
**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 2002**

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**FINANCE
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DEPARTMENT OF FINANCE

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MAYOR**

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**REPORT PREPARED BY THE
OFFICE OF TAX POLICY
FEBRUARY 2006**

Acknowledgements

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Statistical Profiles of New York City's Business Income Taxes:
Banking Corporation Tax, General Corporation Tax, and
Unincorporated Business Tax
Tax Year 2002

This report presents statistical information for tax year 2002 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).

Almost 290,000 firms and individuals paid the BCT, GCT, or UBT for tax year 2002. These taxpayers generated \$2.537 billion in liability.

Banking Corporation Tax

In 2002, the Banking Corporation Tax generated \$305 million from 555 taxpayers, a decrease in tax liability of 25 percent from tax year 2001. The data show the following characteristics of the BCT population in 2002:

- Foreign banks and clearing house banks each generated 29 percent of total BCT liability.
- The top 10 percent of taxpayers in terms of liability generated \$249 million, or 82 percent of total liability.
- About 75 percent of BCT liability was incurred under the entire net income base, and 40 percent of taxpayers paid on this base.

General Corporation Tax

The General Corporation Tax generated \$1.410 billion in tax year 2002 liability, a decrease of 2 percent from tax year 2001. The number of taxpayers increased 2 percent from 2001, to 261,305. The data show the following characteristics of the GCT population in 2002:

- Services-sector firms incurred 26 percent of total liability, followed by firms in the finance and insurance sector, which incurred 19 percent. Firms in the trade, information, and manufacturing sectors generated 17 percent, 9 percent and 7 percent of total liability, respectively.

- The top 10 percent of taxpayers in terms of liability generated \$1.225 billion, or 87 percent of total liability. The top 1 percent of taxpayers accounted for \$839 million, or 59 percent of total liability.
- More than half 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. About 78 percent of total GCT liability was incurred under the entire net income base.
- Approximately 118,000 GCT taxpayers were recognized as S corporations for New York State tax purposes. At the Federal level, S corporations are permitted to pass through their income to shareholders and are not subject to entity-level taxation. S corporations owed \$642 million in GCT liability in 2002.

Unincorporated Business Tax

The Unincorporated Business Tax produced \$821 million in 2002 tax liability, a 2 percent increase from the previous year. Partnerships generated \$689 million, an increase of 2 percent from 2001. Proprietorships generated \$132 million in liability, down less than 1 percent from 2001. There were 7,489 partnership taxpayers and 20,250 proprietorship taxpayers, an increase of 7 percent for partnerships and 1 percent for proprietorships compared to 2001.

Other characteristics of the UBT population are as follows:

- Among UBT partnerships, legal, finance & insurance, and professional services firms generated \$550 million in tax liability, or 80 percent of total partnership liability. Among proprietorships, services-sector firms accounted for 52 percent of total liability, while legal-sector firms generated 14 percent.
- The top 10 percent of partnership taxpayers, or 748 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 49 percent of proprietorship liability, while the top 1 percent generated 23 percent of liability.
- Under the UBT, limited liability companies (LLCs) are generally treated as partnerships for tax purposes. In 2002, firms identified as LLCs or limited

liability partnerships (LLPs) accounted for 68 percent of UBT partnership liability and 70 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 LLCs/LLPs. BCT and GCT data are as of June 2005; UBT data are as of April 2005.

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
2002 BUSINESS INCOME TAXES
TAXPAYERS BY INDUSTRY

Total Taxpayers: 289,599

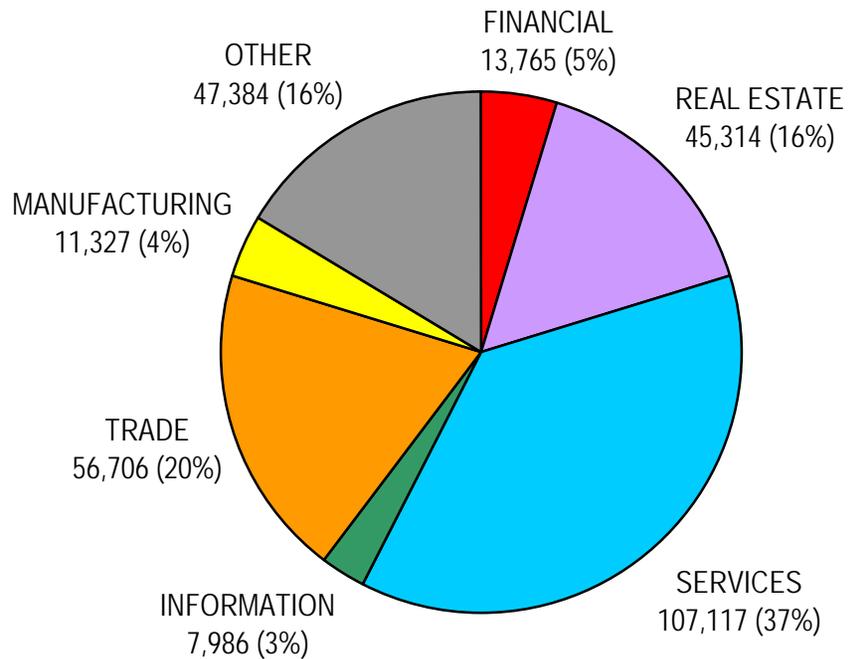
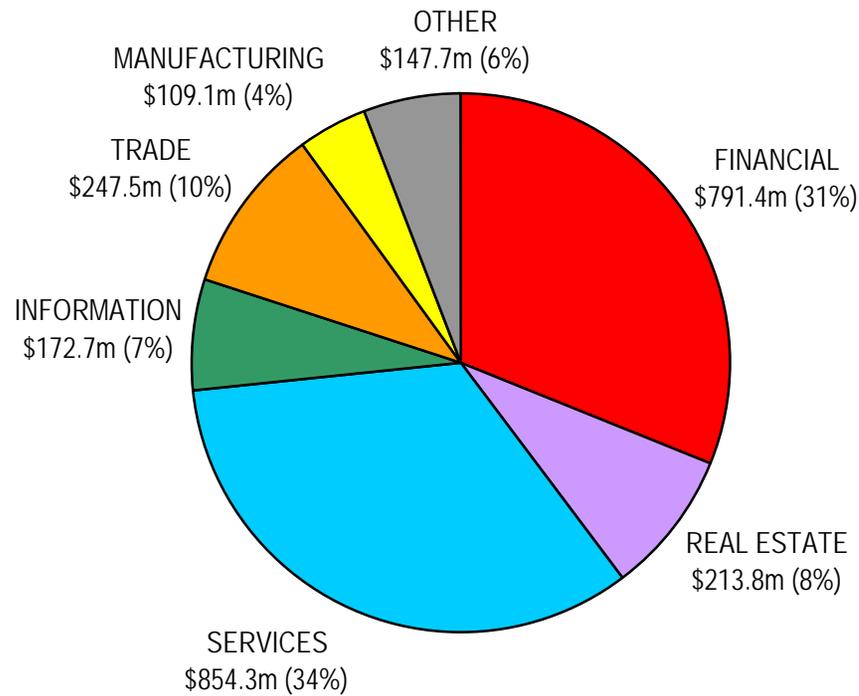


Table 2

2002 BUSINESS INCOME TAXES LIABILITY BY INDUSTRY

Total Liability: \$2,536.5m



**BUSINESS INCOME TAXES
TAX YEAR 2002**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCIAL	13,765	4.8 %	\$791,361	31.2 %
REAL ESTATE	45,314	15.6	213,848	8.4
SERVICES	107,117	37.0	854,325	33.7
INFORMATION	7,986	2.8	172,652	6.8
TRADE	56,706	19.6	247,496	9.8
MANUFACTURING	11,327	3.9	109,103	4.3
OTHER	47,384	16.4	147,737	5.8
TOTAL	289,599	100.0 %	\$2,536,522	100.0 %

**BUSINESS INCOME TAXES
TAX YEAR 2002**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	157,229	54.3 %	\$46,654	1.8 %
\$300 - \$1,000	37,658	13.0	22,244	0.9
\$1,000 - \$5,000	53,063	18.3	134,601	5.3
\$5,000 - \$10,000	18,510	6.4	130,188	5.1
\$10,000 - \$50,000	17,950	6.2	367,041	14.5
\$50,000 - \$500,000	4,621	1.6	630,824	24.9
\$500,000 - \$1,000,000	299	0.1	207,556	8.2
MORE THAN \$1,000,000	269	0.1	997,414	39.3
TOTAL	289,599	100.0 %	\$2,536,522	100.0 %

BANKING CORPORATION TAX TABLES

Table 5
**2002 BANK TAX
TAXPAYERS BY BANK TYPE**

Total Taxpayers: 555

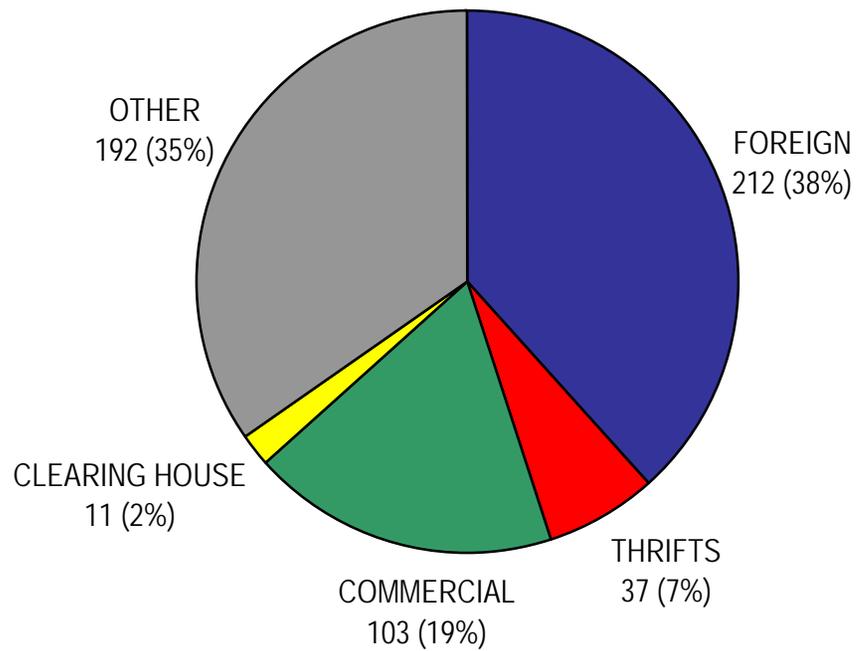
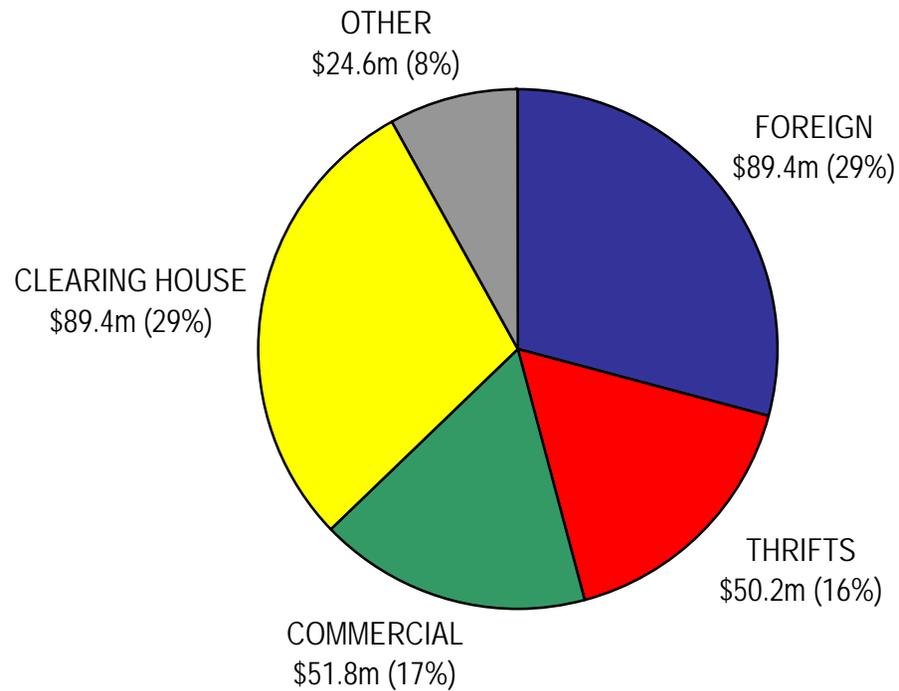


Table 6
**2002 BANK TAX
LIABILITY BY BANK TYPE**

Total Liability: \$305.4m



**BANK TAX
TAX YEAR 2002**

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

INDUSTRY	Number	% of Total	Liability	% of Total
COMMERCIAL	103	18.6 %	\$51,798	17.0 %
CLEARING HOUSE	11	2.0	89,419	29.3
FOREIGN	212	38.2	89,397	29.3
THRIFTS	37	6.7	50,159	16.4
OTHER	192	34.6	24,624	8.1
TOTAL	555	100.0 %	\$305,397	100.0 %

**BANK TAX
TAX YEAR 2002**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$125 OR LESS	115	20.7 %	\$14	0.0 %
\$125 - \$1,000	39	7.0	19	0.0
\$1,000 - \$5,000	43	7.7	106	0.0
\$5,000 - \$10,000	25	4.5	182	0.1
\$10,000 - \$50,000	83	15.0	2,092	0.7
\$50,000 - \$500,000	160	28.8	31,409	10.3
\$500,000 - \$1,000,000	40	7.2	27,037	8.9
MORE THAN \$1,000,000	50	9.0	244,538	80.1
TOTAL	555	100.0 %	\$305,397	100.0 %

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

BANK TYPE	Number	Liability
COMMERCIAL / CLEARING HOUSE	22	\$128,171
FOREIGN	21	70,640
OTHER	12	50,411
TOTAL	55	\$249,222

**BANK TAX
TAX YEAR 2002**

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	222	40.0 %	\$229,907	75.3 %
ALTERNATIVE NET INCOME	9	1.6	3,279	1.1
ASSET BASE	81	14.6	49,697	16.3
CAPITAL BASE	121	21.8	21,977	7.2
MINIMUM TAX	115	20.7	15	0.0
NOT AVAILABLE / EXTENSION	7	1.3	522	0.2
TOTAL	555	100.0 %	\$305,397	100.0 %

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

TAX BASE	COMMERCIAL / CLEARING HOUSE		FOREIGN		THRIFTS/OTHER	
	Number	Liability	Number	Liability	Number	Liability
ENTIRE NET INCOME	69	\$92,547	56	\$67,416	97	\$69,943
ALT. NET INCOME	*	*	*	*	*	*
ASSET OR CAPITAL BASE	28	46,059	121	21,977	53	3,638
MINIMUM TAX	11	1	34	4	70	9
NOT AVAILABLE / EXTENSION	*	*	*	*	*	*
TOTAL	114	\$141,217	212	\$89,397	229	\$74,783

* Number cannot be provided due to confidentiality restrictions.

**BANK TAX
TAX YEAR 2002**

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

FORM TYPE	Number	% of Total	Liability	% of Total
NYC-1	433	78.0 %	\$120,405	39.4 %
NYC-1A (COMBINED FORM)	112	20.2	184,469	60.4
NOT AVAILABLE / EXTENSION	10	1.8	523	0.2
TOTAL	555	100.0 %	\$305,397	100.0 %

**BANK TAX
TAX YEAR 2002**

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

ALLOCATION STATUS AND BANK TYPE	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	325	58.6 %	\$268,807	88.0 %
Commercial/Clearing House	83	15.0	137,742	45.1
Foreign	145	26.1	67,792	22.2
Thriffs/Other	97	17.5	63,273	20.7
100% N.Y.C.	214	38.6	33,942	11.1
Commercial/Clearing House	28	5.0	3,475	1.1
Foreign	63	11.4	19,480	6.4
Thriffs/Other	123	22.2	10,987	3.6
NOT AVAILABLE	16	2.9	2,648	0.9
Commercial/Clearing House	*	*	*	*
Foreign	*	*	*	*
Thriffs/Other	*	*	*	*
TOTAL	555	100.0 %	\$305,397	100.0 %

See Appendix A for definition of allocation status.

* Number cannot be provided due to confidentiality restrictions.

GENERAL CORPORATION TAX TABLES

Table 14
**2002 GENERAL CORPORATION TAX
TAXPAYERS BY INDUSTRY**

Total Taxpayers: 261,305

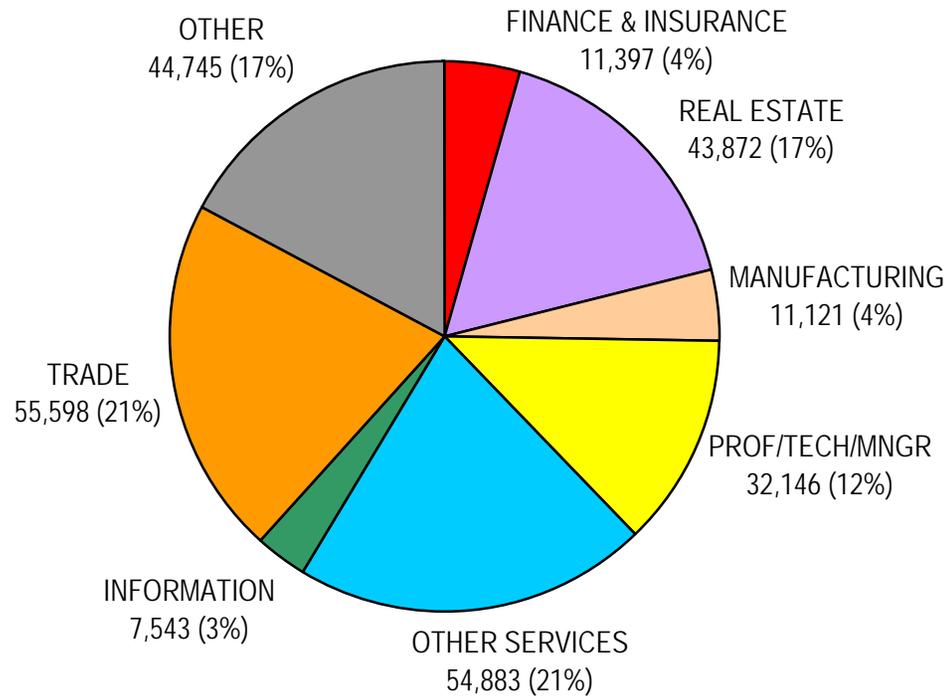
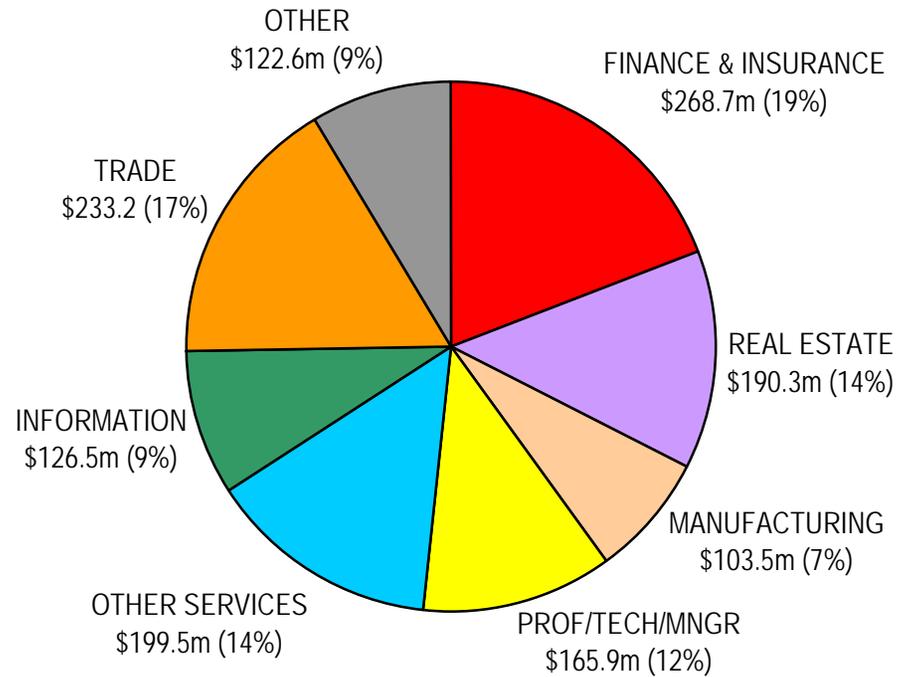


Table 15
**2002 GENERAL CORPORATION TAX
LIABILITY BY INDUSTRY**

Total Liability: \$1,410.3m



**GENERAL CORPORATION TAX
TAX YEAR 2002**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	11,397	4.4 %	\$268,741	19.1 %
Credit Agencies	918	0.4	8,997	0.6
Funds & Trusts	2,826	1.1	4,403	0.3
Insurance	2,432	0.9	40,599	2.9
Securities & Commodities	5,184	2.0	214,290	15.2
Other Finance	37	0.0	452	0.0
REAL ESTATE	43,872	16.8	190,286	13.5
MANUFACTURING	11,121	4.3	103,547	7.3
Textiles, Apparel & Leather	3,455	1.3	26,766	1.9
Food & Beverage	977	0.4	21,449	1.5
Printing	1,408	0.5	5,444	0.4
Wood/Paper	373	0.1	1,553	0.1
Other Manufacturing	4,908	1.9	48,335	3.4
PROF/TECH/MANAGERIAL	32,146	12.3	165,936	11.8
Holding Companies	1,323	0.5	9,959	0.7
Managerial	602	0.2	10,294	0.7
Legal	2,967	1.1	18,539	1.3
Other Prof/Tech/Managerial	27,254	10.4	127,144	9.0
OTHER SERVICES	54,883	21.0	199,512	14.1
Accommodations and Food	11,196	4.3	26,839	1.9
Administration/Support	5,578	2.1	36,639	2.6
Arts & Entertainment	6,871	2.6	26,443	1.9
Education	1,155	0.4	5,384	0.4
Health Care	10,141	3.9	66,330	4.7
Personal Services	11,029	4.2	20,247	1.4
Religious	231	0.1	361	0.0
Rental & Leasing	1,421	0.5	5,510	0.4
Repair/Maintenance	4,714	1.8	5,744	0.4
Social Services	360	0.1	481	0.0
Waste Management	291	0.1	2,072	0.1
Miscellaneous Other Services	1,896	0.7	3,462	0.2
INFORMATION	7,543	2.9	126,465	9.0
Broadcasting/Telecomm	1,475	0.6	46,452	3.3
Information Services/Data	1,422	0.5	28,221	2.0
Movies/Video/Sound	2,859	1.1	14,331	1.0
Publishing	1,787	0.7	37,461	2.7
TRADE	55,598	21.3	233,151	16.5
Durable Wholesale	12,274	4.7	58,194	4.1
Non-Durable Wholesale	12,298	4.7	75,348	5.3
Retail	31,013	11.9	99,603	7.1
Other Trade	13	0.0	6	0.0
OTHER	44,745	17.1	122,644	8.7
Construction	16,561	6.3	78,723	5.6
Transportation	9,960	3.8	26,253	1.9
Utilities	105	0.0	6,981	0.5
Not Available	17,849	6.8	10,353	0.7
Miscellaneous Other	270	0.1	334	0.0
TOTAL	261,305	100.0 %	\$1,410,282	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 2002**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	154,989	59.3 %	\$46,356	3.3 %
\$300 - \$1,000	34,531	13.2	20,306	1.4
\$1,000 - \$5,000	42,920	16.4	103,573	7.3
\$5,000 - \$10,000	12,536	4.8	88,349	6.3
\$10,000 - \$50,000	12,889	4.9	265,708	18.8
\$50,000 - \$500,000	3,175	1.2	420,582	29.8
\$500,000 - \$1,000,000	154	0.1	106,217	7.5
MORE THAN \$1,000,000	111	0.0	359,191	25.5
TOTAL	261,305	100.0 %	\$1,410,282	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	1,829	\$261,544	388	\$232,873
REAL ESTATE	4,905	155,268	401	86,168
MANUFACTURING	1,652	95,176	227	69,629
PROF/TECH/MANAGERIAL	4,000	139,542	347	79,505
OTHER SERVICES	5,322	160,867	355	81,977
INFORMATION	879	121,520	166	108,796
TRADE	5,023	194,702	474	119,463
OTHER	2,520	96,837	255	60,141
TOTAL	26,130	\$1,225,456	2,613	\$838,552

**GENERAL CORPORATION TAX
TAX YEAR 2002**

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	63,640	24.4 %	\$1,095,477	77.7 %
INCOME PLUS COMPENSATION	25,123	9.6	177,207	12.6
CAPITAL	15,417	5.9	78,266	5.5
MINIMUM TAX	155,278	59.4	47,923	3.4
NOT AVAILABLE	1,847	0.7	11,409	0.8
TOTAL	261,305	100.0 %	\$1,410,282	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	2,448	\$226,271	1,029	\$23,851	968	\$14,587	6,887	\$2,179
REAL ESTATE	12,838	159,539	1,012	5,920	7,612	17,288	22,154	6,718
MANUFACTURING	2,880	85,035	1,471	8,577	884	5,958	5,809	1,891
PROF/TECH/MANAGERIAL	8,026	106,378	5,589	42,775	1295	9,772	17,019	5,584
OTHER SERVICES	12,518	131,802	7,401	52,015	1,061	4,208	33,569	10,272
INFORMATION	1,477	106,457	769	7,939	484	9,608	4,751	1,625
TRADE	14,358	190,583	5,007	22,319	2,167	8,603	33,600	10,167
OTHER	9,095	89,412	2,845	13,811	946	8,242	31,489	9,487
TOTAL	63,640	\$1,095,477	25,123	\$177,207	15,417	\$78,266	155,278	\$47,923

**GENERAL CORPORATION TAX
TAX YEAR 2002**

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

FORM TYPE	Number	% of Total	Liability	% of Total
SHORT FORM	136,693	52.3 %	\$259,527	18.4 %
LONG FORM	112,871	43.2	834,246	59.2
COMBINED FORM	1,590	0.6	302,609	21.5
NOT AVAILABLE / EXTENSION	10,151	3.9	13,899	1.0
TOTAL	261,305	100.0 %	\$1,410,282	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	88,010	\$26,403	58,593	\$17,442	82	\$20	8,304	\$2,491
\$300 - \$1,000	18,618	10,803	14,696	8,720	243	175	974	608
\$1,000 - \$5,000	20,367	48,010	21,544	53,076	372	936	637	1,551
\$5,000 - \$10,000	5,114	35,844	7,146	50,464	155	1,142	121	898
\$10,000 - \$50,000	4,069	77,755	8,380	177,871	352	8,389	88	1,693
\$50,000 - \$500,000	505	53,587	2,346	306,789	300	56,416	*	*
\$500,000 - \$1,000,000	*	*	113	76,216	31	23,271	*	*
MORE THAN \$1,000,000	*	*	53	143,668	55	212,260	*	*
TOTAL	136,693	\$259,527	112,871	\$834,246	1,590	\$302,609	10,151	\$13,899

* Number cannot be provided due to confidentiality restrictions.

**GENERAL CORPORATION TAX
TAX YEAR 2002**

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

ALLOCATION STATUS AND INDUSTRY	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	29,692	11.4 %	\$779,938	55.3 %
Finance & Insurance	1,595	0.6	200,680	14.2
Real Estate	1,240	0.5	30,398	2.2
Manufacturing	3,517	1.3	83,756	5.9
Prof/Tech/Managerial	6,394	2.4	86,607	6.1
Other Services	4,355	1.7	67,871	4.8
Information	1,749	0.7	114,295	8.1
Trade	7,369	2.8	144,792	10.3
Other	3,473	1.3	51,539	3.7
100% N.Y.C.	221,026	84.6	612,475	43.4
Finance & Insurance	9,511	3.6	65,967	4.7
Real Estate	41,490	15.9	158,795	11.3
Manufacturing	7,234	2.8	17,618	1.2
Prof/Tech/Managerial	24,782	9.5	77,625	5.5
Other Services	48,474	18.6	129,550	9.2
Information	5,474	2.1	11,257	0.8
Trade	45,950	17.6	83,091	5.9
Other	38,111	14.6	68,572	4.9
NOT AVAILABLE	10,587	4.1	17,869	1.3
Finance & Insurance	291	0.1	2,094	0.1
Real Estate	1,142	0.4	1,093	0.1
Manufacturing	370	0.1	2,174	0.2
Prof/Tech/Managerial	970	0.4	1,704	0.1
Other Services	2,054	0.8	2,091	0.1
Information	320	0.1	913	0.1
Trade	2,279	0.9	5,268	0.4
Other	3,161	1.2	2,532	0.2
TOTAL	261,305	100.0 %	\$1,410,282	100.0 %

See Appendix B for definition of allocation status.

**GENERAL CORPORATION TAX
TAX YEAR 2002
STATE S CORPORATIONS**

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

S CORPORATION STATUS	Number	% of Total	Liability	% of Total
STATE S CORPORATION	117,870	45.1 %	\$642,385	45.6 %
STATE C CORPORATION	143,435	54.9	767,897	54.4
TOTAL	261,305	100.0 %	\$1,410,282	100.0 %

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	4,058	3.4 %	\$69,937	10.9 %
REAL ESTATE	20,613	17.5	107,156	16.7
MANUFACTURING	4,674	4.0	41,739	6.5
PROF/TECH/MANAGERIAL	16,597	14.1	84,416	13.1
OTHER SERVICES	26,930	22.8	116,819	18.2
INFORMATION	3,329	2.8	26,842	4.2
TRADE	23,300	19.8	123,796	19.3
OTHER	18,369	15.6	71,680	11.2
TOTAL	117,870	100.0 %	\$642,385	100.0 %

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

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	42,423	36.0 %	\$499,345	77.7 %
INCOME PLUS COMPENSATION	13,839	11.7	119,485	18.6
CAPITAL	3,783	3.2	5,408	0.8
MINIMUM TAX	57,719	49.0	17,342	2.7
NOT AVAILABLE	106	0.1	805	0.1
TOTAL	117,870	100.0 %	\$642,385	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TABLES**

Table 27
**2002 UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS BY INDUSTRY**

Total Taxpayers: 7,489

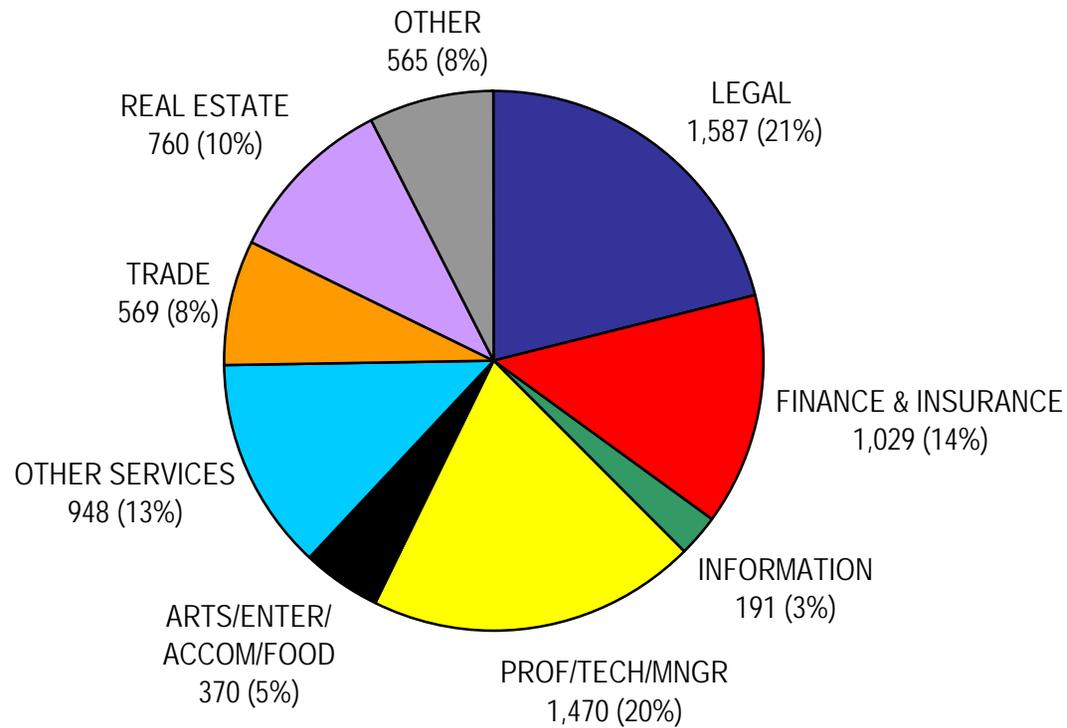
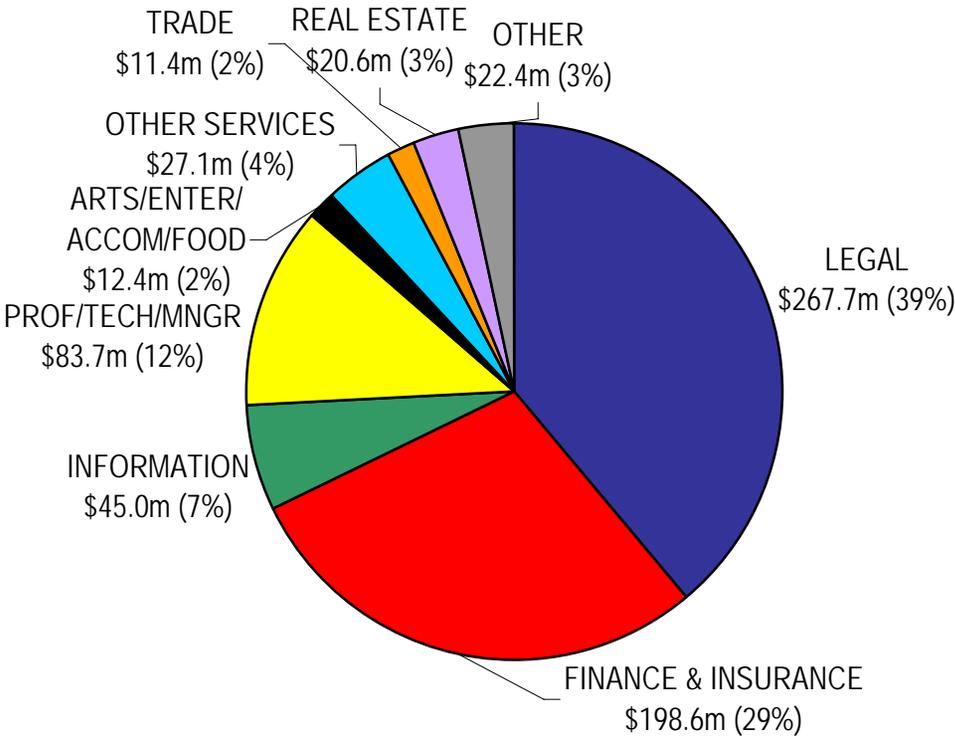


Table 28

2002 UNINCORPORATED BUSINESS TAX PARTNERSHIP LIABILITY BY INDUSTRY

Total Liability: \$688.9m



**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2002**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,587	21.2 %	\$267,656	38.9 %
FINANCE & INSURANCE	1,029	13.7	198,619	28.8
Credit Agencies	41	0.5	4,078	0.6
Funds & Trusts	45	0.6	2,989	0.4
Insurance and Other Finance	58	0.8	1,471	0.2
Securities & Commodities	885	11.8	190,081	27.6
INFORMATION	191	2.6	45,000	6.5
Broadcasting/Telecomm	47	0.6	18,149	2.6
Information Services/Data	42	0.6	13,991	2.0
Movies/Video/Sound	61	0.8	10,234	1.5
Publishing	41	0.5	2,626	0.4
PROF/TECH/MANAGERIAL	1,470	19.6	83,666	12.1
Accounting	388	5.2	33,722	4.9
Holding Companies	43	0.6	821	0.1
Other Prof/Tech/Managerial	1,039	13.9	49,123	7.1
ARTS/ENTER/ACCOM/FOOD	370	4.9	12,393	1.8
Accommodations	54	0.7	4,523	0.7
Amusement	19	0.3	522	0.1
Food Services	160	2.1	3,727	0.5
Performing Arts	137	1.8	3,621	0.5
OTHER SERVICES	948	12.7	27,086	3.9
Administration/Support	130	1.7	5,257	0.8
Education	19	0.3	130	0.0
Health Care	584	7.8	17,046	2.5
Personal Service	135	1.8	2,615	0.4
Rental & Leasing	36	0.5	1,057	0.2
Repair/Maintenance	29	0.4	645	0.1
Miscellaneous Other Services	15	0.2	336	0.0
TRADE	569	7.6	11,410	1.7
Durable Wholesale	133	1.8	1,717	0.2
Non-Durable Wholesale	173	2.3	5,231	0.8
Other Trade	263	3.5	4,462	0.6
REAL ESTATE	760	10.1	20,587	3.0
OTHER	565	7.5	22,447	3.3
Construction	183	2.4	8,866	1.3
Manufacturing	134	1.8	5,299	0.8
Transportation & Utilities	43	0.6	3,848	0.6
Not Available	205	2.7	4,434	0.6
TOTAL	7,489	100.0 %	688,864	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2002**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	387	5.2 %	\$39	0.0 %
\$300 - \$1,000	412	5.5	257	0.0
\$1,000 - \$5,000	1,534	20.5	4,898	0.7
\$5,000 - \$10,000	1,381	18.4	9,957	1.4
\$10,000 - \$50,000	2,445	32.6	55,544	8.1
\$50,000 - \$500,000	1,121	15.0	162,112	23.5
\$500,000 - \$1,000,000	102	1.4	72,332	10.5
MORE THAN \$1,000,000	107	1.4	383,725	55.7
TOTAL	7,489	100.0 %	\$688,864	100.0 %

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

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	240	\$238,173	36	\$153,458
FINANCE & INSURANCE	228	180,585	21	108,779
INFORMATION	29	42,153	*	*
PROF/TECH/MANAGERIAL	99	61,982	*	*
ARTS/ENTER/ACCOM/FOOD	22	6,980	*	*
OTHER SERVICES	49	12,688	*	*
TRADE	16	4,662	*	*
REAL ESTATE	27	12,279	*	*
OTHER	38	15,893	*	*
TOTAL	748	\$575,395	74	\$340,871

* Number cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2002**

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

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
FORMULA	1,430	19.1 %	\$289,691	42.1 %
Legal	210	2.8	69,566	10.1
Finance & Insurance	280	3.7	107,671	15.6
Information	55	0.7	39,466	5.7
Prof/Tech/Managerial	287	3.8	40,685	5.9
Arts/Enter/Accom/Food	10	0.1	3,813	0.6
Other Services	242	3.2	5,393	0.8
Trade	196	2.6	8,100	1.2
Real Estate	66	0.9	4,228	0.6
Other	84	1.1	10,769	1.6
100% N.Y.C.	5,866	78.3	234,264	34.0
Legal	1,286	17.2	60,987	8.9
Finance & Insurance	730	9.7	83,643	12.1
Information	135	1.8	4,952	0.7
Prof/Tech/Managerial	1,167	15.6	25,720	3.7
Arts/Enter/Accom/Food	345	4.6	7,573	1.1
Other Services	703	9.4	20,887	3.0
Trade	373	5.0	3,309	0.5
Real Estate	648	8.7	16,064	2.3
Other	479	6.4	11,129	1.6
SEPARATE BOOKS	193	2.6	164,909	23.9
Legal	91	1.2	137,104	19.9
Finance & Insurance	19	0.3	7,305	1.1
Prof/Tech/Managerial & Information	17	0.2	17,843	2.6
Arts/Enter/Accom/Food & Other Services	18	0.2	1,814	0.3
Real Estate & Other	48	0.6	843	0.1
TOTAL	7,489	100.0 %	688,864	100.0 %

See Appendix C for definition of allocation method.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 2002**

LIMITED LIABILITY PARTNERSHIPS/COMPANIES

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

LLP/LLC STATUS	Number	% of Total	Liability	% of Total
LLP/LLC	5,267	70.3 %	\$467,711	67.9 %
NON-LLP/LLC	2,222	29.7	221,153	32.1
TOTAL	7,489	100.0 %	\$688,864	100.0 %

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,024	19.4 %	\$210,513	45.0 %
FINANCE & INSURANCE	808	15.3	117,704	25.2
INFORMATION	140	2.7	6,473	1.4
PROF/TECH/MANAGERIAL	1,102	20.9	71,324	15.2
ARTS/ENTER/ACCOM/FOOD	251	4.8	7,099	1.5
OTHER SERVICES	598	11.4	20,766	4.4
TRADE	418	7.9	7,994	1.7
REAL ESTATE	522	9.9	12,947	2.8
OTHER	404	7.7	12,891	2.8
TOTAL	5,267	100.0 %	\$467,711	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TABLES**

Table 35
**2002 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS BY INDUSTRY**

Total Taxpayers: 20,250

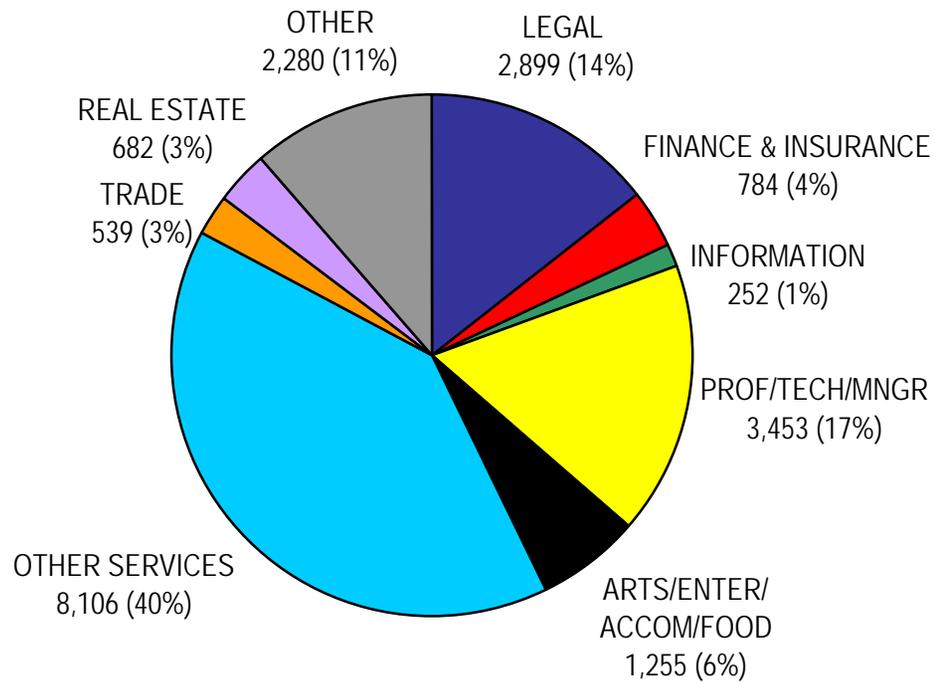
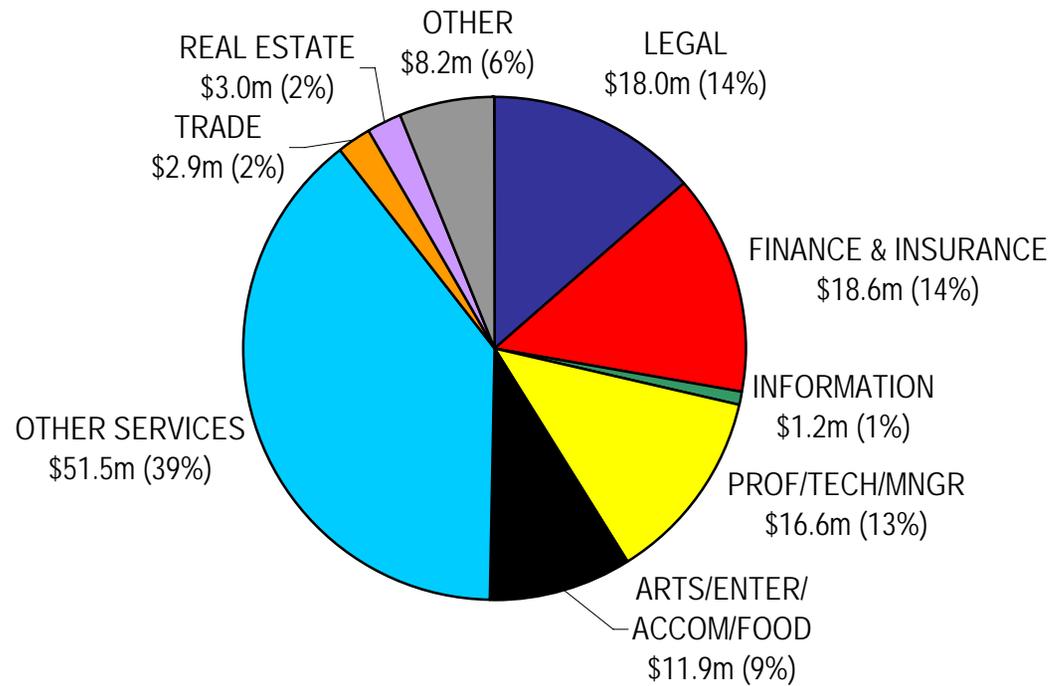


Table 36
**2002 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP LIABILITY BY INDUSTRY**

Total Liability: \$132.0m



**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2002**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	2,899	14.3 %	\$18,039	13.7 %
FINANCE & INSURANCE	784	3.9	18,604	14.1
Credit Agencies	37	0.2	223	0.2
Insurance	258	1.3	1,513	1.1
Securities & Commodities	476	2.4	16,783	12.7
Other Finance	13	0.1	85	0.1
INFORMATION	252	1.2	1,187	0.9
Broadcasting/Telecomm	24	0.1	152	0.1
Information Services/Data	67	0.3	248	0.2
Movies/Video/Sound	83	0.4	291	0.2
Publishing	78	0.4	496	0.4
PROF/TECH/MANAGERIAL	3,453	17.1	16,597	12.6
Accounting	465	2.3	1,889	1.4
Other Prof/Tech/Managerial	2,988	14.8	14,708	11.1
ARTS/ENTER/ACCOM/FOOD	1,255	6.2	11,916	9.0
Accommodations	11	0.1	56	0.0
Amusement	36	0.2	230	0.2
Food Services	26	0.1	78	0.1
Performing Arts	1,178	5.8	11,544	8.7
Other Arts/Enter/Accom/Food	4	0.0	8	0.0
OTHER SERVICES	8,106	40.0	51,524	39.0
Administration/Support	186	0.9	999	0.8
Education	131	0.6	439	0.3
Health Care	7,099	35.1	47,308	35.8
Personal Service	396	2.0	1,748	1.3
Rental & Leasing	15	0.1	127	0.1
Repair/Maintenance	52	0.3	143	0.1
Social Services	79	0.4	184	0.1
Religious	18	0.1	67	0.1
Miscellaneous Other Services	130	0.6	509	0.4
TRADE	539	2.7	2,935	2.2
Durable Wholesale	141	0.7	570	0.4
Non-Durable Wholesale	112	0.6	661	0.5
Retail	286	1.4	1,704	1.3
REAL ESTATE	682	3.4	2,975	2.3
OTHER	2,280	11.3	8,202	6.2
Construction	195	1.0	586	0.4
Manufacturing	72	0.4	257	0.2
Transportation & Utilities	78	0.4	188	0.1
Miscellaneous Other	368	1.8	1,303	1.0
Not Available	1,567	7.7	5,868	4.4
TOTAL	20,250	100.0 %	\$131,979	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2002**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	1,738	8.6 %	\$245	0.2 %
\$300 - \$1,000	2,676	13.2	1,662	1.3
\$1,000 - \$5,000	8,566	42.3	26,024	19.7
\$5,000 - \$10,000	4,568	22.6	31,700	24.0
\$10,000 - \$50,000	2,533	12.5	43,697	33.1
MORE THAN \$50,000	169	0.8	28,651	21.7
TOTAL	20,250	100.0 %	\$131,979	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	301	\$7,630	30	\$2,401
FINANCE & INSURANCE	167	16,197	34	13,588
INFORMATION	16	503	*	*
PROF/TECH/MANAGERIAL	212	5,806	24	2,115
ARTS/ENTER/ACCOM/FOOD	166	8,249	35	5,434
OTHER SERVICES	1,005	22,449	64	4,924
TRADE	39	1,502	*	*
REAL ESTATE	38	817	*	*
OTHER	81	1,858	*	*
TOTAL	2,025	\$65,011	202	\$30,180

* Number cannot be provided due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 2002**

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

ALLOCATION METHOD AND INDUSTRY	Number	% of Total	Liability	% of Total
FORMULA	875	4.3 %	\$6,846	5.2 %
Legal	19	0.1	551	0.4
Finance & Insurance	22	0.1	357	0.3
Information	5	0.0	133	0.1
Prof/Tech/Managerial	221	1.1	1,909	1.4
Arts/Enter/Accom/Food	206	1.0	1,213	0.9
Other Services	370	1.8	2,442	1.9
Trade	32	0.2	241	0.2
100% N.Y.C.	19,224	94.9	108,959	82.6
Legal	2,880	14.2	17,488	13.3
Finance & Insurance	758	3.7	6,313	4.8
Information	247	1.2	1,054	0.8
Prof/Tech/Managerial	3,216	15.9	14,020	10.6
Arts/Enter/Accom/Food	921	4.5	7,411	5.6
Other Services	7,733	38.2	48,801	37.0
Trade	507	2.5	2,694	2.0
Real Estate	682	3.4	2,975	2.3
Other	2,280	11.3	8,203	6.2
SEPARATE BOOKS	125	0.6	15,112	11.5
Finance & Insurance/Prof/Tech/Managerial	8	0.0	12,190	9.2
Arts/Enter/Accom/Food & Other Services	117	0.6	2,922	2.2
NOT AVAILABLE	26	0.1	1,062	0.8
Finance & Insurance/Prof/Tech/Managerial	12	0.1	411	0.3
Arts/Enter/Accom/Food & Other Services	14	0.1	651	0.5
TOTAL	20,250	100.0 %	131,979	100.0 %

See Appendix C for definition of allocation method.

APPENDIX A

DESCRIPTION OF THE NEW YORK CITY BANKING CORPORATION TAX FOR TAX YEAR 2002

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 because of inter-corporate transactions or some other agreement, understanding, arrangement, or transaction that produces an improper or inaccurate reflection of its income or assets. 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 2002 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2002 and December 31, 2002. In 2002, 77 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 2002

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; or
- A fixed minimum tax of \$300.

In addition, there is a tax of .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.

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 2002 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2002 and December 31, 2002. In 2002, 69 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 2002

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 2002 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 2002 and December 31, 2002. In 2002, 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.

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 2002, 98 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 both BCT and UBT, annual returns accounted for almost 100 percent of 2002 liability. 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 taxpayers refers to the number of annual returns received, or if no annual return was filed, the number of applications for an extension received. In rare instances, a taxpayer will file more than one return for a tax year, with each return covering a portion of the year. The number reported reflects the number of returns filed, 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, 99 percent of corporate liability, 99 percent of partnership liability and 96 percent of proprietorship liability were ultimately identified by industry sector.

The 2002 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. The Arts/Entertainment/Accommodation/Food sector is also isolated for the same reason.

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.⁴ The NYC-204 EZ can be used by partnerships that are required to file⁵ 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.

⁴ Limited liability companies doing business in New York City are generally taxed as partnerships under the UBT.

⁵ 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 payers, the stock allocation percentage was used as a proxy, since the BAP was not available. The UBT partnership and the UBT proprietorship payers distributions were produced from 2001 sample data, adjusted to reflect the 2002 population.

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.