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

**GENERAL CORPORATION TAX
AND
UNINCORPORATED BUSINESS TAX
TAX YEAR 1998**

MICHAEL R. BLOOMBERG, MAYOR

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NEW • YORK
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MAYOR

REPORT PREPARED BY THE
OFFICE OF TAX POLICY
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The General Corporation Tax and Unincorporated Business Tax **Tax Year 1998**

This report presents statistical information on the New York City General Corporation Tax (GCT) and Unincorporated Business Tax (UBT). Data are provided for tax year 1998, the latest year for which complete information is available.*

Overall, 266,000 firms pay either the GCT or the UBT. For tax year 1998, these taxpayers generated \$2.152 billion in liability.

General Corporation Tax

The General Corporation Tax generated \$1.5 billion in 1998 tax liability, an increase of less than 1 percent from tax year 1997. The number of taxpayers was 240,600, an increase of 4 percent over 1997. The data show the following characteristics of the GCT population in 1998:

- Services-sector firms comprised 30 percent of total liability, followed by the finance sector at 23 percent. The trade and manufacturing sectors represented 14 percent and 7 percent of total liability, respectively.
- The top 10 percent of taxpayers in terms of liability generated \$1.3 billion or 87 percent of total liability. Furthermore, the top 1 percent of taxpayers accounted for \$923 million or 61 percent of total liability.
- About 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 76 percent of total GCT liability was incurred under the entire net income base.
- Approximately 103,000 GCT taxpayers were recognized as S corporations for federal and 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 taxation at the entity level. Of the total \$1.5 billion in GCT liability for 1998, \$592 million represented liability owed by S corporations.

* Note that industry distributions are not directly comparable to those reported in previous years, due to a Federal change in the industry coding system. See Appendix D for additional details.

Unincorporated Business Tax

The Unincorporated Business Tax produced \$649 million in 1998 tax liability, an increase of 15 percent over the previous year. Partnerships generated \$547 million, an increase of 17 percent from 1997.

Proprietorships generated \$102 million in liability, up 3 percent from the previous year. There were 5,917 partnership taxpayers and 19,208 proprietorship taxpayers, growth of 11 and 3 percent, respectively, over 1997.

Other characteristics of the UBT population are as follows:

- Among UBT partnerships, legal, finance & insurance, and professional services firms generated \$457 million in tax liability or 84 percent of total partnership liability. Among proprietorships, service-sector firms accounted for 64 percent of total liability, while law firms represented 15 percent.
- The distribution of UBT partnership liability was heavily concentrated among a relatively few taxpayers. The top 10 percent of partnership taxpayers, or 591 firms, accounted for 84 percent of total liability, and the top 1 percent accounted for 50 percent. The proprietorship liability distribution was far less skewed, with the top 10 percent generating 42 percent of liability, while the top 1 percent owed only 13 percent.
- Under the UBT, limited liability companies (LLC's) are generally treated as partnerships for tax purposes. In 1998, firms identified as LLCs (based on information supplied by the New York State Department of Taxation and Finance) accounted for 37 percent of UBT partnership liability and 23 percent of partnership taxpayers.

Introduction to Statistical Tables and Appendices

The report is divided into the following sections: General Corporation Tax, Unincorporated Business Tax Partnerships and Unincorporated Business Tax Proprietorships. Each section includes data on tax liability by industry sector and sub-sector. The report also reviews the amount of tax liability reported by liability range. The GCT section supplements this information with other characteristics of the population, including presence in the City as reflected by the business allocation percentage, distributions of the taxpaying population by tax base and form type and statistics on S corporations. In the UBT section, the report also presents distributions by allocation method and information on limited liability companies. All data is as of June 2001.

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

GENERAL CORPORATION TAX TABLES

Table 1
**1998 GENERAL CORPORATION TAX LIABILITY
BY INDUSTRY**
Total Liability: \$1,502.6m

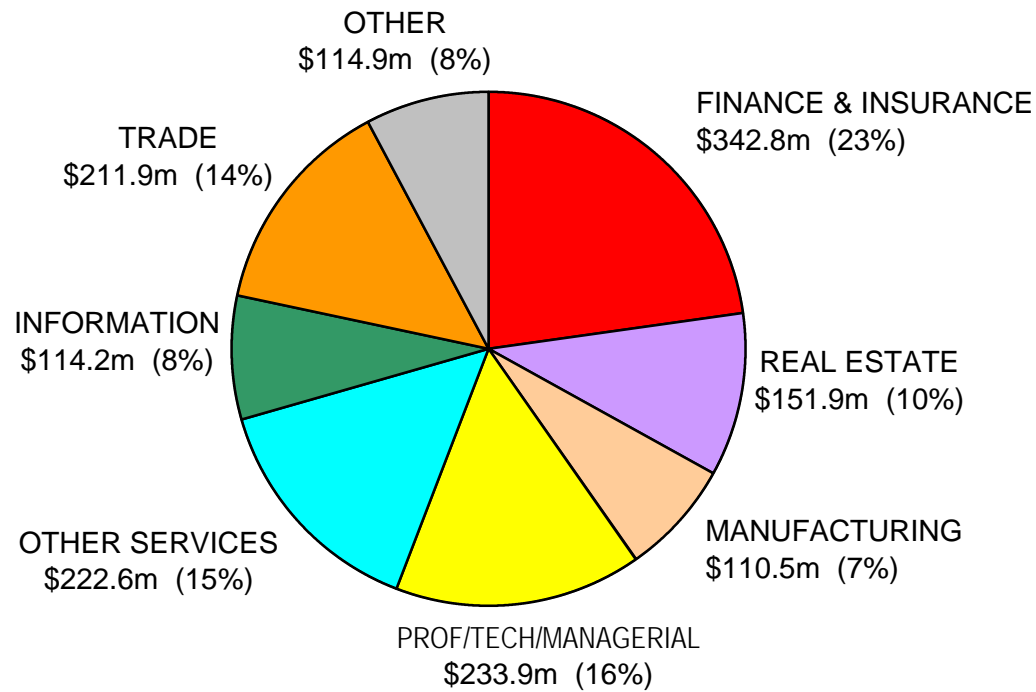
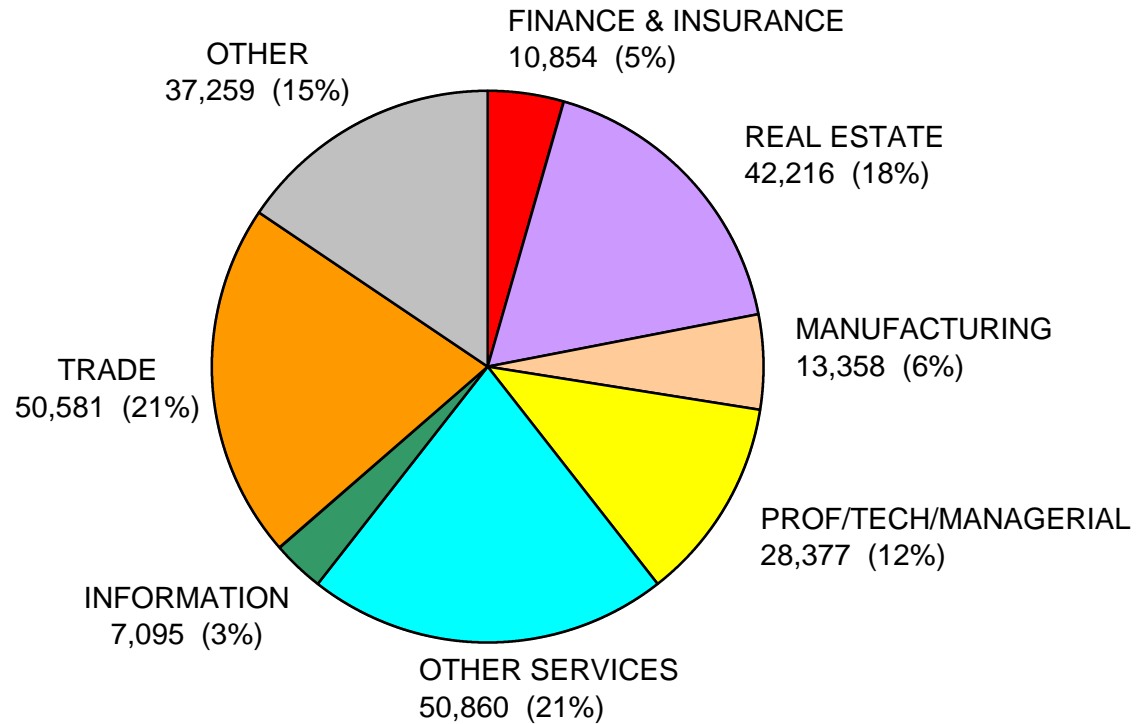


Table 2
**1998 GENERAL CORPORATION TAXPAYERS
BY INDUSTRY**
Total Taxpayers: 240,600



**GENERAL CORPORATION TAX
TAX YEAR 1998**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	10,854	4.5 %	\$342,830	22.8 %
Credit Agencies	870	0.4	17,630	1.2
Funds & Trusts	2,408	1.0	3,804	0.3
Insurance	2,401	1.0	18,687	1.2
Securities & Commodities	5,062	2.1	302,476	20.1
Other Finance	113	0.0	233	0.0
REAL ESTATE	42,216	17.5	151,874	10.1
MANUFACTURING	13,358	5.6	110,450	7.4
Textiles, Apparel & Leather	4,835	2.0	24,770	1.6
Food & Beverage	915	0.4	11,758	0.8
Printing	1701	0.7	15,118	1.0
Wood/Paper	347	0.1	1,850	0.1
Other Manufacturing	5,560	2.3	56,953	3.8
PROF / TECH / MANAGERIAL	28,377	11.8	233,864	15.6
Holding Companies	1,988	0.8	46,527	3.1
Managerial	775	0.3	25,934	1.7
Professional/Technical	25,614	10.6	161,403	10.8
OTHER SERVICES	50,860	21.1	222,562	14.8
Accommodations & Food	9,322	3.9	45,583	3.0
Administration/Support	4,678	1.9	29,045	1.9
Arts & Entertainment	5,697	2.4	27,453	1.8
Education	1,152	0.5	4,961	0.3
Health Care	8,033	3.3	49,478	3.3
Personal Services	8,712	3.6	16,772	1.1
Private Households	271	0.1	339	0.0
Public Administration	23	0.0	152	0.0
Religious	163	0.1	225	0.0
Rental & Leasing	1,189	0.5	5,201	0.3
Repair/Maintenance	4,258	1.8	5,603	0.4
Social Services	263	0.1	427	0.0
Waste Management	263	0.1	771	0.1
Other Services	6,836	2.9	36,552	2.5
INFORMATION	7,095	2.9	114,192	7.6
Broadcasting/Telecom	1,336	0.6	34,013	2.3
Information Services/Data	917	0.4	11,565	0.8
Movies/Video/Sound	2,967	1.2	22,727	1.5
Publishing	1,792	0.7	45,443	3.0
Other Information	83	0.0	444	0.0
TRADE	50,581	21.0	211,895	14.1
Durable Wholesale	11,793	4.9	58,535	3.9
Non-durable Wholesale	12,544	5.2	70,989	4.7
Retail	26,175	10.9	82,296	5.5
Other Trade	69	0.0	75	0.0
OTHER	37,259	15.5	114,882	7.6
Construction	13,928	5.8	56,209	3.7
Transportation	10,432	4.3	45,352	3.0
Utilities	146	0.1	1,395	0.1
Not Available	12,753	5.3	11,926	0.8
TOTAL	240,600	100.0 %	\$1,502,550	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 1998**

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

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300.00 OR LESS	133,404	55.4 %	\$41,044	2.7 %
\$300.01-\$1,000	35,036	14.6	20,643	1.4
\$1,000.01-\$5,000	43,810	18.2	105,176	7.0
\$5,000.01-\$10,000	12,340	5.1	86,806	5.8
\$10,000.01-\$50,000	12,472	5.2	257,473	17.1
\$50,000.01-\$500,000	3,229	1.3	420,249	28.0
\$500,000.01-\$1,000,000	158	0.1	107,820	7.2
MORE THAN \$1,000,000	151	0.1	463,339	30.8
TOTAL	240,600	100.0 %	\$1,502,550	100.0 %

**Table 5
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	1,864	\$335,395	398	\$304,357
REAL ESTATE	3,648	117,010	252	60,290
MANUFACTURING	2,026	98,985	224	63,628
PROF/TECH/MANAGERIAL	4,164	207,134	425	138,962
OTHER SERVICES	4,714	183,074	347	107,811
INFORMATION	890	108,677	174	94,535
TRADE	4,508	172,710	399	99,636
OTHER	2,245	89,862	187	54,016
TOTAL	24,059	\$1,312,847	2,406	\$923,235

**GENERAL CORPORATION TAX
TAX YEAR 1998**

**Table 6
DISTRIBUTION BY TAX BASE
(\$ THOUSANDS)**

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	61,548	25.6 %	\$1,178,013	75.9 %
INCOME PLUS COMPENSATION	29,997	12.5	207,917	14.9
CAPITAL	12,876	5.4	57,035	2.9
MINIMUM TAX	125,067	52.0	38,734	2.5
NOT AVAILABLE / EXTENSION	11,112	4.6	20,851	3.8
TOTAL	240,600	100.0 %	\$1,502,550	100.0 %

**Table 7
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	2,513	\$297,652	1,395	\$30,856	708	\$7,708	6,054	\$2,047
REAL ESTATE	11,872	123,314	1,167	7,035	6,845	14,177	21,356	6,561
MANUFACTURING	3,880	91,665	2,041	11,289	765	4,319	6,201	1,947
PROF/TECH/MANAGERIAL	7,822	156,273	6,608	55,966	916	14,922	12,518	4,154
OTHER SERVICES	11,320	147,733	8,462	55,042	817	5,456	28,284	8,614
INFORMATION	1,622	99,074	1,019	8,944	333	4,243	3,914	1,268
TRADE	14,133	173,436	6,125	24,426	1,666	4,064	27,086	8,220
OTHER	8,386	88,866	3,180	14,359	826	2,146	19,654	5,923
TOTAL	61,548	\$1,178,013	29,997	\$207,917	12,876	\$57,035	125,067	\$38,734

**GENERAL CORPORATION TAX
TAX YEAR 1998**

**Table 8
DISTRIBUTION BY FORM TYPE
(\$ THOUSANDS)**

FORM TYPE	Number	% of Total	Liability	% of Total
SHORT FORM	115,740	48.1 %	\$221,499	14.7 %
LONG FORM	112,544	46.8	903,812	60.2
COMBINED FORM	1,204	0.5	356,388	23.7
NOT AVAILABLE / EXTENSION	11,112	4.6	20,851	1.4
TOTAL	240,600	100.0 %	\$1,502,550	100.0 %

**Table 9
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
\$300.00 OR LESS	70,525	\$21,453	54,221	\$16,995	20	\$6	8,638	\$2,590
\$300.01-\$1,000	17,668	10,253	15,942	9,492	130	95	1,296	803
\$1,000.01-\$5,000	19,188	44,918	23,546	57,631	247	643	829	1,984
\$5,000.01-\$10,000	4,554	31,909	7,487	52,736	127	912	172	1,248
\$10,000.01-\$50,000	3,397	64,217	8,640	183,290	292	6,918	143	3,048
\$50,000.01-\$500,000	400	41,363	2,521	324,896	281	50,496	27	3,494
\$500,000.01-\$1,000,000	*	*	108	73,267	41	28,975	*	*
MORE THAN \$1,000,000	*	*	79	185,505	66	268,343	*	*
TOTAL	115,740	\$221,499	112,544	\$903,812	1,204	\$356,388	11,112	\$20,851

Note:

* Numbers cannot be revealed due to confidentiality restrictions.

**GENERAL CORPORATION TAX
TAX YEAR 1998**

**Table 10
DISTRIBUTION BY ALLOCATION STATUS AND INDUSTRY
(\$ THOUSANDS)**

ALLOCATION STATUS	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	27,488	11.4 %	\$834,861	55.6 %
Finance & Insurance	1,734	0.7	242,756	16.2
Real Estate	1,239	0.5	33,099	2.2
Manufacturing	3,808	1.6	82,112	5.5
Prof/Tech/Managerial	5,415	2.3	128,104	8.5
Other Services	4,024	1.7	75,362	5.0
Information	1,635	0.7	95,356	6.4
Trade	6,648	2.8	126,763	8.4
Other	2,985	1.2	51,309	3.4
100% N.Y.C.	200,044	83.1	620,771	41.3
Finance & Insurance	8,610	3.6	79,712	5.3
Real Estate	39,811	16.6	117,522	7.8
Manufacturing	8,872	3.7	25,550	1.7
Prof/Tech/Managerial	22,113	9.2	101,043	6.7
Other Services	44,588	18.5	140,499	9.4
Information	5,150	2.1	15,610	1.0
Trade	42,051	17.5	81,482	5.4
Other	28,849	12.0	59,352	4.0
NOT AVAILABLE	13,068	5.4	46,918	3.1
Finance & Insurance	510	0.2	20,362	1.4
Real Estate	1,166	0.5	1,253	0.1
Manufacturing	678	0.3	2,788	0.2
Prof/Tech/Managerial	849	0.4	4,716	0.3
Other Services	2,248	0.9	6,701	0.4
Information	310	0.1	3,226	0.2
Trade	1,882	0.8	3,651	0.2
Other	5,425	2.3	4,221	0.3
TOTAL	240,600	100.0 %	\$1,502,550	100.0 %

See Appendix A for definition of allocation status.

**GENERAL CORPORATION TAX
TAX YEAR 1998
STATE S CORPORATIONS**

**Table 11
DISTRIBUTION BY STATE S CORPORATION STATUS
(\$ THOUSANDS)**

	Number	% of Total	Liability	% of Total
STATE S CORPORATION	103,452	43.0 %	\$591,684	39.4 %
STATE C CORPORATION	137,148	57.0	910,866	60.6
ALL CORPORATE FILERS	240,600	100.0 %	\$1,502,550	100.0 %

**Table 12
DISTRIBUTION OF STATE S CORPORATIONS BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	3,850	3.7 %	\$80,195	13.6 %
REAL ESTATE	19,023	18.4	78,069	13.2
MANUFACTURING	5,146	5.0	44,673	7.6
PROF/TECH/MANAGERIAL	13,778	13.3	91,726	15.5
OTHER SERVICES	23,418	22.6	120,460	20.4
INFORMATION	3,062	3.0	18,429	3.1
TRADE	21,236	20.5	103,565	17.5
OTHER	13,939	13.5	54,567	9.2
TOTAL	103,452	100.0 %	\$591,684	100.0 %

**Table 13
DISTRIBUTION OF STATE S CORPORATIONS BY TAX BASE
(\$ THOUSANDS)**

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	38,095	36.8 %	\$453,360	76.6 %
INCOME PLUS COMPENSATION	14,645	14.2	118,887	20.1
CAPITAL	2,928	2.8	3,806	0.6
MINIMUM TAX	47,112	45.5	14,143	2.4
EXTENSION	672	0.6	1,488	0.3
TOTAL	103,452	100.0 %	\$591,684	100.0 %

UNINCORPORATED BUSINESS TAX TABLES

PARTNERSHIPS

Table 14
**1998 UNINCORPORATED BUSINESS TAX
 PARTNERSHIP LIABILITY
 BY INDUSTRY**
Total Liability: \$547.1m

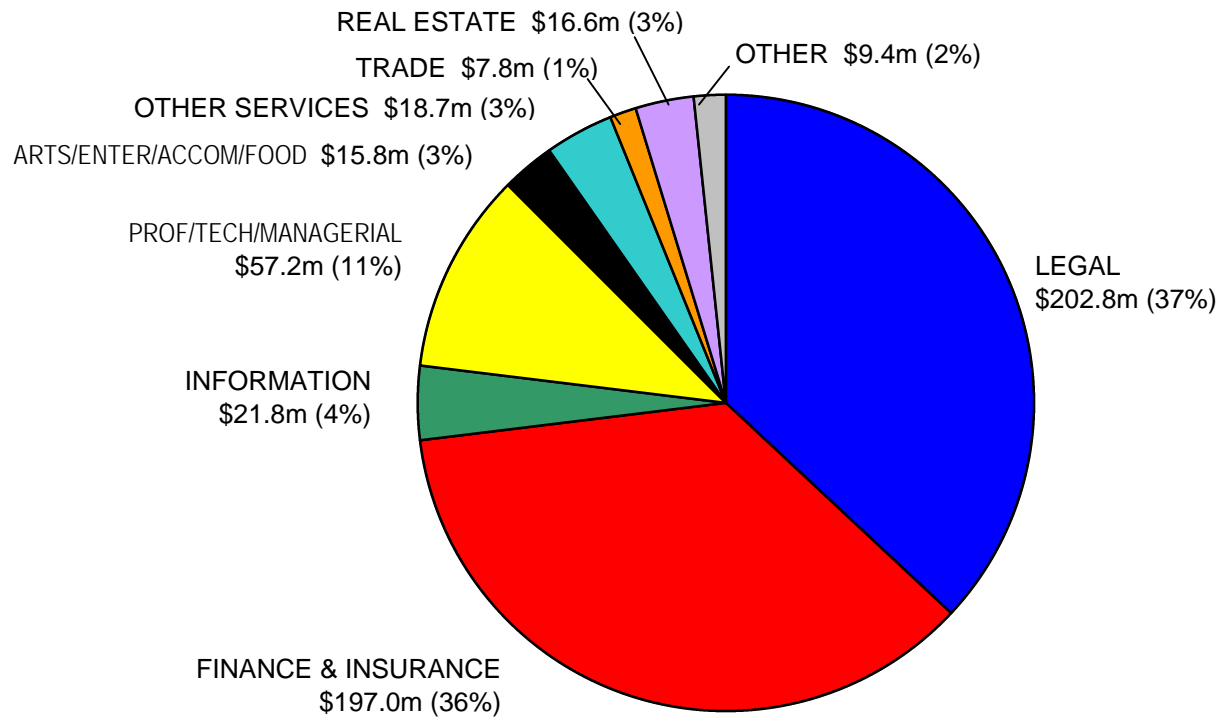
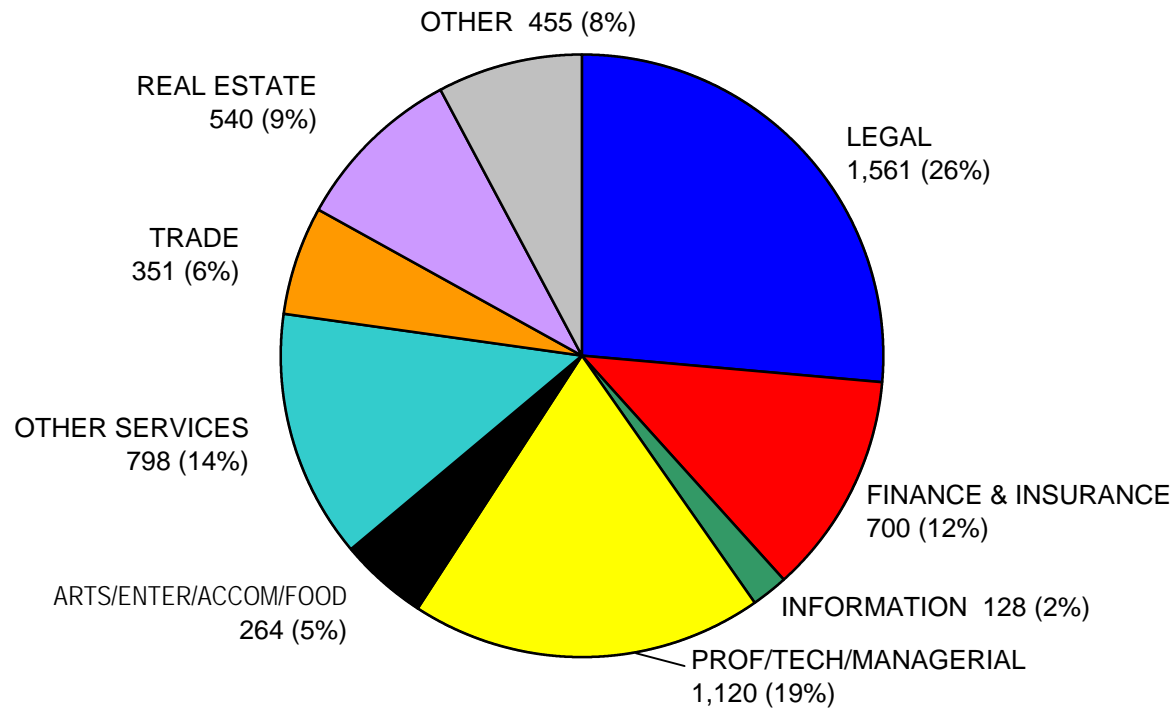


Table 15
**1998 UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
BY INDUSTRY**
Total Taxpayers: 5,917



**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 1998**

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

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,561	26.4 %	\$202,839	37.1 %
FINANCE & INSURANCE	700	11.8	196,984	36.0
Credit Agencies	24	0.4	2,390	0.4
Funds & Trusts	33	0.6	794	0.2
Insurance	36	0.6	2,846	0.5
Securities/Commodities	607	10.3	190,954	34.9
INFORMATION	128	2.2	21,775	4.0
Broadcasting/Telecomm	25	0.4	12,544	2.3
Information Services/Data	23	0.4	5,760	1.1
Movies/Video/Sound	44	0.7	1,154	0.2
Publishing	36	0.6	2,318	0.4
PROF / TECH / MANAGERIAL	1,120	18.9	57,203	10.5
Holding Companies	38	0.6	2,101	0.4
Managerial	13	0.2	411	0.1
Professional/Technical	1,042	17.6	51,985	9.5
Other Prof/Tech/Managerial	27	0.5	2,706	0.5
ARTS / ENTER / ACCOM / FOOD	264	4.5	15,790	2.9
Accomodations	58	1.0	10,479	1.9
Amusement	21	0.4	773	0.1
Food Services	88	1.5	2,112	0.4
Performing Arts	97	1.6	2,426	0.4
OTHER SERVICES	798	13.5	18,725	3.4
Administration/Support	80	1.4	3,391	0.6
Education	21	0.4	232	0.0
Health Care	495	8.4	11,467	2.1
Personal Service	107	1.8	1,929	0.4
Rental & Leasing	22	0.4	360	0.1
Repair/Maintenance	34	0.6	459	0.1
Other Services	39	0.7	886	0.2
TRADE	351	5.9	7,793	1.4
Durable Wholesale	78	1.3	1,968	0.4
Non-Durable Wholesale	95	1.6	3,323	0.6
Other Wholesale	12	0.2	113	0.0
Retail	166	2.8	2,390	0.4
REAL ESTATE	540	9.1	16,565	3.0
OTHER	455	7.7	9,419	1.7
Construction	125	2.1	4,079	0.8
Manufacturing	110	1.9	2,546	0.5
Transportation & Utilities	26	0.4	350	0.1
Other	26	0.4	692	0.1
Not Available	168	2.8	1,752	0.3
TOTAL	5,917	100.0 %	\$547,094	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 1998**

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

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	370	6.3 %	\$42	0.0 %
\$300.01 - \$1,000	318	5.4	198	0.0
\$1,000.01 - \$5,000	1,189	20.1	3,772	0.7
\$5,000.01 - \$10,000	1,124	19.0	8,060	1.5
\$10,000.01 - \$50,000	1,873	31.7	41,832	7.7
\$50,000.01 - \$500,000	870	14.7	125,558	23.0
\$500,000.01 - \$1,000,000	90	1.5	64,467	11.8
MORE THAN \$1,000,000	83	1.4	303,165	55.4
TOTAL	5,917	100.0 %	\$547,094	100.0 %

**Table 18
TOP TEN PERCENT AND TOP ONE PERCENT
(\$ THOUSANDS)**

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	208	\$174,829	27	\$104,416
FINANCE & INSURANCE	167	185,621	21	130,243
INFORMATION	21	19,973	*	*
PROF / TECH / MANAGERIAL	69	40,921	*	*
ARTS / ENTER / ACCOM / FOOD	32	11,837	*	*
OTHER SERVICES	34	7,705	*	*
TRADE	14	4,135	*	*
REAL ESTATE	28	11,216	*	*
OTHER	18	4,292	*	*
TOTAL	591	\$460,530	59	\$272,098

Note:

* Numbers cannot be revealed due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 1998**

**Table 19
DISTRIBUTION BY ALLOCATION STATUS
(\$ THOUSANDS)**

ALLOCATION METHOD	Number	% of Total	Liability	% of Total
NOT AVAILABLE	172	2.9 %	\$64,484	11.8 %
FORMULA	781	13.2	170,798	31.2
100% N.Y.C.	4,725	79.9	158,455	29.0
SEPARATE BOOKS	239	4.0	153,358	28.0
TOTAL	5,917	100.0 %	\$547,094	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS
TAX YEAR 1998**

STATE LIMITED LIABILITY COMPANIES

**Table 20
DISTRIBUTION OF TAXPAYERS BY STATE LIMITED LIABILITY COMPANY STATUS
(\$ THOUSANDS)**

	Number	% of Total	Liability	% of Total
STATE LLC COMPANY	1,368	23.1 %	\$202,844	37.1 %
STATE NON-LLC COMPANY	4,549	76.9	344,250	62.9
ALL PARTNERSHIP PAYERS	5,917	100.0 %	\$547,094	100.0 %

**Table 21
DISTRIBUTION OF STATE LIMITED LIABILITY COMPANIES BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	458	33.5	\$92,297	45.5 %
FINANCE & INSURANCE	205	15.0	58,274	28.7
INFORMATION	24	1.8	6,153	3.0
PROF / TECH / MANAGERIAL	322	23.5	34,072	16.8
ARTS / ENTER / ACCOM / FOOD	35	2.6	1,381	0.7
OTHER SERVICES	149	10.9	4,622	2.3
TRADE	54	4.0	1,588	0.8
REAL ESTATE	63	4.6	3,250	1.6
OTHER	58	4.2	1,207	0.6
TOTAL	1,368	100.0 %	\$202,844	100.0 %

UNINCORPORATED BUSINESS TAX TABLES
PROPRIETORSHIPS

Table 22
**1998 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP LIABILITY
BY INDUSTRY**
Total Liability: \$102.1m

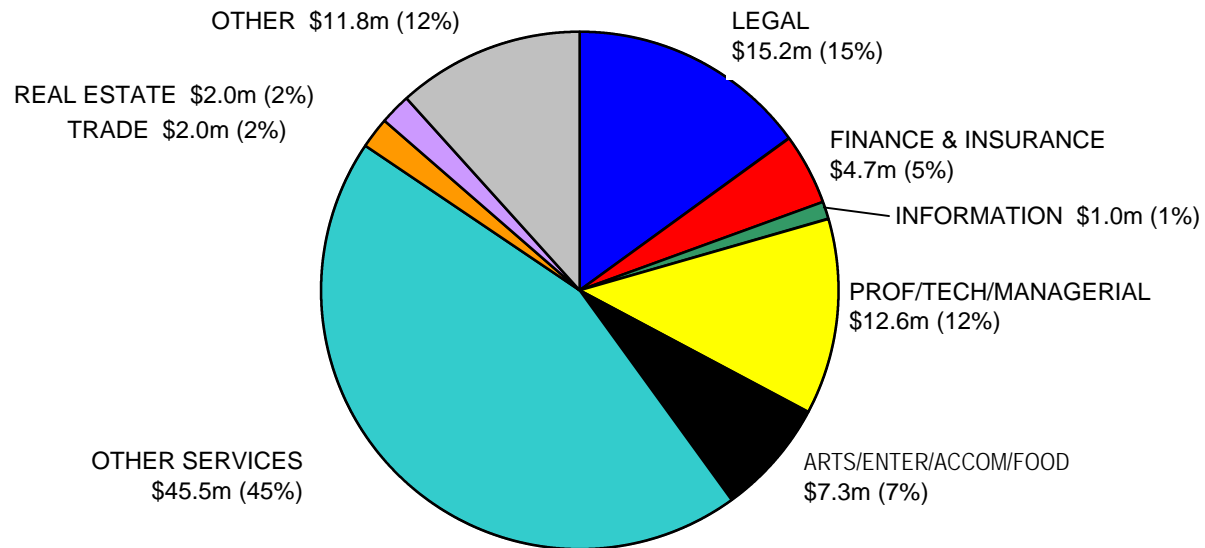
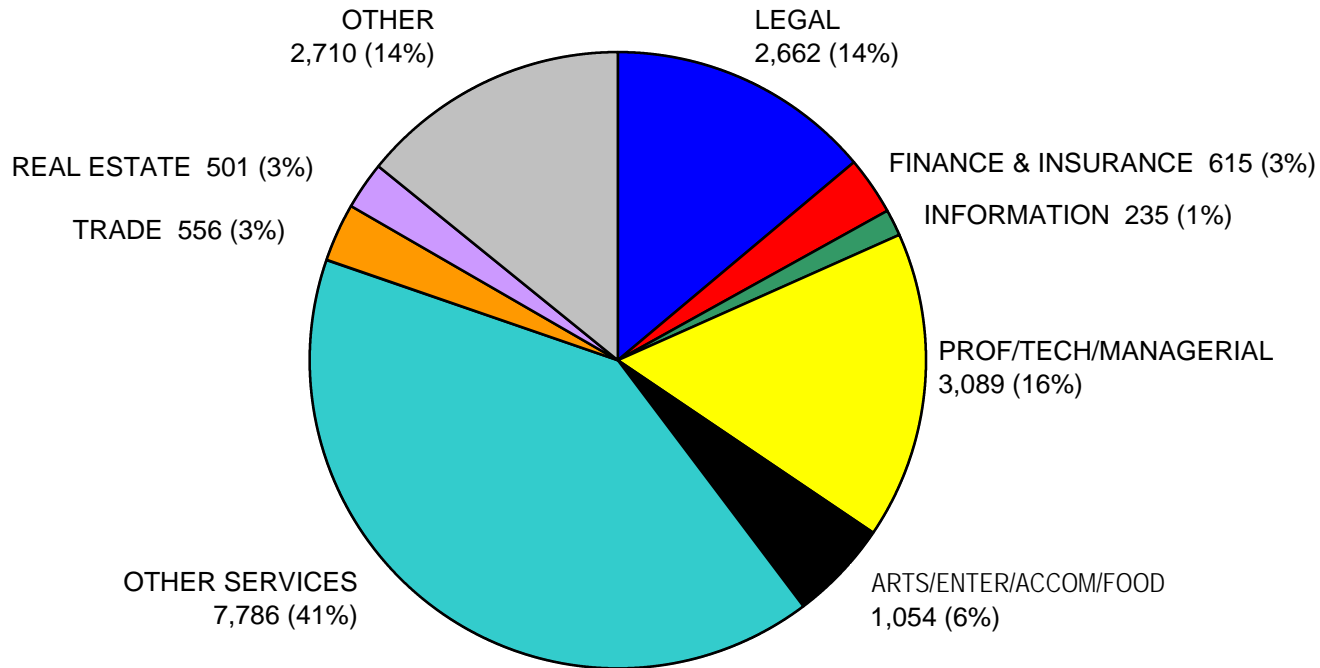


Table 23
**1998 UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
BY INDUSTRY**
Total Taxpayers: 19,208



**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 1998**

**Table 24
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	2,662	13.9 %	\$15,228	14.9 %
FINANCE & INSURANCE	615	3.2	4,680	4.6
Credit Agencies	17	0.1	87	0.1
Insurance	164	0.9	972	1.0
Securities/Commodities	382	2.0	3,197	3.1
Other Finance	52	0.3	424	0.4
INFORMATION	235	1.2	994	1.0
Broadcasting/Telecomm	25	0.1	104	0.1
Information Services/Data	66	0.3	229	0.2
Movies/Video/Sound	87	0.5	299	0.3
Publishing	57	0.3	363	0.4
PROF / TECH / MANAGERIAL	3,089	16.1	12,618	12.4
Managerial	16	0.1	64	0.1
Professional/Technical	3,073	16.0	12,554	12.3
ARTS / ENTER / ACCOM / FOOD	1,054	5.5	7,275	7.1
Accomodations	17	0.1	199	0.2
Amusement	56	0.3	399	0.4
Food Services	20	0.0	45	0.0
Performing Arts	938	4.9	6,516	6.4
Other Arts/Enter/Accom/Food	23	0.1	115	0.1
OTHER SERVICES	7,786	40.5	45,498	44.6
Administration/Support	239	1.3	1,193	1.2
Education	53	0.3	283	0.3
Health Care	6,509	33.9	40,199	39.4
Personal Service	429	2.2	1,561	1.5
Rental & Leasing	9	0.1	59	0.1
Repair/Maintenance	48	0.3	118	0.1
Social Services	67	0.4	129	0.1
Religious	17	0.1	190	0.2
Other Services	415	2.2	1,766	1.7
TRADE	556	2.9	1,995	2.0
Durable Wholesale	165	0.9	608	0.6
Non-Durable Wholesale	127	0.7	480	0.5
Retail	264	1.4	908	0.9
REAL ESTATE	501	2.6	2,004	2.0
OTHER	2,710	14.1	11,775	11.5
Construction	153	0.8	425	0.4
Manufacturing	85	0.4	279	0.3
Transportation & Utilities	156	0.8	657	0.6
Other	288	1.5	1,080	1.1
Not Available	2,028	10.6	9,334	9.1
TOTAL	19,208	100.0 %	\$102,067	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 1998**

**Table 25
DISTRIBUTION BY LIABILITY RANGE
(\$ THOUSANDS)**

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
\$300 OR LESS	1,844	9.6 %	\$270	0.3 %
\$300.01 - \$1,000	2,639	13.7	1,623	1.6
\$1,000.01 - \$5,000	8,397	43.7	25,315	25.0
\$5,000.01 - \$10,000	4,054	21.1	28,067	27.4
\$10,000.01 - \$50,000	2,159	11.2	36,427	33.6
\$50,000.01 - \$500,000	115	0.6	10,364	10.0
TOTAL	19,208	100.0 %	\$102,067	100.0 %

**Table 26
TOP TEN PERCENT AND TOP ONE PERCENT
BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	278	\$6,419	31	\$2,277
FINANCE & INSURANCE	109	2,759	13	1,068
INFORMATION	18	465	*	*
PROF / TECH / MANAGERIAL	183	3,856	15	1,081
ARTS / ENTER / ACCOM / FOOD	123	4,278	31	2,601
OTHER SERVICES	967	19,880	71	4,718
TRADE	26	542	*	*
REAL ESTATE	29	643	*	*
OTHER	187	4,234	23	1,379
TOTAL	1,920	\$43,076	192	\$13,659

Note:

* Numbers cannot be revealed due to confidentiality restrictions.

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS
TAX YEAR 1998**

**Table 27
DISTRIBUTION BY ALLOCATION STATUS
(\$ THOUSANDS)**

ALLOCATION METHOD	Number	% of Total	Liability	% of Total
NOT AVAILABLE	1,005	5.2 %	\$4,843	4.7 %
FORMULA	601	3.1	4,047	4.0
100% N.Y.C.	17,445	90.8	91,794	89.9
SEPARATE BOOKS	157	0.8	1,383	1.4
TOTAL	19,208	100.0 %	\$102,067	100.0 %

APPENDICES

APPENDIX A

DESCRIPTION OF THE NEW YORK CITY GENERAL CORPORATION TAX FOR TAX YEAR 1998

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, 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 was modified in tax year 1996 in order to phase out the add-back of officers' salaries. For tax year 1998, taxpayers with fiscal years beginning before July 1 add 75 percent of officers' salaries to entire net income, while taxpayers with fiscal years beginning July 1 or later add 50 percent of officers' salaries to entire net income. For tax years beginning on or after July 1, 1999, the officers' salaries add-back is fully eliminated. (The add-back elimination does not apply to officers who are also greater-than-5-percent shareholders.) Also, the standard per-firm exclusion was increased from \$30K to \$40K, effective for tax years beginning on or after July 1, 1998,

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 relocated employment opportunities to targeted areas within the City.

Credits were also allowed for the years covered in this report for sales tax paid on the purchase of electricity used in production, and for certain industrial and commercial users of electricity and suppliers of fuel services. As part of legislation enacted in 2000 revamping the City's energy cost reduction program, these credits have been repealed.

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 intercorporate transactions.

Filing Period

The 1998 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 1998 and December 31, 1998. In 1998, 68 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 B

DESCRIPTION OF THE NEW YORK CITY UNINCORPORATED BUSINESS TAX FOR TAX YEAR 1998

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 Unincorporated Business Tax 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 portions of its business income and business capital. UBT taxpayers may allocate net income to the City based upon books and records if such records fairly and equitably reflect income from the City. If New York City income cannot be determined from the taxpayer's books and records, total net income must be apportioned in accordance with the traditional three-factor formula based on property, payroll, and receipts. Manufacturers have the option of double-weighting their receipts factor. Investment income is allocated to the City

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

according to the extent of activity within the City of the issuer of the investment.²

Filing Period

The 1998 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 1998 and December 31, 1998. In 1998, 98 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.

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 relocated employment opportunities to targeted areas within the City. Credits were also allowed for the years covered in this report for sales tax paid on the purchase of electricity used in production, and for certain industrial and commercial users of electricity and suppliers of fuel services. As part of legislation enacted in 2000 revamping the City's energy cost reduction program, these credits have been repealed.

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.

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 C METHODOLOGY

The General Corporation Tax (GCT) and the 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's Statistics Unit converted these tax files into an aggregate database in order to analyze various characteristics of the GCT and UBT. The distributions presented in this report reflect data which is as complete as possible. For tax year 1998, 95 percent of all GCT taxpayers had filed annual returns, while for UBT, 98 percent of taxpayers had filed annuals. For both GCT and UBT, annual returns accounted for 99 percent of 1998 liability. Due to rounding, some rows or columns in the preceding tables may not sum to the totals shown.

Liability

The Finance Department's master files contain 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.

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 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 the City's corporate and partnership liability and 91 percent of the City's proprietorship liability were ultimately identified by industry sector.

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.

In order to facilitate comparison of the 1998 industry data with data for earlier years issued in previous reports, the industry definitions contained in Appendix D highlight differences between the current and previous classifications.

Form Type

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 also use one of three types of annual returns. The NYC-204 is used by partnerships, including syndicates, groups, pools, or other unincorporated organizations.⁴ The NYC-202 is used by individuals, estates, and trusts. The NYC-202 EZ form can be used by individuals who have no New York City modifications, allocate all business income to New York City, and have total income from business that does not exceed \$55,000.

Allocation Status

Taxpayers were classified as multi-jurisdictional if their business allocation percentage (BAP) was less than 100. For GCT combined payers, the stock allocation percentage was used as a proxy, since the BAP was not available. For UBT payers, the latest available data was from 1995. The 1995 data was adjusted to reflect the 1998 population.

New York State S Corporation Status (GCT only)

Data from the New York State Department of Taxation and Finance was used to identify New York City corporations who made the S corporation election at the State level. Computer files from New York State were matched with the GCT population by employer identification number to determine which firms had elected S status at the State level.

New York State LLC Status (UBT only)

Data from the New York State Department of Taxation and Finance was used to identify New York City partnerships which identified themselves as limited liability companies (LLCs). Computer files from New York State were matched with the UBT partnership population by employer identification number to determine which firms were LLCs.

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

APPENDIX D GLOSSARY OF SECTORS

GENERAL CORPORATION TAX INDUSTRIES

- **FINANCE and INSURANCE** - credit agencies, firms in engaged in banking or lending 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. Holding companies were classified under **FIRE** in previous reports. The remainder of this sector was formerly in **SERVICES**.
- **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. Food services and drinking places were classified under **TRADE** in previous reports, while the remainder of this sector was formerly in **SERVICES**.
- **INFORMATION** - publishing, motion picture, broadcasting, telecommunications, information services, and data processing. Publishing was listed under manufacturing in previous reports. Motion pictures, information services, and data processing were previously included in **SERVICES**, and broadcasting and telecommunications were formerly classified under **OTHER**.
- **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 or lending 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. Publishing, broadcasting, and telecommunications were listed under OTHER in previous reports. Motion pictures was previously classified under PERSONAL AND BUSINESS SERVICES. Information services and data processing was listed under PROFESSIONAL SERVICES in previous reports.
- PROFESSIONAL/TECHNICAL/MANAGERIAL SERVICES - accounting, consulting, architectural, engineering, advertising, veterinary services, and holding companies. Holding companies were classified under FIRE in previous reports. The remainder of this sector was listed under PROFESSIONAL SERVICES in previous reports.
- ARTS/ENTERTAINMENT/ACCOMMODATIONS/ FOOD SERVICES - performing arts, amusements and recreation, museums, accommodations, and food services and drinking places. Food services and drinking places were classified under TRADE in previous reports. The remainder of this sector was listed under PERSONAL AND BUSINESS SERVICES in previous reports.
- OTHER SERVICES - administrative and support services, education, social assistance, personal services, repair services, non-realty rental and leasing services, and medical care. Medical care was listed under professional services in previous reports, while the remainder of this sector was reported under PERSONAL and BUSINESS SERVICES.
- 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.