53.7 %	\$48,110	1.4 %
\$300 - \$1,000	38,396	12.8	22,742	0.6
\$1,000 - \$5,000	55,280	18.5	140,891	4.0
\$5,000 - \$10,000	19,453	6.5	136,893	3.9
\$10,000 - \$50,000	19,207	6.4	398,304	11.3
\$50,000 - \$500,000	5,420	1.8	745,894	21.2
\$500,000 - \$1,000,000	394	0.1	271,483	7.7
MORE THAN \$1,000,000	416	0.1	1,748,301	49.8
TOTAL	299,072	100.0 %	\$3,512,614	100.0 %

BANKING CORPORATION TAX TABLES

Table 5
**2004 BANK TAX
TAXPAYERS BY BANK TYPE**

Total Taxpayers: 522

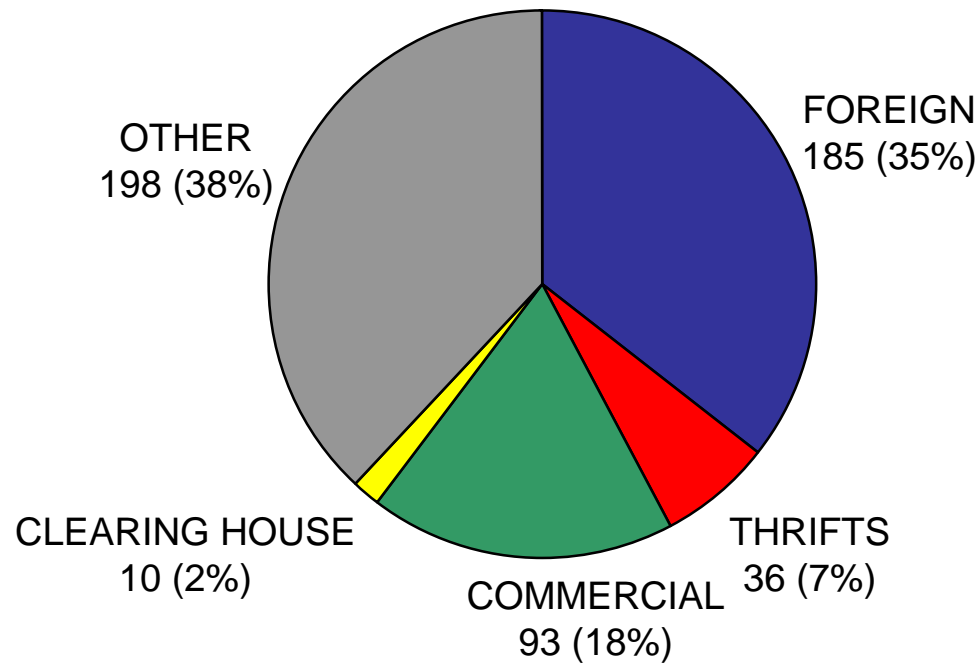
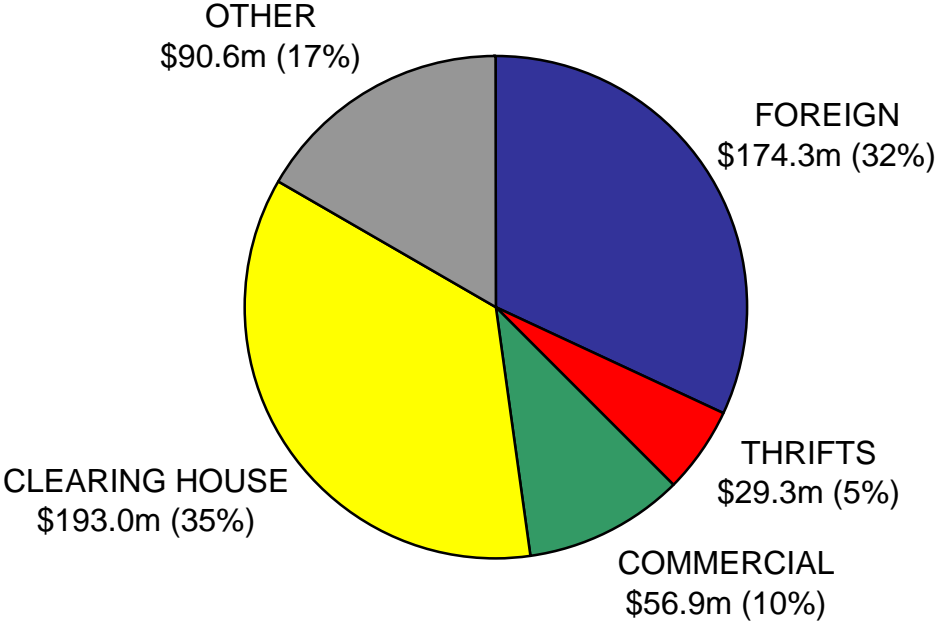


Table 6
**2004 BANK TAX
LIABILITY BY BANK TYPE**

Total Liability: \$544.2m



**BANK TAX
TAX YEAR 2004**

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

INDUSTRY	Number	% of Total	Liability	% of Total
COMMERCIAL	93	17.8 %	\$56,943	10.5 %
CLEARING HOUSE	10	1.9	192,957	35.5
FOREIGN	185	35.4	174,340	32.0
THRIFTS	36	6.9	29,317	5.4
OTHER	198	37.9	90,596	16.6
TOTAL	522	100.0 %	\$544,152	100.0 %

**BANK TAX
TAX YEAR 2004**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$125 OR LESS	101	19.3 %	\$13	0.0 %
\$125 - \$1,000	38	7.3	17	0.0
\$1,000 - \$5,000	33	6.3	93	0.0
\$5,000 - \$10,000	17	3.3	126	0.0
\$10,000 - \$50,000	76	14.6	1,765	0.3
\$50,000 - \$500,000	143	27.4	29,677	5.5
\$500,000 - \$1,000,000	37	7.1	26,480	4.9
MORE THAN \$1,000,000	77	14.8	485,983	89.3
TOTAL	522	100.0 %	\$544,152	100.0 %

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

BANK TYPE	Number	Liability
COMMERCIAL / CLEARING HOUSE	14	\$221,681
FOREIGN	25	143,021
OTHER	13	86,149
TOTAL	52	\$450,852

**BANK TAX
TAX YEAR 2004**

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	278	53.3 %	\$497,740	91.5 %
ALTERNATIVE NET INCOME	5	1.0	889	0.2
ASSET BASE	64	12.3	35,861	6.6
CAPITAL BASE	75	14.4	9,547	1.8
MINIMUM TAX	92	17.6	12	0.0
NOT AVAILABLE / EXTENSION	8	1.5	103	0.0
TOTAL	522	100.0 %	\$544,152	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	\$216,913	86	\$165,164	120	\$115,663
ALTERNATIVE NET INCOME	*	*	*	*	*	*
ASSET OR CAPITAL BASE	23	32,361	73	9,173	43	3,875
MINIMUM TAX	*	*	26	3	61	8
NOT AVAILABLE / EXTENSION	*	*	*	*	*	*
TOTAL	103	\$249,900	185	\$174,340	234	\$119,913

* Number cannot be provided due to confidentiality restrictions.

**BANK TAX
TAX YEAR 2004**

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

FORM TYPE	Number	% of Total	Liability	% of Total
NYC-1	397	76.1 %	\$190,318	35.0 %
NYC-1A (COMBINED FORM)	115	22.0	353,731	65.0
NOT AVAILABLE / EXTENSION	10	1.9	103	0.0
TOTAL	522	100.0 %	\$544,152	100.0 %

**BANK TAX
TAX YEAR 2004**

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

ALLOCATION STATUS AND BANK TYPE	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	327	62.6 %	\$501,144	92.1 %
Commercial / Clearing House	74	14.2	236,104	43.4
Foreign	129	24.7	154,131	28.3
Other	124	23.8	110,908	20.4
100% N.Y.C.	179	34.3	34,295	6.3
Commercial / Clearing House	26	5.0	5,409	1.0
Foreign	56	10.7	20,209	3.7
Other	97	18.6	8,677	1.6
NOT AVAILABLE	16	3.1	8,714	1.6
Commercial / Clearing House	*	*	*	*
Foreign	*	*	*	*
Other	13	2.5	328	0.1
TOTAL	522	100.0 %	\$544,152	100.0 %

See Appendix A for definition of allocation status.

* Numbers cannot be provided due to confidentiality restrictions.

GENERAL CORPORATION TAX TABLES

Table 14
**2004 GENERAL CORPORATION TAX
TAXPAYERS BY INDUSTRY**

Total Taxpayers: 267,682

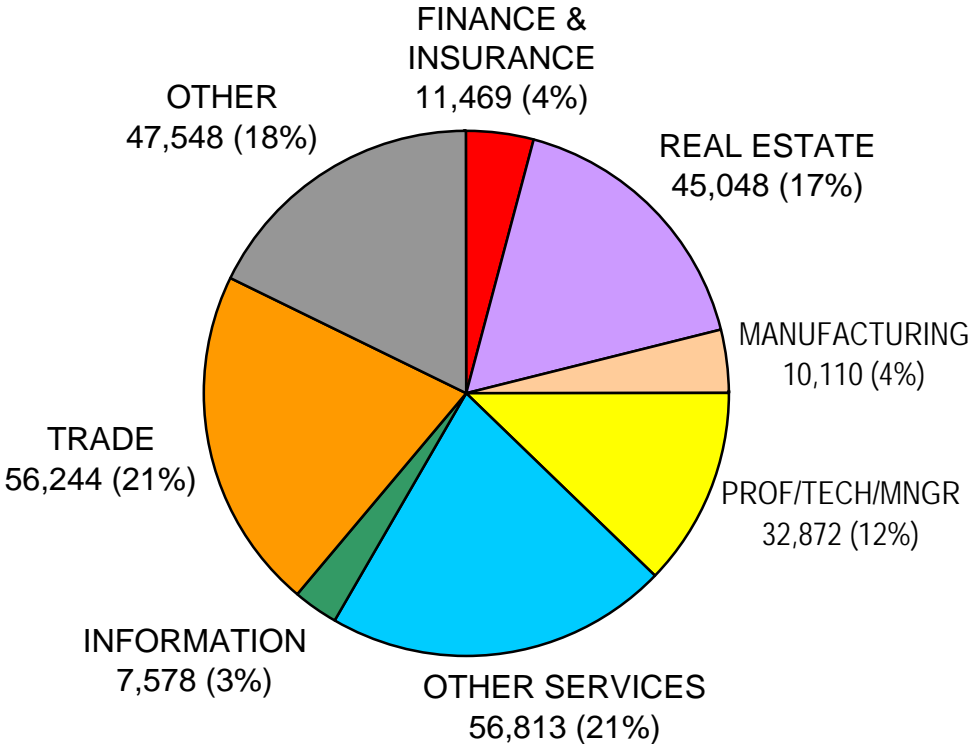
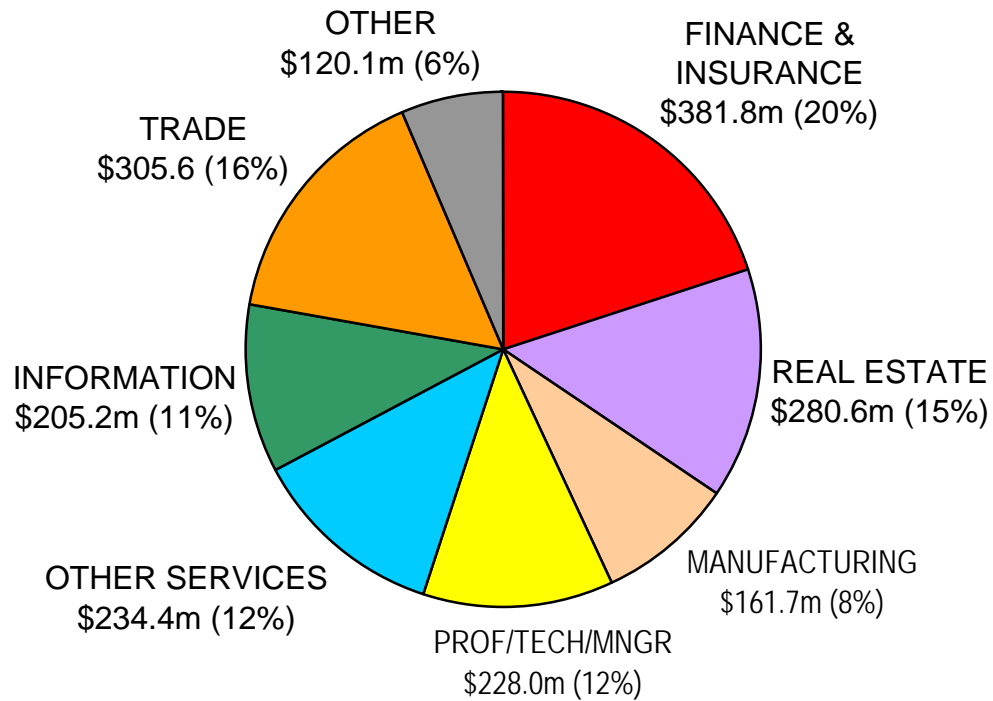


Table 15
**2004 GENERAL CORPORATION TAX
LIABILITY BY INDUSTRY**

Total Liability: \$1,917.5m



**GENERAL CORPORATION TAX
TAX YEAR 2004**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	11,469	4.3 %	381,829	19.9 %
Credit Agencies	1,019	0.4	17,588	0.9
Funds & Trusts	2,835	1.1	16,475	0.9
Insurance	2,414	0.9	46,840	2.4
Securities & Commodities	5,172	1.9	300,017	15.6
Other Finance	29	0.0	910	0.0
REAL ESTATE	45,048	16.8	280,599	14.6
MANUFACTURING	10,110	3.8	161,716	8.4
Textiles, Apparel & Leather	2,870	1.1	34,846	1.8
Food & Beverage	992	0.4	19,109	1.0
Printing	1,268	0.5	8,077	0.4
Wood/Paper	375	0.1	1,145	0.1
Other Manufacturing	4,605	1.7	98,540	5.1
PROF / TECH / MANAGERIAL	32,872	12.3	227,974	11.9
Holding Companies	1,267	0.5	25,185	1.3
Managerial	514	0.2	15,162	0.8
Legal	3,174	1.2	23,152	1.2
Other Prof / Tech / Managerial	27,917	10.4	164,475	8.6
OTHER SERVICES	56,813	21.2	234,438	12.2
Accommodations and Food	11,726	4.4	32,735	1.7
Administration/Support	5,897	2.2	52,404	2.7
Arts & Entertainment	7,374	2.8	30,291	1.6
Education	1,204	0.4	6,506	0.3
Health Care	11,214	4.2	74,620	3.9
Personal Services	12,000	4.5	21,989	1.1
Religious	277	0.1	471	0.0
Rental & Leasing	1,522	0.6	7,342	0.4
Repair/Maintenance	4,673	1.7	5,022	0.3
Social Services	433	0.2	611	0.0
Waste Management	305	0.1	2,014	0.1
Miscellaneous Other Services	188	0.1	432	0.0
INFORMATION	7,578	2.8	205,225	10.7
Broadcasting/Telecomm	1,451	0.5	61,082	3.2
Information Services/Data	1,540	0.6	48,275	2.5
Movies/Video/Sound	2,696	1.0	40,043	2.1
Publishing	1,891	0.7	55,824	2.9
TRADE	56,244	21.0	305,649	15.9
Durable Wholesale	12,525	4.7	62,815	3.3
Non-Durable Wholesale	11,843	4.4	88,563	4.6
Retail	31,851	11.9	154,255	8.0
Other Trade	25	0.0	16	0.0
OTHER	47,548	17.8	120,117	6.3
Construction	17,734	6.6	69,655	3.6
Transportation	9,764	3.6	29,805	1.6
Utilities	109	0.0	6,827	0.4
Not Available	19,631	7.3	13,233	0.7
Miscellaneous Other	310	0.1	597	0.0
TOTAL	267,682	100.0 %	\$1,917,548	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 2004**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	158,042	59.0 %	\$47,779	2.5 %
\$300 - \$1,000	35,071	13.1	20,680	1.1
\$1,000 - \$5,000	44,138	16.5	106,944	5.6
\$5,000 - \$10,000	12,926	4.8	91,202	4.8
\$10,000 - \$50,000	13,425	5.0	279,385	14.6
\$50,000 - \$500,000	3,669	1.4	485,513	25.3
\$500,000 - \$1,000,000	227	0.1	152,908	8.0
MORE THAN \$1,000,000	184	0.1	733,137	38.2
TOTAL	267,682	100.0 %	\$1,917,548	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	1,936	\$374,475	443	\$342,411
REAL ESTATE	5,207	243,617	481	162,034
MANUFACTURING	1,574	153,953	219	126,998
PROF/TECH/MANAGERIAL	4,283	200,702	359	130,113
OTHER SERVICES	5,329	193,414	346	107,901
INFORMATION	890	199,979	159	184,929
TRADE	5,097	266,130	483	180,602
OTHER	2,452	90,321	186	49,455
TOTAL	26,768	\$1,722,590	2,676	\$1,284,444

**GENERAL CORPORATION TAX
TAX YEAR 2004**

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	66,415	24.8 %	\$1,537,141	80.2 %
INCOME PLUS COMPENSATION	25,097	9.4	197,548	10.3
CAPITAL	15,616	5.8	80,466	4.2
MINIMUM TAX	158,232	59.1	48,694	2.5
NOT AVAILABLE	2,322	0.9	53,698	2.8
TOTAL	267,682	100.0 %	\$1,917,548	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	2,674	\$311,983	1,025	\$38,217	860	\$15,072	6,812	\$2,342
REAL ESTATE	13,064	245,071	1,041	7,064	8,307	18,170	22,256	6,743
MANUFACTURING	2,674	146,048	1,356	7,945	739	5,272	5,255	1,734
PROF/TECH/MANAGERIAL	8,830	162,765	5,469	44,379	1,128	13,620	17,227	5,515
OTHER SERVICES	12,896	161,932	7,470	55,784	1,032	4,020	35,020	10,611
INFORMATION	1,570	161,501	801	6,692	440	9,015	4,698	1,518
TRADE	14,594	262,291	4,914	23,154	2,060	7,180	34,147	10,375
OTHER	10,113	85,550	3,021	14,312	1,050	8,117	32,817	9,857
TOTAL	66,415	\$1,537,141	25,097	\$197,548	15,616	\$80,466	158,232	\$48,694

**GENERAL CORPORATION TAX
TAX YEAR 2004**

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

FORM TYPE	Number	% of Total	Liability	% of Total
SHORT FORM	141,060	52.7 %	\$297,750	15.5 %
LONG FORM	112,931	42.2	1,129,326	58.9
COMBINED FORM	1,642	0.6	433,855	22.6
NOT AVAILABLE / EXTENSION	12,049	4.5	56,617	3.0
TOTAL	267,682	100.0 %	\$1,917,548	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	90,397	\$27,119	57,843	\$17,242	75	\$500	9,727	\$2,918
\$300 - \$1,000	19,127	11,122	14,579	8,680	213	154	1,152	724
\$1,000 - \$5,000	21,266	50,351	21,684	53,695	384	929	804	1,968
\$5,000 - \$10,000	5,276	36,926	7,317	51,910	159	1,144	174	1,222
\$10,000 - \$50,000	4,372	86,061	8,570	182,195	336	8,136	147	2,994
\$50,000 - \$500,000	603	63,175	2,683	351,676	343	64,580	40	6,082
\$500,000 - \$1,000,000	10	6,785	163	110,278	52	34,776	*	*
MORE THAN \$1,000,000	9	16,211	92	353,650	80	323,637	*	*
TOTAL	141,060	\$297,750	112,931	\$1,129,326	1,642	\$433,855	12,049	\$56,617

* Numbers cannot be provided due to confidentiality restrictions.

**GENERAL CORPORATION TAX
TAX YEAR 2004**

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

ALLOCATION STATUS AND INDUSTRY	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	29,885	11.2 %	\$1,132,118	59.0 %
Finance & Insurance	1,656	0.6	286,342	14.9
Real Estate	1,250	0.5	50,133	2.6
Manufacturing	3,203	1.2	141,016	7.4
Prof/Tech/Managerial	6,485	2.4	138,025	7.2
Other Services	4,571	1.7	95,239	5.0
Information	1,727	0.6	164,913	8.6
Trade	7,410	2.8	209,823	10.9
Other	3,583	1.3	46,628	2.4
100% N.Y.C.	225,429	84.2	721,957	37.6
Finance & Insurance	9,496	3.5	79,030	4.1
Real Estate	42,371	15.8	226,597	11.8
Manufacturing	6,527	2.4	18,835	1.0
Prof/Tech/Managerial	25,263	9.4	87,733	4.6
Other Services	49,998	18.7	136,419	7.1
Information	5,515	2.1	13,658	0.7
Trade	46,527	17.4	89,839	4.7
Other	39,732	14.8	69,846	3.6
NOT AVAILABLE	12,368	4.6	63,473	3.3
Finance & Insurance	317	0.1	16,457	0.9
Real Estate	1,427	0.5	3,870	0.2
Manufacturing	380	0.1	1,865	0.1
Prof/Tech/Managerial	1,124	0.4	2,216	0.1
Other Services	2,244	0.8	2,780	0.1
Information	336	0.1	26,655	1.4
Trade	2,307	0.9	5,987	0.3
Other	4,233	1.6	3,643	0.2
TOTAL	267,682	100.0 %	\$1,917,548	100.0 %

See Appendix B for definition of allocation status.

**GENERAL CORPORATION TAX
TAX YEAR 2004
STATE S CORPORATIONS**

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

S CORPORATION STATUS	Number	% of Total	Liability	% of Total
STATE S CORPORATION	124,837	46.6 %	\$794,696	41.4 %
STATE C CORPORATION	142,845	53.4	1,122,853	58.6
TOTAL	267,682	100.0 %	\$1,917,548	100.0 %

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	4,201	3.4 %	\$90,732	11.4 %
REAL ESTATE	21,775	17.4	179,708	22.6
MANUFACTURING	4,424	3.5	42,883	5.4
PROF/TECH/MANAGERIAL	17,951	14.4	98,845	12.4
OTHER SERVICES	29,008	23.2	123,222	15.5
INFORMATION	3,497	2.8	35,370	4.5
TRADE	24,121	19.3	157,121	19.8
OTHER	19,860	15.9	66,815	8.4
TOTAL	124,837	100.0 %	\$794,696	100.0 %

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	44,894	36.0 %	\$630,314	79.3 %
INCOME PLUS COMPENSATION	14,352	11.5	138,400	17.4
CAPITAL	4,262	3.4	6,739	0.8
MINIMUM TAX	61,190	49.0	18,389	2.3
NOT AVAILABLE	139	0.1	854	0.1
TOTAL	124,837	100.0 %	\$794,696	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TABLES**

Table 27
**2004 UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS BY INDUSTRY**

Total Taxpayers: 8,879

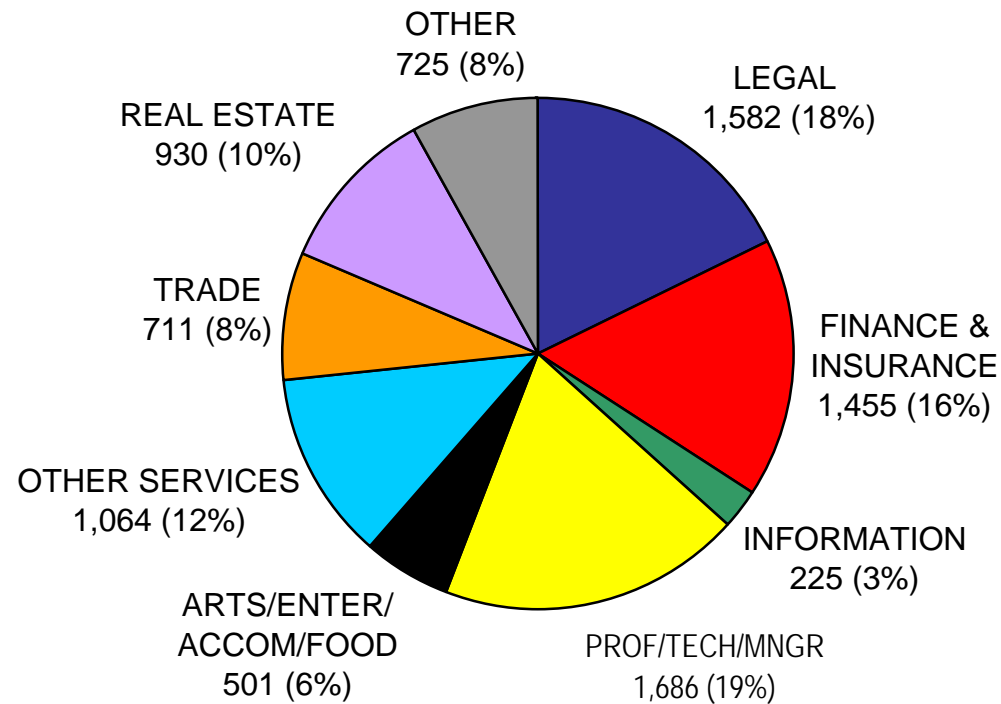
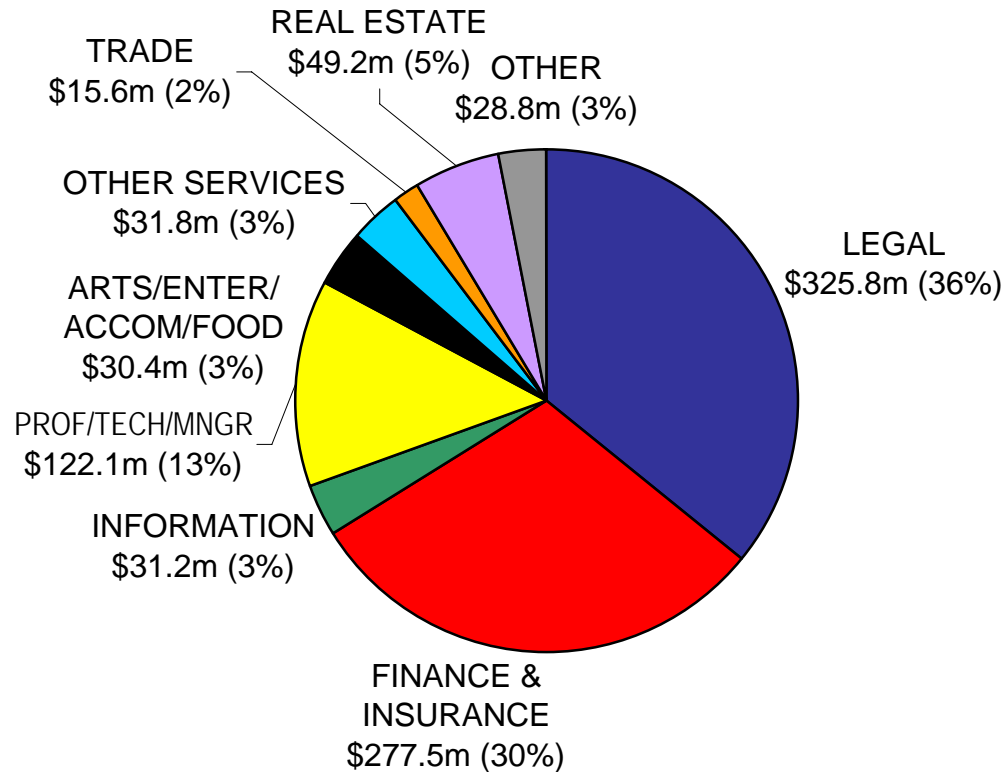


Table 28
**2004 UNINCORPORATED BUSINESS TAX
PARTNERSHIP LIABILITY BY INDUSTRY**

Total Liability: \$912.4m



**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2004**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,582	17.8 %	\$325,759	35.7 %
FINANCE & INSURANCE	1,455	16.4	277,484	30.4
Credit Agencies	57	0.6	6,014	0.7
Funds & Trusts	68	0.8	5,866	0.6
Insurance and Other Finance	75	0.8	2,477	0.3
Securities & Commodities	1,255	14.1	263,126	28.8
INFORMATION	225	2.5	31,159	3.4
Broadcasting/Telecomm	37	0.4	20,404	2.2
Information Services/Data	68	0.8	2,981	0.3
Movies/Video/Sound	73	0.8	3,559	0.4
Publishing	47	0.5	4,215	0.5
PROF / TECH / MANAGERIAL	1,686	19.0	122,119	13.4
Accounting	371	4.2	48,368	5.3
Holding Companies	64	0.7	3,268	0.4
Other Prof / Tech / Managerial	1,251	14.1	70,483	7.7
ARTS / ENTER / ACCOM / FOOD	501	5.6	30,421	3.3
Accommodations	70	0.8	18,877	2.1
Amusement	35	0.4	1,045	0.1
Food Services	229	2.6	4,922	0.5
Performing Arts	167	1.9	5,576	0.6
OTHER SERVICES	1,064	12.0	31,837	3.5
Administration/Support	172	1.9	7,393	0.8
Education	27	0.3	957	0.1
Health Care	592	6.7	19,570	2.1
Personal Service	191	2.2	2,890	0.3
Rental & Leasing	47	0.5	742	0.1
Repair/Maintenance	17	0.2	98	0.0
Miscellaneous Other Services	18	0.2	188	0.0
TRADE	711	8.0	15,588	1.7
Durable Wholesale	173	1.9	2,852	0.3
Non-Durable Wholesale	212	2.4	7,185	0.8
Retail	326	3.7	5,551	0.6
REAL ESTATE	930	10.5	49,191	5.4
OTHER	725	8.2	28,835	3.2
Construction	243	2.7	11,108	1.2
Manufacturing	164	1.8	6,096	0.7
Transportation & Utilities	73	0.8	10,062	1.1
Not Available	245	2.8	1,569	0.2
TOTAL	8,879	100.0 %	\$912,393	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2004**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	505	5.7 %	\$47	0.0 %
\$300 - \$1,000	434	4.9	270	0.0
\$1,000 - \$5,000	1,763	19.9	5,640	0.6
\$5,000 - \$10,000	1,597	18.0	11,499	1.3
\$10,000 - \$50,000	2,886	32.5	66,853	7.3
\$50,000 - \$500,000	1,409	15.9	206,808	22.7
\$500,000 - \$1,000,000	130	1.5	92,095	10.1
MORE THAN \$1,000,000	155	1.7	529,181	58.0
TOTAL	8,879	100.0 %	\$912,393	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	242	\$293,555	41	\$197,592
FINANCE & INSURANCE	318	248,715	29	127,363
INFORMATION	34	27,476	*	*
PROF / TECH / MANAGERIAL	112	95,260	*	*
ARTS / ENTER / ACCOM / FOOD	28	22,187	*	*
OTHER SERVICES	45	14,489	*	*
TRADE	16	5,845	*	*
REAL ESTATE	59	37,429	*	*
OTHER	33	20,511	*	*
TOTAL	887	\$765,466	88	\$439,751

* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2004**

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

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
FORMULA	1,964	22.1 %	\$380,897	41.7 %
Legal	319	3.6	99,698	10.9
Finance & Insurance	371	4.2	142,887	15.7
Information	96	1.1	20,510	2.2
Prof/Tech/Managerial	445	5.0	74,523	8.2
Arts/Enter/Accom/Food	48	0.5	2,149	0.2
Other Services	155	1.7	6,441	0.7
Trade	277	3.1	10,842	1.2
Real Estate	72	0.8	8,217	0.9
Other	181	2.0	15,631	1.7
100% N.Y.C.	6,488	73.1	311,361	34.1
Legal	1,127	12.7	46,784	5.1
Finance & Insurance	976	11.0	118,373	13.0
Information	121	1.4	3,640	0.4
Prof/Tech/Managerial	1,198	13.5	34,465	3.8
Arts/Enter/Accom/Food	443	5.0	27,904	3.1
Other Services	895	10.1	23,728	2.6
Trade	420	4.7	4,638	0.5
Real Estate	815	9.2	39,558	4.3
Other	493	5.6	12,270	1.3
SEPARATE BOOKS	309	3.5	210,463	23.1
Legal	115	1.3	178,048	19.5
Finance & Insurance	98	1.1	15,839	1.7
Prof/Tech/Managerial & Information	34	0.4	13,138	1.4
Arts/Enter/Accom/Food	6	0.1	360	0.0
Other Services	8	0.1	1,582	0.2
Trade	5	0.1	82	0.0
Real Estate	33	0.4	1,337	0.1
All Other Sectors	10	0.1	78	0.0
NOT AVAILABLE	118	1.3	9,672	1.1
TOTAL	8,879	100.0 %	\$912,393	100.0 %

See Appendix C for definition of allocation method.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2004**

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	6,807	76.7 %	\$665,161	72.9 %
NON-LLP/LLC	2,072	23.3	247,232	27.1
TOTAL	8,879	100.0 %	\$912,393	100.0 %

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,119	16.4 %	\$290,588	43.7 %
FINANCE & INSURANCE	1,114	16.4	166,732	25.1
INFORMATION	182	2.7	10,990	1.7
PROF / TECH / MANAGERIAL	1,377	20.2	96,700	14.5
ARTS / ENTER / ACCOM / FOOD	384	5.6	10,537	1.6
OTHER SERVICES	766	11.3	25,782	3.9
TRADE	578	8.5	12,053	1.8
REAL ESTATE	721	10.6	39,088	5.9
OTHER	566	8.3	12,693	1.9
TOTAL	6,807	100.0 %	\$665,161	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TABLES**

Table 35
**2004 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS BY
INDUSTRY**

Total Taxpayers: 21,989

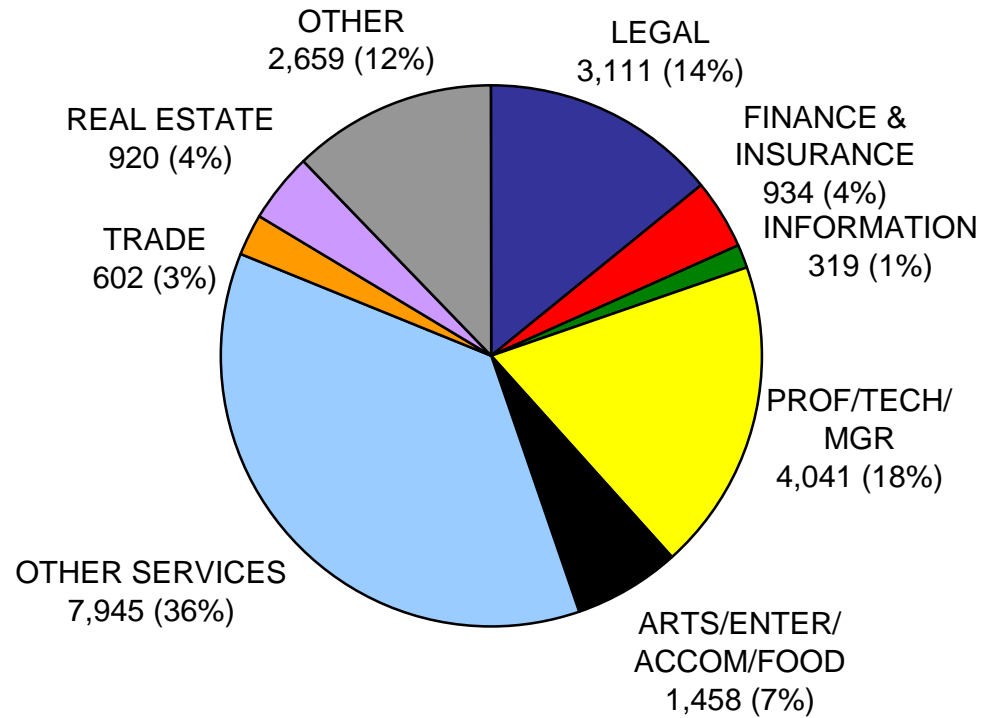
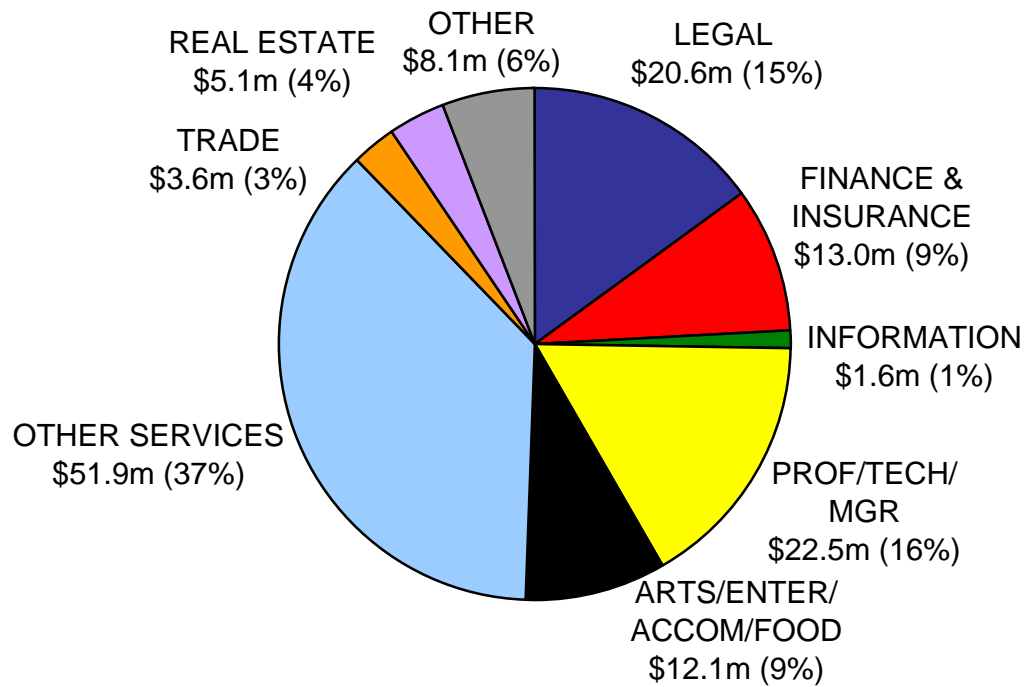


Table 36
**2004 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS BY
INDUSTRY**

Total Liability: \$138.5m



**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2004**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	3,111	14.1 %	\$20,589	14.9 %
FINANCE & INSURANCE	934	4.2	13,019	9.4
Credit Agencies	42	0.2	281	0.2
Insurance	306	1.4	2,175	1.6
Securities & Commodities	578	2.6	10,535	7.6
Other Finance	8	0.0	28	0.0
INFORMATION	319	1.5	1,578	1.1
Broadcasting/Telecomm	34	0.2	161	0.1
Information Services/Data	69	0.3	281	0.2
Movies/Video/Sound	116	0.5	445	0.3
Publishing	100	0.5	692	0.5
PROF / TECH / MANAGERIAL	4,041	18.4	22,534	16.3
Accounting	490	2.2	2,022	1.5
Other Prof / Tech / Managerial	3,551	16.1	20,513	14.8
ARTS / ENTER / ACCOM / FOOD	1,458	6.6	12,120	8.7
Accommodations	10	0.0	116	0.1
Amusement	45	0.2	226	0.2
Food Services	34	0.2	188	0.1
Performing Arts	1,360	6.2	11,522	8.3
Other Arts/Enter/Accom/Food	9	0.0	69	0.0
OTHER SERVICES	7,945	36.1	51,905	37.5
Administration/Support	219	1.0	1,231	0.9
Education	142	0.6	468	0.3
Health Care	6,887	31.3	47,568	34.3
Personal Service	462	2.1	1,918	1.4
Rental & Leasing	10	0.0	87	0.1
Repair/Maintenance	50	0.2	131	0.1
Social Services	79	0.4	162	0.1
Religious	17	0.1	48	0.0
Miscellaneous Other Services	79	0.4	293	0.2
TRADE	602	2.7	3,649	2.6
Durable Wholesale	163	0.7	733	0.5
Non-Durable Wholesale	128	0.6	949	0.7
Retail	311	1.4	1,967	1.4
REAL ESTATE	920	4.2	5,054	3.6
OTHER	2,659	12.1	8,074	5.8
Construction	211	1.0	635	0.5
Manufacturing	73	0.3	317	0.2
Transportation & Utilities	75	0.3	318	0.2
Miscellaneous Other	16	0.1	62	0.0
Not Available	2,284	10.4	6,742	4.9
TOTAL	21,989	100.0 %	138,524	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2004**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	1,842	8.4 %	\$268	0.2 %
\$300 - \$1,000	2,869	13.0	1,779	1.3
\$1,000 - \$5,000	9,346	42.5	28,214	20.4
\$5,000 - \$10,000	4,913	22.3	34,066	24.6
\$10,000 - \$50,000	2,820	12.8	50,301	36.3
MORE THAN \$50,000	199	0.9	23,896	17.3
TOTAL	21,989	100.0 %	\$138,524	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	341	\$9,190	32	\$3,058
FINANCE & INSURANCE	194	9,796	36	6,289
INFORMATION	16	627	*	*
PROF / TECH / MANAGERIAL	297	9,431	30	4,022
ARTS / ENTER / ACCOM / FOOD	193	7,680	36	4,178
OTHER SERVICES	978	23,333	68	5,427
TRADE	55	1,867	7	825
REAL ESTATE	78	1,932	*	*
OTHER	46	1,296	*	*
TOTAL	2,198	\$65,151	219	\$24,869

* Numbers cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2004**

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

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
FORMULA	1,307	5.9 %	\$12,902	9.3 %
Legal	190	0.9	1,787	1.3
Finance & Insurance	59	0.3	2,783	2.0
Information	16	0.1	89	0.1
Prof/Tech/Managerial	291	1.3	2,194	1.6
Arts/Enter/Accom/Food	180	0.8	2,727	2.0
Other Services	403	1.8	2,314	1.7
Trade	43	0.2	425	0.3
Real Estate	18	0.1	123	0.1
Other	107	0.5	459	0.3
100% N.Y.C.	20,007	91.0	119,685	86.4
Legal	2,806	12.8	18,290	13.2
Finance & Insurance	852	3.9	10,005	7.2
Information	297	1.4	1,468	1.1
Prof/Tech/Managerial	3,645	16.6	18,597	13.4
Arts/Enter/Accom/Food	1,234	5.6	8,877	6.4
Other Services	7,356	33.5	47,958	34.6
Trade	544	2.5	2,867	2.1
Real Estate	882	4.0	4,755	3.4
Other	2,391	10.9	6,869	5.0
SEPARATE BOOKS	273	1.2	2,975	2.1
Legal/Finance & Insurance/Prof/Tech/Mngr	108	0.5	1,417	1.0
All Other Sectors	165	0.8	1,558	1.1
NOT AVAILABLE	402	1.7	2,962	1.3
TOTAL	21,989	99.9 %	138,524	99.2 %

See Appendix C for definition of allocation method.

APPENDIX A

DESCRIPTION OF THE NEW YORK CITY BANKING CORPORATION TAX FOR TAX YEAR 2004

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 2004 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2004 and December 31, 2004. In 2004, 78 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 2004

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 percent¹ and taxed at 8.85 percent (the “income-plus-compensation” base);²
- Business and investment capital allocated to the City and taxed at 0.15 percent up to a maximum of \$350,000;²
- 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.

¹ 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.

² Under 2007 legislation, a taxpayer will be 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.

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.

"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 2004 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2004 and December 31, 2004. In 2004, 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 2004

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.³ 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

³ An individual or entity will not be disqualified from this exemption if it receives \$25,000 or less from other activities.

allocated to the City according to the extent of activity within the City of the issuer of the investment.

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 \$5,000⁴ as an allowance for proprietor services. A partnership is allowed one \$5,000 exemption and another exemption of up to \$5,000⁴ 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 2004 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2004 and December 31, 2004. In 2004, 96 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.

⁴ For tax years beginning in 2007 and thereafter, the maximum allowance for services of the proprietor or each active partner is increased to \$10,000.

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 2004, 98 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. For GCT, annual returns accounted for 97 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. 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-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.⁵ The NYC-204 EZ can be used by partnerships that are required to file⁶ 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.

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

⁶ 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 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.