
**GENERAL CORPORATION TAX
AND
UNINCORPORATED BUSINESS TAX
TAX YEAR 1997**



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

RUDOLPH W. GIULIANI
MAYOR

ANDREW S. ERISTOFF
COMMISSIONER

REPORT PREPARED BY THE
OFFICE OF TAX POLICY
NOVEMBER 2000

Table of Contents

Highlights	i-v
General Corporation Tax Tables	1-11
Table 1: Distribution of Liability by Industry, 1987 v. 1997	1
Table 2: Distribution of Taxpayers by Industry, 1987 v. 1997	2
Table 3: Distribution by Industry, 1997.....	3
Table 4: Distribution by Industry, 1996.....	4
Table 5: Distribution by Industry, 1995.....	5
Table 6: Distribution by Industry, 1994.....	6
Table 7: Distribution by Liability Range, 1997.....	7
Table 8: Top Ten Percent & Top One Percent of Taxpayers by Industry, 1997	7
Table 9: Distribution by Tax Base, 1997.....	8
Table 10: Distribution by Tax Base and Industry, 1997	8
Table 11: Distribution by Form Type, 1997.....	9
Table 12: Distribution by Form Type and Liability Range, 1997.....	9
Table 13: Distribution by Allocation Status and Industry, 1997	10
Table 14: Distribution by State S Corporation Status, 1997	11
Table 15: Distribution of State S Corporations by Industry, 1997	11
Table 16: Distribution of State S Corporations by Tax Base, 1997.....	11
Unincorporated Business Tax Partnership Tables	12-19
Table 17: Distribution of Liability by Industry, 1987 v. 1997	12
Table 18: Distribution of Taxpayers by Industry, 1987 v. 1997	13
Table 19: Distribution by Industry, 1997.....	14
Table 20: Distribution by Industry, 1996.....	15
Table 21: Distribution by Industry, 1995.....	16
Table 22: Distribution by Liability Range, 1997.....	17
Table 23: Top Ten Percent & Top One Percent of Taxpayers by Industry,1997	17
Table 24: Distribution of Taxpayers by Allocation Method	18
Table 25: Distribution of Taxpayers by State Limited Liability Company Status, 1997	19
Table 26: Distribution of State Limited Liability Companies by Industry, 1997	19

Unincorporated Business Tax Proprietorship Tables	20-26
Table 27: Distribution of Liability by Industry, 1987 v. 1997.....	20
Table 28: Distribution of Taxpayers by Industry, 1987 v. 1997.....	21
Table 29: Distribution by Industry, 1997	22
Table 30: Distribution by Industry, 1996.....	23
Table 31: Distribution by Industry, 1995	24
Table 32: Distribution by Liability Range, 1997	25
Table 33: Top Ten Percent & Top One Percent of Taxpayers by Industry, 1997.....	25
Table 34: Distribution by Allocation Status	26

Appendices

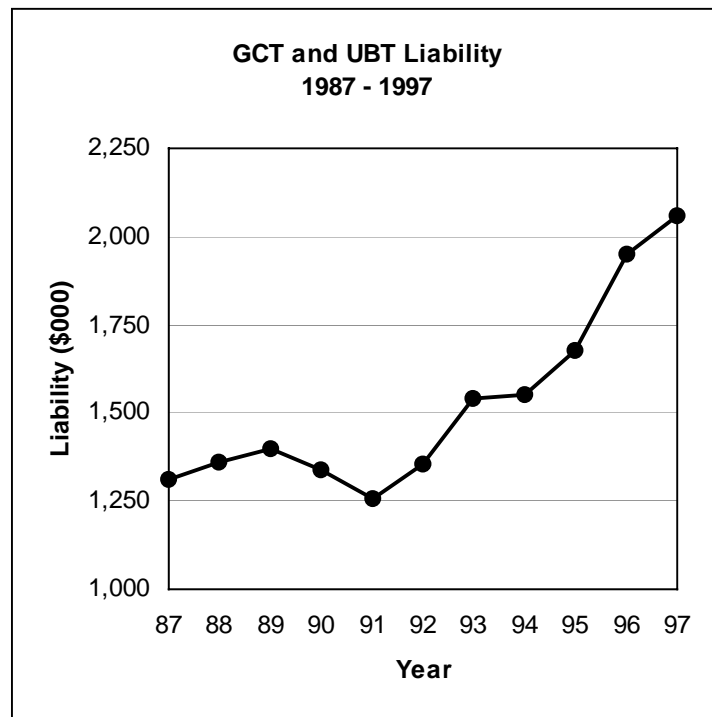
A. Description of the New York City General Corporation Tax	A-1
B. Description of the New York City Unincorporated Business Tax	B-1
C. Major Legislative Changes, 1987 to 1997	C-1
D. Methodology	D-1
E. Glossary of Sectors	E-1

The General Corporation Tax and Unincorporated Business Tax Tax Year 1997

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 1997, the latest year for which complete information is available, and for previously unpublished tax years. The report also examines major trends in the GCT and UBT that have developed over the decade from 1987 to 1997.

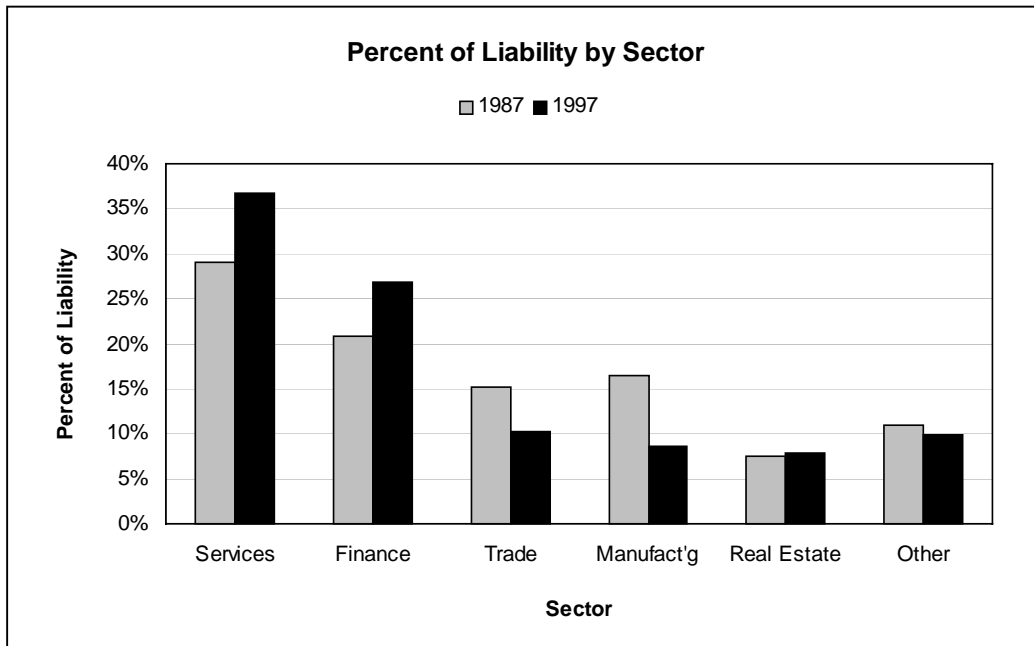
An Overview of the Decade from 1987 to 1997

During the decade from 1987 to 1997, the combined tax liability of GCT and UBT taxpayers increased by 57 percent to \$2.06 billion in 1997, from \$1.31 billion in 1987. Tax liability grew in every year, except in the 1990 and 1991 recession years. From that point on, total GCT and UBT liability grew at a robust pace, increasing by 63 percent from 1991 to 1997.



The decade's 57 percent growth rate was close to the growth in economic activity in New York City over the same period as measured by the Gross City Product – the value of goods and services produced in the City. Aggregate GCT and UBT liability increased an average of 5.7 percent per year on a nominal basis; real growth averaged 1.4 percent annually over the decade.

The continued shift in the City economy from mercantile and manufacturing to service activities is reflected in the changing industry mix of the taxpaying population. In 1997, financial services companies and other service-sector businesses represented 64 percent of total GCT and UBT tax liability, up from 49 percent in 1987. In contrast, manufacturing firms owed only 9 percent of total GCT and UBT liability in 1997, down from 17 percent in 1987, and the trade sector's share of total liability declined to 10 percent in 1997 from 15 percent in 1987.



Economic developments of the decade help explain differences in GCT and UBT growth rates when the taxes are viewed separately. GCT liability increased only 43 percent over the decade, to \$1.49 billion in 1997. While the liability of finance-sector firms more than doubled over the period, overall growth in the GCT was constrained by the single-digit growth in the trade sector and a 19 percent decline in manufacturing-sector liability.

The story was quite different for the UBT, for which manufacturing firms account for only a minor portion of the taxes collected. As a result of the strength of New York City's finance and legal sectors, UBT liability increased from \$271 million in 1987 to \$566 million in 1997, a 109 percent rate of growth.

During the decade the number of GCT taxpayers grew from 200,000 to 232,000, due to strong economic growth following the recession in the early 1990s. The UBT taxpayer population fell from 38,000 to 24,000 as a result of a tripling of the UBT tax credit for small businesses in 1997.

The main beneficiaries of this tax reduction were single-owner businesses.

Tax Year 1997 Summary

General Corporation Tax

The General Corporation Tax generated \$1.49 billion in 1997 tax liability, an increase of 6.5 percent from the tax year 1996 figure. The highest growth was posted by service-sector companies, with a 20 percent increase in tax liability, followed by 9 percent growth in the trade sector. In contrast, tax liabilities reported by the financial and manufacturing sectors declined slightly from 1996 to 1997.

The data also show the following other characteristics of the GCT population in 1997:

- In terms of the distribution of liability by industry sector, finance-sector firms comprised 28 percent of total liability, followed by the services sector at 27 percent. The trade and manufacturing sectors represented 14 percent and 12 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 \$947 million or 63 percent of total liability.
- Of the 232,000 GCT taxpayers, about half owed the GCT \$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 98,000 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 \$1.49 billion in GCT liability for 1997, \$529 million represented liability owed by S corporations.

Unincorporated Business Tax

The Unincorporated Business Tax produced \$566 million in 1997 tax liability, a slight increase over the previous year. Partnerships generated \$467 million, up 8 percent from the prior year. Proprietorships generated \$99 million in liability, a reduction of 18 percent from the

previous year. This decline was almost entirely due to an increase in the UBT tax credit and the resultant removal of 13,000 proprietorships from the tax rolls.

The following taxpayer characteristics are also evident in the UBT data for 1997:

- Among UBT partnerships, legal, finance and professional services firms generated \$378 million in tax liability or 81 percent of total partnership liability. With respect to proprietorships, professional services and personal and business services activities accounted for 64 percent of liability, while taxes owed by law firms represented 13 percent of total liability.
- The distribution of UBT partnership liability was heavily concentrated among a relatively few taxpayers. The top 10 percent of partnership taxpayers, or 530 firms, accounted for 84 percent of total liability, and the top 1 percent accounted for almost 45 percent. The proprietorship liability distribution was far less skewed, with the top 10 percent owing 44 percent of liability, while the top 1 percent owed only 16 percent.
- Under the UBT, limited liability companies (LLC's) are generally treated as partnerships for tax purposes. In 1997, firms identified as LLCs (based on information supplied by the New York State Department of Taxation and Finance) accounted for one-third of total UBT partnership liability and 20 percent of partnership taxpayers.

Introduction to Statistical Tables and Appendices

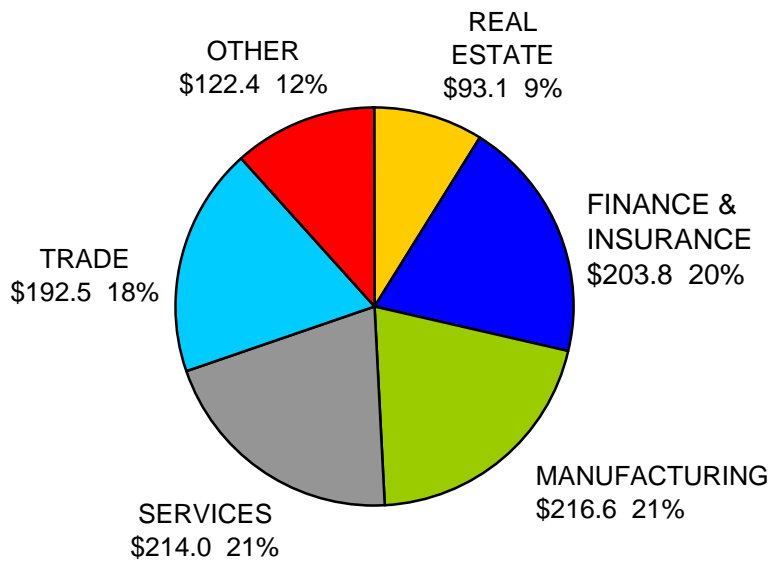
The report is divided into the following sections: General Corporation Tax, Unincorporated Business Tax Partnerships and Unincorporated Business Tax Proprietorships. Each section includes charts comparing tax liability and the taxpayer population by industry sector as well as distributions by industry sub-sectors. 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 December 1999.

The report contains five appendices. Appendices A and B describe the GCT and UBT, respectively. Appendix C reviews law changes affecting the taxes enacted over the past decade. Appendix D describes the methodologies used to compile the data. Appendix E contains a glossary of industry sectors.

GENERAL CORPORATION TAX TABLES

Table 1 GENERAL CORPORATION TAX LIABILITY

1987
Total Liability: \$1,042.4m



1997
Total Liability: \$1,491.4m

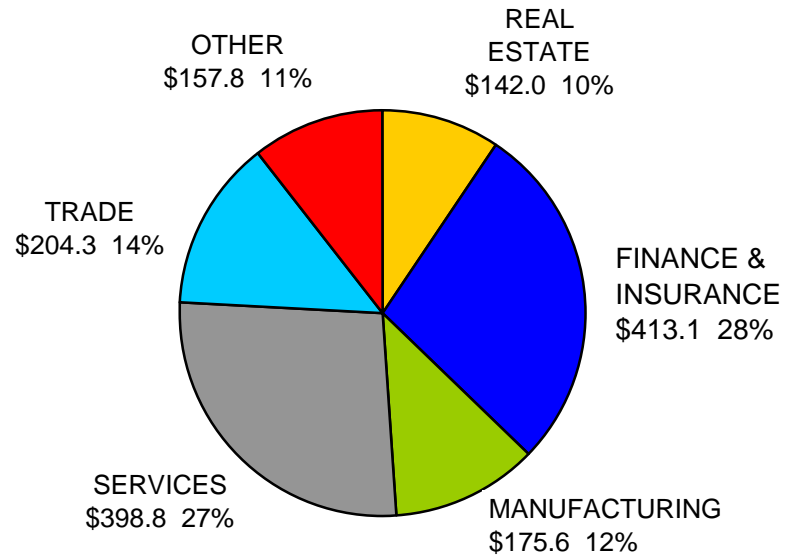
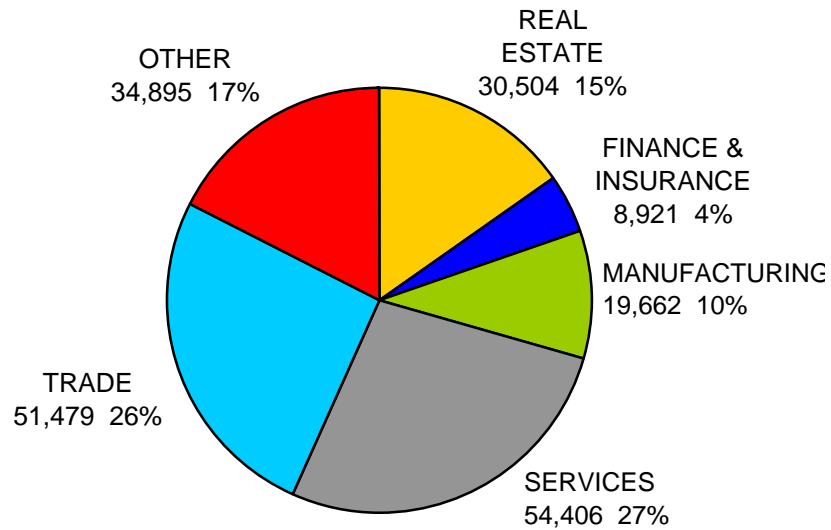
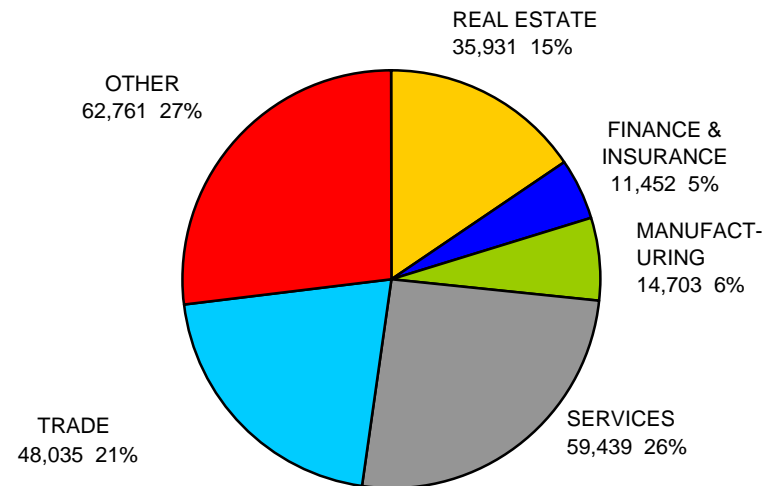


Table 2 GENERAL CORPORATION TAXPAYERS

1987
199,867 Taxpayers



1997
232,321 Taxpayers



**GENERAL CORPORATION TAX
TAX YEAR 1997**

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

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	11,452	4.9 %	\$413,084	27.7 %
Credit Agencies	708	0.3	13,281	0.9
Holding Companies	6,253	2.7	115,824	7.8
Insurance	2,086	0.9	21,654	1.5
Securities, Commodities, Banking	2,171	0.9	261,806	17.6
Other Finance	234	0.1	519	0.0
REAL ESTATE	35,931	15.5	141,951	9.5
MANUFACTURING	14,703	6.3	175,623	11.8
Apparel & Textile	4,143	1.8	30,548	2.0
Chemicals & Petroleum	457	0.2	15,631	1.0
Food & Kindred	854	0.4	10,076	0.7
Machinery & Equipment	1,495	0.6	27,244	1.8
Basic Materials	2,412	1.0	11,141	0.7
Printing & Publishing	3,180	1.4	60,472	4.1
Other Manufacturing	2,162	0.9	20,512	1.4
SERVICES	59,439	25.6	398,759	26.7
Advertising	2,029	0.9	24,376	1.6
Amusement & Recreation	6,086	2.6	63,400	4.3
Other Business Services	12,117	5.2	115,340	7.7
Lodging	458	0.2	12,344	0.8
Personal & Repair	8,238	3.5	16,393	1.1
Medical Services	6,817	2.9	47,918	3.2
Legal Services	2,215	1.0	15,910	1.1
Other Services	21,479	9.2	103,076	6.9
TRADE	48,035	20.7	204,253	13.7
Retail Trade	28,496	12.3	80,169	5.4
Durable Wholesale	9,230	4.0	58,252	3.9
Non-durable Wholesale	10,309	4.4	65,832	4.4
OTHER	62,761	27.1	157,776	10.6
Construction	10,967	4.7	42,191	2.8
Communications	832	0.4	31,612	2.1
Transportation	8,327	3.6	27,993	1.9
Utility	225	0.1	917	0.1
Not Available	42,410	18.3	55,063	3.7
TOTAL	232,321	100.0 %	\$1,491,447	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 1996**

**Table 4
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	10,821	4.8 %	\$427,704	30.6 %
Credit Agencies	651	0.3	12,029	0.9
Holding Companies	5,746	2.5	135,267	9.7
Insurance	1,987	0.9	22,411	1.6
Securities, Commodities, Banking	2,227	1.0	257,556	18.4
Other Finance	210	0.1	441	0.0
REAL ESTATE	33,765	14.8	132,802	9.5
MANUFACTURING	14,412	6.3	176,396	12.6
Apparel & Textile	3,944	1.7	34,945	2.5
Chemicals & Petroleum	468	0.2	15,795	1.1
Food & Kindred	808	0.4	11,553	0.8
Machinery & Equipment	1,493	0.7	24,255	1.7
Basic Materials	2,383	1.0	10,712	0.8
Printing & Publishing	3,189	1.4	56,315	4.0
Other Manufacturing	2,127	0.9	22,821	1.6
SERVICES	55,185	24.2	332,785	23.8
Advertising	1,977	0.9	21,492	1.5
Amusement & Recreation	5,847	2.6	52,404	3.7
Other Business Services	11,717	5.1	86,054	6.1
Lodging	445	0.2	8,904	0.6
Personal & Repair	6,672	2.9	13,321	1.0
Medical Services	6,558	2.9	43,048	3.1
Legal Services	2,100	0.9	15,471	1.1
Other Services	19,869	8.7	92,091	6.6
TRADE	44,606	19.5	187,759	13.4
Retail Trade	25,603	11.2	71,712	5.1
Durable Wholesale	8,990	3.9	52,946	3.8
Non-durable Wholesale	10,013	4.4	63,102	4.5
OTHER	69,417	30.5	142,579	10.2
Construction	9,725	4.3	35,730	2.6
Communications	820	0.4	32,298	2.3
Transportation	5,663	2.5	18,577	1.3
Utility	233	0.1	3,119	0.2
Not Available	52,976	23.2	52,855	3.8
TOTAL	228,206	100.0 %	\$1,400,027	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 1995**

**Table 5
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	10,671	4.8 %	\$317,269	26.8 %
Credit Agencies	659	0.3	15,261	1.3
Holding Companies	5,525	2.5	96,908	8.2
Insurance	2,009	0.9	21,661	1.8
Securities, Commodities, Banking	2,264	1.0	183,099	15.5
Other Finance	214	0.1	340	0.0
REAL ESTATE	33,909	15.3	106,752	9.0
MANUFACTURING	15,040	6.8	165,613	14.0
Apparel & Textile	4,223	1.9	35,449	3.0
Chemicals & Petroleum	464	0.2	18,850	1.6
Food & Kindred	812	0.4	9,398	0.8
Machinery & Equipment	1,483	0.7	19,838	1.7
Basic Materials	2,491	1.1	9,928	0.8
Printing & Publishing	3,321	1.5	51,722	4.4
Other Manufacturing	2,246	1.0	20,428	1.7
SERVICES	55,339	25.0	277,314	23.5
Advertising	2,019	0.9	19,257	1.6
Amusement & Recreation	5,875	2.7	31,897	2.7
Other Business Services	11,692	5.3	73,810	6.3
Lodging	460	0.2	6,279	0.5
Personal & Repair	6,825	3.1	11,515	1.0
Medical Services	6,611	3.0	39,761	3.4
Legal Services	2,018	0.9	14,926	1.3
Other Services	19,839	9.0	79,868	6.8
TRADE	46,516	21.0	177,679	15.1
Retail Trade	26,991	12.2	69,167	5.9
Durable Wholesale	9,163	4.1	50,601	4.3
Non-durable Wholesale	10,362	4.7	57,911	4.9
OTHER	59,669	27.0	135,898	11.5
Construction	10,083	4.6	34,039	2.9
Communications	771	0.3	38,302	3.2
Transportation	5,769	2.6	19,322	1.6
Utility	230	0.1	2,956	0.3
Not Available	42,816	19.4	41,279	3.5
TOTAL	221,144	100.0 %	\$1,180,523	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 1994**

**Table 6
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	10,103	4.6 %	\$241,379	21.4 %
Credit Agencies	656	0.3	16,616	1.5
Holding Companies	4,960	2.3	55,326	4.9
Insurance	2,039	0.9	25,211	2.2
Securities, Commodities, Banking	2,228	1.0	143,952	12.8
Other Finance	220	0.1	274	0.0
REAL ESTATE	33,598	15.5	93,386	8.3
MANUFACTURING	15,608	7.2	207,156	18.5
Apparel & Textile	4,492	2.1	41,982	3.7
Chemicals & Petroleum	463	0.2	41,117	3.7
Food & Kindred	835	0.4	9,458	0.8
Machinery & Equipment	1,445	0.7	20,833	1.9
Basic Materials	2,599	1.2	11,404	1.0
Printing & Publishing	3,526	1.6	61,503	5.5
Other Manufacturing	2,248	1.0	20,859	1.9
SERVICES	55,264	25.6	278,297	24.8
Advertising	2,079	1.0	19,843	1.8
Amusement & Recreation	5,910	2.7	27,230	2.4
Other Business Services	11,236	5.2	73,866	6.6
Lodging	454	0.2	8,297	0.7
Personal & Repair	6,892	3.2	11,074	1.0
Medical Services	6,598	3.1	39,632	3.5
Legal Services	2,029	0.9	15,436	1.4
Other Services	20,066	9.3	82,919	7.4
TRADE	47,874	22.1	168,251	15.0
Retail Trade	27,817	12.9	65,798	5.9
Durable Wholesale	9,401	4.3	44,392	4.0
Non-durable Wholesale	10,656	4.9	58,062	5.2
OTHER	53,768	24.8	133,348	11.8
Construction	10,019	4.6	35,159	3.1
Communications	700	0.3	43,077	3.8
Transportation	5,869	2.7	18,504	1.6
Utility	228	0.1	2,368	0.2
Not Available	36,952	17.1	34,240	3.1
TOTAL	216,215	100.0 %	\$1,121,818	100.0 %

**GENERAL CORPORATION TAX
TAX YEAR 1997**

**Table 7
DISTRIBUTION BY LIABILITY RANGE
(\$ THOUSANDS)**

LIABILITY PER RETURN (Actual \$)	Number	% of Total	Total Liability	% of Total
\$300.00 OR LESS	124,396	53.5 %	\$37,510	2.5 %
\$300.01-\$1,000	36,261	15.6	21,486	1.4
\$1,000.01-\$5,000	44,400	19.1	105,793	7.2
\$5,000.01-\$10,000	12,072	5.2	84,716	5.6
\$10,000.01-\$50,000	11,995	5.2	244,523	16.3
\$50,000.01-\$500,000	2,892	1.2	371,150	25.0
\$500,000.01-\$1,000,000	169	0.1	113,938	7.6
MORE THAN \$1,000,000	136	0.1	512,331	34.4
TOTAL	232,321	100.0 %	\$1,491,447	100.0 %

**Table 8
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	1,932	\$405,458	432	\$374,657
REAL ESTATE	3,071	112,218	213	67,763
MANUFACTURING	2,427	162,816	327	123,109
SERVICES	8,010	344,591	699	219,165
TRADE	4,647	164,909	430	91,755
OTHER	3,145	114,712	222	70,185
TOTAL	23,232	\$1,304,704	2,323	\$946,633

**GENERAL CORPORATION TAX
TAX YEAR 1997**

**Table 9
DISTRIBUTION BY TAX BASE
(\$ THOUSANDS)**

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	55,076	23.7 %	\$1,132,035	75.9 %
INCOME PLUS COMPENSATION	36,862	15.9	222,826	14.9
CAPITAL	12,221	5.3	43,210	2.9
MINIMUM TAX	114,612	49.3	36,811	2.5
NOT AVAILABLE / EXTENSION	13,550	5.8	56,565	3.8
TOTAL	232,321	100.0 %	\$1,491,447	100.0 %

**Table 10
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	2,520	\$353,535	1,264	\$31,757	920	\$10,400	6,300	\$3,332
REAL ESTATE	9,646	115,005	1,225	6,738	6261	12,794	17,386	5,277
MANUFACTURING	4,124	151,641	2,825	14,357	907	4,943	6,225	1,995
SERVICES	13,619	242,758	15,795	117,314	1,244	5,992	26,200	8,078
TRADE	12,095	159,171	8,824	29,275	1,658	4,506	22,991	7,060
OTHER	13,072	109,923	6,929	23,383	1,231	4,574	35,510	11,069
TOTAL	55,076	\$1,132,035	36,862	\$222,826	12,221	\$43,210	114,612	\$36,811

**GENERAL CORPORATION TAX
TAX YEAR 1997**

**Table 11
DISTRIBUTION BY FORM TYPE
(\$ THOUSANDS)**

FORM TYPE	Number	% of Total	Liability	% of Total
SHORT FORM	111,558	48.0 %	\$207,896	13.9 %
LONG FORM	106,144	45.7	837,161	56.1
COMBINED FORM	1,069	0.5	389,825	26.1
EXTENSION	13,550	5.8	56,565	3.8
TOTAL	232,321	100.0 %	\$1,491,447	100.0 %

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

LIABILITY PER RETURN (Actual \$)	SHORT FORM		LONG FORM		COMBINED FORM		EXTENSION	
	Number	Liability	Number	Liability	Number	Liability	Number	Liability
\$300.00 OR LESS	65,091	\$19,535	49,080	\$14,907	11	\$3	10,214	\$3,064
\$300.01-\$1,000	18,642	10,900	15,795	9,459	110	78	1,714	1,049
\$1,000.01-\$5,000	19,796	45,647	23,285	56,919	214	551	1,105	2,676
\$5,000.01-\$10,000	4,490	31,240	7,210	50,794	129	952	243	1,730
\$10,000.01-\$50,000	3,202	59,758	8,326	174,401	262	6,358	205	4,006
\$50,000.01-\$500,000	327	33,524	2,267	286,278	242	42,767	56	8,582
\$500,000.01-\$1,000,000	*	*	117	76,409	37	27,174	*	*
> \$1,000,000	*	*	64	167,994	64	311,941	*	*
TOTAL	111,558	\$207,896	106,144	\$837,161	1,069	\$389,825	13,550	\$56,565

Note:

* Numbers cannot be revealed due to confidentiality restrictions.

**GENERAL CORPORATION TAX
TAX YEAR 1997**

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

ALLOCATION STATUS	Number	% of Total	Liability	% of Total
MULTI-JURISDICTIONAL	26,192	11.3 %	\$881,077	59.1 %
Finance & Insurance	1,975	0.9	335,292	22.5
Real Estate	1,121	0.5	42,397	2.8
Manufacturing	4,275	1.8	143,785	9.6
Services	8,569	3.7	179,093	12.0
Trade	6,013	2.6	112,680	7.6
Other	4,239	1.8	67,831	4.6
100% N.Y.C.	190,658	82.1	551,511	37.0
Finance & Insurance	8,530	3.7	63,502	4.3
Real Estate	33,256	14.3	97,367	6.5
Manufacturing	9,558	4.1	28,584	1.9
Services	47,864	20.6	194,495	13.0
Trade	39,263	16.9	86,679	5.8
Other	52,187	22.4	80,883	5.4
NOT AVAILABLE / EXTENSION	15,471	6.7	58,858	3.9
Finance & Insurance	947	0.4	14,291	1.0
Real Estate	1,554	0.7	2,187	0.1
Manufacturing	870	0.4	3,254	0.2
Services	3,006	1.3	25,171	1.7
Trade	2,759	1.2	4,893	0.3
Other	6,335	2.7	9,062	0.6
TOTAL	232,321	100.0 %	\$1,491,447	100.0 %

See Appendix A for definition of allocation status.

**GENERAL CORPORATION TAX
TAX YEAR 1997
STATE S CORPORATIONS**

**Table 14
DISTRIBUTION BY STATE S CORPORATION STATUS
(\$ THOUSANDS)**

	Number	% of Total	Liability	% of Total
STATE S CORPORATION	97,610	42.0 %	\$528,969	35.5 %
STATE C CORPORATION	134,711	58.0	962,478	64.5
ALL CORPORATE FILERS	232,321	100.0 %	\$1,491,447	100.0 %

**Table 15
DISTRIBUTION OF STATE S CORPORATIONS BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
FINANCE & INSURANCE	3,424	3.5 %	\$76,117	14.4 %
REAL ESTATE	15,694	16.1	57,510	10.9
MANUFACTURING	5,654	5.8	48,280	9.1
SERVICES	27,490	28.2	181,853	34.4
TRADE	20,006	20.5	99,065	18.7
OTHER	25,342	26.0	66,144	12.5
TOTAL	97,610	100.0 %	\$528,969	100.0 %

**Table 16
DISTRIBUTION OF STATE S CORPORATIONS BY TAX BASE
(\$ THOUSANDS)**

TAX BASE	Number	% of Total	Liability	% of Total
ENTIRE NET INCOME	33,234	34.0 %	\$389,218	73.6 %
INCOME PLUS COMPENSATION	17,339	17.8	119,973	22.7
CAPITAL	2,809	2.9	3,565	0.7
MINIMUM TAX	42,981	44.0	12,902	2.4
EXTENSION	1,247	1.3	3,311	0.6
TOTAL	97,610	100.0 %	\$528,969	100.0 %

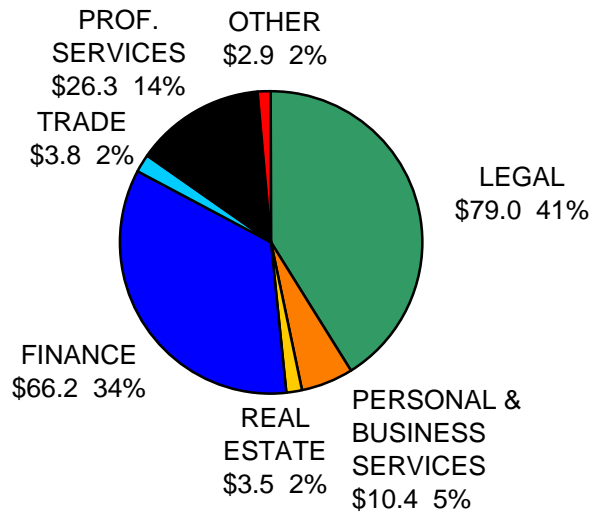
UNINCORPORATED BUSINESS TAX TABLES

PARTNERSHIPS

Table 17

UNINCORPORATED BUSINESS TAX PARTNERSHIP LIABILITY

1987
Total Liability: \$192.2m



1997
Total Liability: \$466.8m

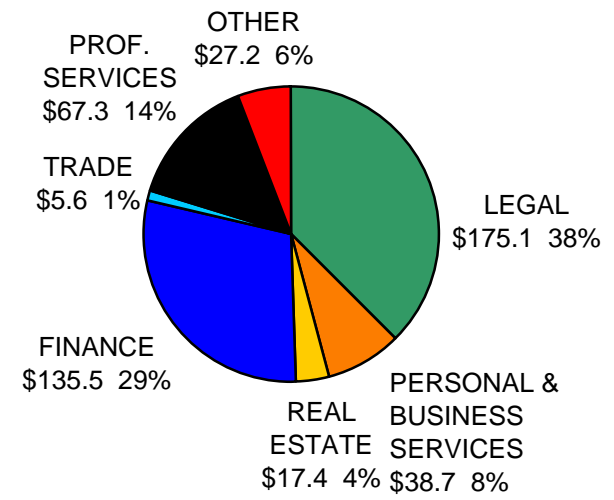
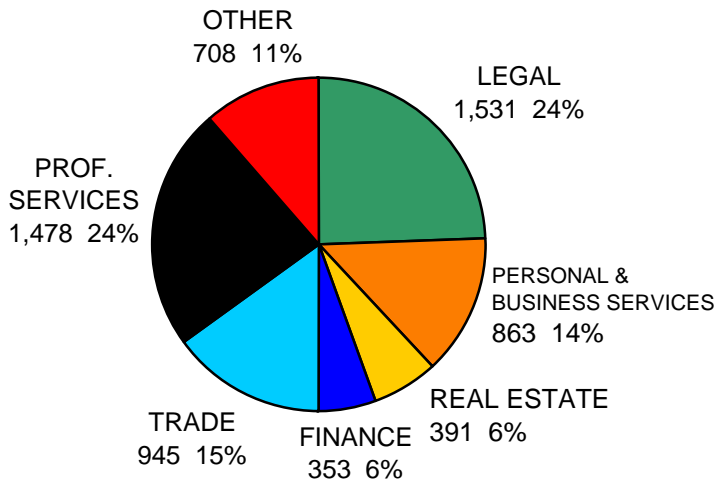


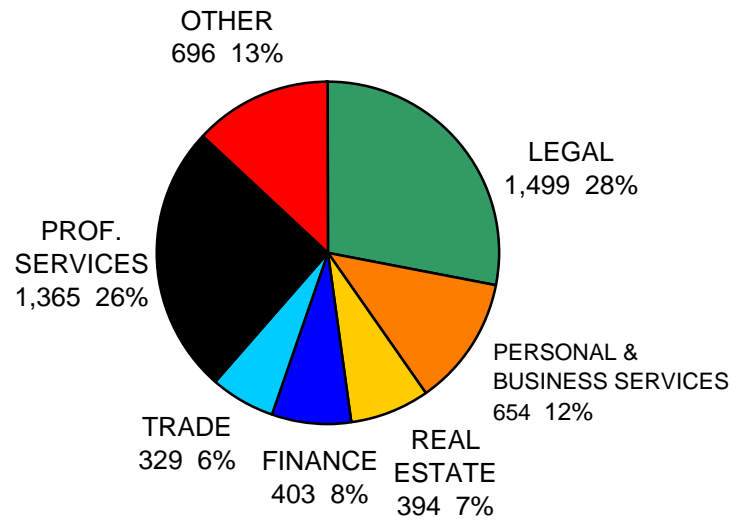
Table 18

UNINCORPORATED BUSINESS TAX PARTNERSHIP TAXPAYERS

1987
6,269 Taxpayers



1997
5,340 Taxpayers



**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS**

**Table 19
TAX YEAR 1997
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,499	28.1 %	\$175,142	37.5 %
FINANCE	403	7.5	135,478	29.0
Securities & Commodities	178	3.3	73,565	15.8
Insurance	41	0.8	6,068	1.3
Holding & Investment	137	2.6	31,694	6.8
Other Finance	47	0.9	24,151	5.2
PROFESSIONAL SERVICES	1,365	25.6	67,337	14.4
Medical & Health	468	8.8	10,625	2.3
Accounting	359	6.7	29,911	6.4
Advertising	47	0.9	1,761	0.4
Management Consulting & PR	143	2.7	9,277	2.0
Engineering	136	2.5	3,009	0.6
Other Professional Services	212	4.0	12,752	2.8
PERSONAL & BUSINESS SERVICES	654	12.2	38,683	8.3
Personal Services	71	1.3	5,065	1.1
Business Services	149	2.8	9,701	2.1
Amusement & Recreation	119	2.2	13,012	2.8
Repair	27	0.5	507	0.1
Other Personal & Business Services	288	5.4	10,399	2.2
TRADE	329	6.2	5,623	1.2
Retail	200	3.7	3,458	0.7
Wholesale	129	2.4	2,165	0.5
REAL ESTATE	394	7.4	17,358	3.7
Operators & Lessors	241	4.5	6,955	1.5
Agents, Brokers, & Managers	79	1.5	1,998	0.4
Developers & Subdividers	9	0.2	682	0.1
Other Real Estate	65	1.2	7,723	1.7
OTHER	696	13.0	27,173	5.8
Construction	80	1.5	2,369	0.5
Manufacturing	87	1.6	4,796	1.0
Transportation & Communication	24	0.4	3,596	0.8
Not Available	505	9.5	16,412	3.5
TOTAL	5,340	100.0 %	\$466,795	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS**

**Table 20
TAX YEAR 1996
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,340	22.0 %	\$155,042	36.0 %
FINANCE	340	5.6	149,295	34.7
Securities & Commodities	143	2.4	92,601	21.5
Insurance	45	0.7	9,752	2.3
Holding & Investment	113	1.9	21,013	4.9
Other Finance	39	0.6	25,929	6.0
PROFESSIONAL SERVICES	1,154	19.0	44,760	10.4
Medical & Health	479	7.9	8,832	2.1
Accounting	386	6.3	25,842	6.0
Advertising	32	0.5	2,646	0.6
Management Consulting & PR	81	1.3	4,461	1.0
Engineering	150	2.5	2,588	0.6
Other Professional Services	26	0.4	390	0.1
PERSONAL & BUSINESS SERVICES	722	11.9	31,495	7.3
Personal Services	116	1.9	3,952	0.9
Business Services	169	2.8	8,269	1.9
Amusement & Recreation	103	1.7	11,399	2.7
Repair	32	0.5	218	0.1
Other Personal & Business Services	302	5.0	7,657	1.8
TRADE	450	7.4	4,861	1.1
Retail	316	5.2	3,096	0.7
Wholesale	134	2.2	1,765	0.4
REAL ESTATE	337	5.5	5,441	1.3
Operators & Lessors	226	3.7	3,297	0.8
Agents, Brokers, & Managers	65	1.1	1,203	0.3
Developers & Subdividers	14	0.2	167	0.0
Other Real Estate	32	0.5	774	0.2
OTHER				
Construction	93	1.5	1,616	0.4
Manufacturing	111	1.8	5,572	1.3
Transportation & Communication	41	0.7	4,110	1.0
Not Available	1,498	24.6	28,076	6.5
TOTAL	6,086	100.0 %	\$430,267	100.0 %

**UNINCORPORATED BUSINESS TAX
PARTNERSHIP TAXPAYERS**

**Table 21
TAX YEAR 1995
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	1,436	23.9 %	\$135,232	36.2 %
FINANCE	388	6.5	132,934	35.6
Securities & Commodities	162	2.7	92,211	24.7
Insurance	50	0.8	4,272	1.1
Holding & Investment	137	2.3	16,569	4.4
Other Finance	39	0.7	19,882	5.3
PROFESSIONAL SERVICES	1,213	20.2	41,591	11.2
Medical & Health	522	8.7	8,093	2.2
Accounting	394	6.6	23,844	6.4
Advertising	37	0.6	2,268	0.6
Management Consulting & PR	79	1.3	4,812	1.3
Engineering	158	2.6	2,305	0.6
Other Professional Services	23	0.4	269	0.1
PERSONAL & BUSINESS SERVICES	821	13.7	29,233	7.8
Personal Services	135	2.3	3,183	0.9
Business Services	197	3.3	9,109	2.4
Amusement & Recreation	141	2.4	10,422	2.8
Repair	33	0.6	175	0.1
Other Personal & Business Services	315	5.3	6,344	1.7
TRADE	549	9.2	4,358	1.2
Retail	384	6.4	2,531	0.7
Wholesale	165	2.8	1,827	0.5
REAL ESTATE	386	6.4	5,623	1.5
Operators & Lessors	269	4.5	2,677	0.7
Agents, Brokers, & Managers	77	1.3	1,586	0.4
Developers & Subdividers	11	0.2	208	0.1
Other Real Estate	29	0.5	1,151	0.3
OTHER	1,205	20.2	24,172	6.5
Construction	142	2.4	1,542	0.4
Manufacturing	141	2.4	5,538	1.5
Transportation & Communication	47	0.8	3,547	1.0
Not Available	875	14.6	13,545	3.6
TOTAL	5,998	100.0 %	\$373,143	100.0 %

**UNINCORPORATED BUSINESS TAX
TAX YEAR 1997**

Table 22
**PARTNERSHIP TAXPAYERS
DISTRIBUTION BY LIABILITY RANGE**
(\$ THOUSANDS)

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
< \$300	279	5.2 %	\$26	0.0 %
\$300	16	0.3	5	0.0
\$300.01 - \$1,000	290	5.4	186	0.0
\$1,000.01 - \$5,000	1,099	20.6	3,416	0.7
\$5,000.01 - \$10,000	1,045	19.6	7,546	1.6
\$10,000.01 - \$50,000	1,683	31.5	37,449	8.0
\$50,000.01 - \$500,000	760	14.2	108,559	23.3
\$500,000.01 - \$1,000,000	77	1.4	51,923	11.1
MORE THAN \$1,000,000	91	1.7	257,685	55.2
TOTAL	5,340	100.0 %	\$466,795	100.0 %

Table 23
**PARTNERSHIP TAXPAYERS
TOP TEN PERCENT AND TOP ONE PERCENT**
(\$ THOUSANDS)

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	195	\$148,911	20	\$75,833
FINANCE & REAL ESTATE	151	143,271	19	89,460
PROFESSIONAL SERVICES	88	47,611	*	*
PERSONAL & BUSINESS SERVICES	58	28,995	*	*
TRADE & OTHER	42	21,092	*	*
TOTAL	534	\$389,881	53	\$207,960

Note:

* Numbers cannot be revealed due to confidentiality restrictions.

UNINCORPORATED BUSINESS TAX PARTNERSHIP TAXPAYERS

Table 24
TAX YEAR 1997
DISTRIBUTION BY ALLOCATION METHOD
(\$ THOUSANDS)

ALLOCATION METHOD	Number	% of Total	Liability	% of Total
NOT AVAILABLE / EXTENSION	157	2.9 %	\$53,837	11.5 %
FORMULA	759	14.2	146,593	31.4
100% N.Y.C.	4,202	78.7	132,977	28.5
SEPARATE BOOKS	222	4.2	133,388	28.6
TOTAL	5,340	100.0 %	\$466,795	100.0 %

**UNINCORPORATED BUSINESS TAX PARTNERSHIPS
TAX YEAR 1997
STATE LIMITED LIABILITY COMPANIES**

**Table 25
DISTRIBUTION OF TAXPAYERS BY STATE LIMITED LIABILITY COMPANY STATUS
(\$ THOUSANDS)**

	Number	% of Total	Liability	% of Total
STATE LLC COMPANY	1,070	20.0 %	\$153,801	32.9 %
STATE NON-LLC COMPANY	4,270	80.0	312,994	67.1
ALL PARTNERSHIP PAYERS	5,340	100.0 %	\$466,795	100.0 %

**Table 26
DISTRIBUTION OF STATE LIMITED LIABILITY COMPANIES BY INDUSTRY
TAXPAYERS ONLY
(\$ THOUSANDS)**

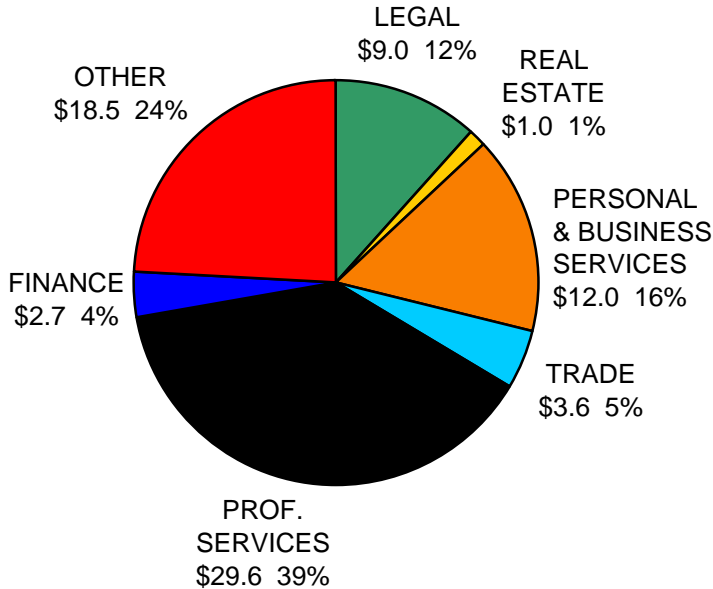
INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	386	7.2 %	\$64,491	13.8 %
FINANCE	73	1.4	38,596	8.3
PROFESSIONAL SERVICES	329	6.2	35,522	7.6
PERSONAL SERVICES	85	1.6	6,123	1.3
TRADE	38	0.7	750	0.2
REAL ESTATE	33	0.6	2,230	0.5
OTHER	126	2.4	6,089	1.3
TOTAL	1,070	20.0 %	\$153,801	32.9 %

UNINCORPORATED BUSINESS TAX TABLES
PROPRIETORSHIPS

Table 27

UNINCORPORATED BUSINESS TAX PROPRIETORSHIP LIABILITY

1987
Total Liability: \$76.4m



1997
Total Liability: \$98.9m

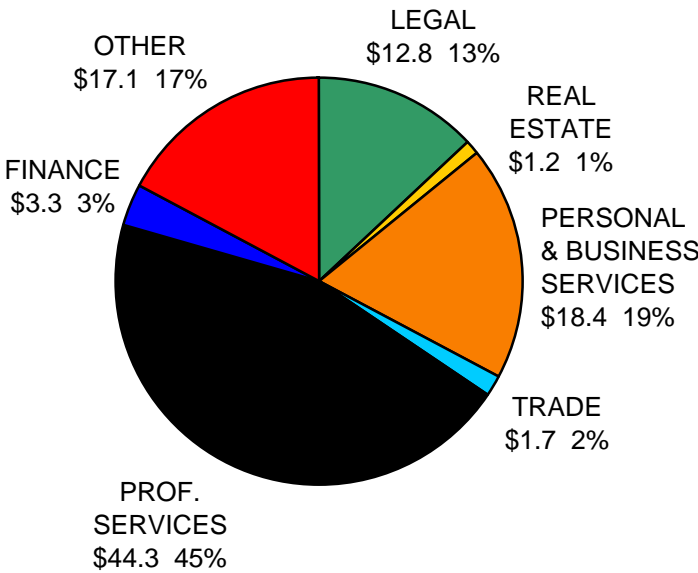
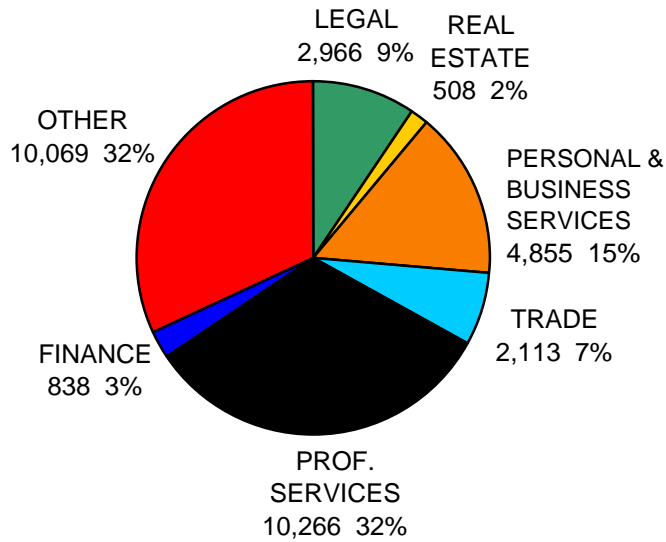


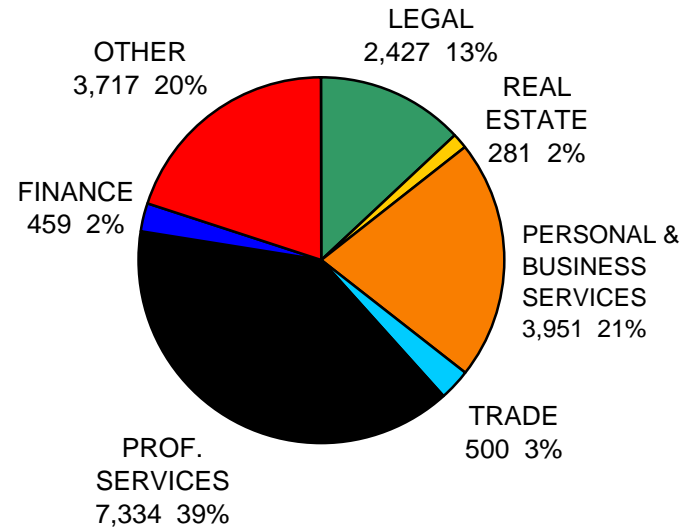
Table 28

UNINCORPORATED BUSINESS TAX PROPRIETORSHIP TAXPAYERS

1987
31,615 Taxpayers



1997
18,669 Taxpayers



**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS**

**Table 29
TAX YEAR 1997
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	2,427	13.0 %	\$12,809	13.0 %
FINANCE	459	2.5	3,316	3.4
Securities & Commodities	157	0.8	1,529	1.5
Insurance	141	0.8	767	0.8
Other Finance	161	0.9	1,020	1.0
PROFESSIONAL SERVICES	7,334	39.3	44,263	44.8
Medical & Health	6,364	34.1	40,340	40.8
Accounting	357	1.9	1,076	1.1
Advertising	138	0.7	498	0.5
Management Consulting & PR	218	1.2	1,238	1.3
Engineering	128	0.7	536	0.5
Other Professional Services	129	0.7	576	0.6
PERSONAL & BUSINESS SERVICES	3,951	21.2	18,444	18.7
Personal Services	693	3.7	2,532	2.6
Business Services	2,119	11.3	8,588	8.7
Amusement & Recreation	649	3.5	5,560	5.6
Repair	17	0.1	21	0.0
Other Personal & Business Services	473	2.5	1,744	1.8
TRADE	500	2.7	1,690	1.7
Retail	244	1.3	677	0.7
Wholesale	256	1.4	1,013	1.0
REAL ESTATE	281	1.5	1,206	1.2
Agents, Brokers, & Managers	259	1.4	1,046	1.1
Other Real Estate	22	0.1	160	0.1
OTHER	3,717	19.9	17,140	17.3
Construction	100	0.5	240	0.2
Manufacturing	98	0.5	488	0.5
Transportation & Communication	148	0.8	536	0.5
Not Available	3,371	18.1	15,876	16.1
TOTAL	18,669	100.0 %	\$98,867	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS**

**Table 30
TAX YEAR 1996
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	3,443	10.8 %	\$14,387	11.9 %
FINANCE	725	2.3	4,663	3.9
Securities & Commodities	205	0.6	2,590	2.1
Insurance	252	0.8	819	0.7
Other Finance	268	0.8	1,254	1.0
PROFESSIONAL SERVICES	10,379	32.5	50,683	42.0
Medical & Health	8,968	28.0	46,200	38.3
Accounting	655	2.0	1,653	1.4
Advertising	247	0.8	652	0.5
Management Consulting & PR	258	0.8	1,184	1.0
Engineering	198	0.6	770	0.6
Other Professional Services	53	0.2	223	0.2
PERSONAL & BUSINESS SERVICES	7,108	22.2	22,665	18.8
Personal Services	1,525	4.8	4,952	4.1
Business Services	3,939	12.3	11,162	9.3
Amusement & Recreation	1,151	3.6	5,474	4.5
Repair	48	0.2	69	0.1
Other Personal & Business Services	445	1.4	1,008	0.8
TRADE	1,325	4.1	2,896	2.4
Retail	762	2.4	1,412	1.2
Wholesale	563	1.8	1,485	1.2
REAL ESTATE	491	1.5	1,274	1.1
Agents, Brokers, & Managers	462	1.4	1,058	0.9
Other Real Estate	29	0.1	217	0.2
OTHER	8,502	26.5	24,223	20.1
Construction	330	1.0	577	0.5
Manufacturing	211	0.7	594	0.5
Transportation & Communication	392	1.2	824	0.7
Not Available	7,569	23.7	22,228	18.4
TOTAL	31,973	100.0 %	\$120,792	100.0 %

**UNINCORPORATED BUSINESS TAX
PROPRIETORSHIP TAXPAYERS**

**Table 31
TAX YEAR 1995
DISTRIBUTION BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	Number	% of Total	Liability	% of Total
LEGAL	3,571	9.9 %	\$13,277	11.0 %
FINANCE	820	2.3	5,846	4.8
Securities & Commodities	82	0.2	723	0.6
Insurance	133	0.4	446	0.4
Other Finance	605	1.7	4,677	3.9
PROFESSIONAL SERVICES	11,760	32.6	51,464	42.6
Medical & Health	9,910	27.5	46,420	38.4
Accounting	799	2.2	1,804	1.5
Advertising	296	0.8	644	0.5
Management Consulting & PR	308	0.9	1,218	1.0
Engineering	223	0.6	723	0.6
Other Professional Services	224	0.6	655	0.5
PERSONAL & BUSINESS SERVICES	8,301	23.0	22,602	18.7
Personal Services	1,848	5.1	4,538	3.8
Business Services	2,992	8.3	6,750	5.6
Amusement & Recreation	1,279	3.6	6,154	5.0
Repair	72	0.2	92	0.1
Other Personal & Business Services	2,110	5.9	5,067	4.2
TRADE	1,747	4.9	3,182	2.6
Retail	1,046	2.9	1,621	1.3
Wholesale	701	2.0	1,561	1.3
REAL ESTATE	621	1.7	1,344	1.1
Agents, Brokers, & Managers	587	1.6	1,168	1.0
Other Real Estate	34	0.1	176	0.2
OTHER	9,217	25.6	23,135	19.1
Construction	430	1.2	676	0.6
Manufacturing	252	0.7	882	0.7
Transportation & Communication	469	1.3	786	0.7
Not Available	8,066	22.4	20,791	17.2
TOTAL	36,037	100.0 %	\$120,849	100.0 %

**UNINCORPORATED BUSINESS TAX
TAX YEAR 1997**

**Table 32
PROPRIETORSHIP TAXPAYERS
DISTRIBUTION BY LIABILITY RANGE
(\$ THOUSANDS)**

LIABILITY RANGE	Number	% of Total	Total Liability	% of Total
< \$300	1,823	9.8 %	\$259	0.3 %
\$300	11	0.1	3	0.0
\$300.01 - \$1,000	2,634	14.1	1,625	1.6
\$1,000.01 - \$5,000	8,199	43.9	24,753	25.0
\$5,000.01 - \$10,000	3,943	21.1	27,054	27.4
\$10,000.01 - \$50,000	1,958	10.5	33,197	33.6
\$50,000.01 - \$500,000	98	0.5	9,932	10.0
\$500,000.01 - \$1,000,000	3	0.0	2,044	2.1
TOTAL	18,669	100.0 %	\$98,867	100.0 %

**Table 33
PROPRIETORSHIP TAXPAYERS
TOP TEN PERCENT AND TOP ONE PERCENT
BY INDUSTRY
(\$ THOUSANDS)**

INDUSTRY	TOP TEN PERCENT		TOP ONE PERCENT	
	Number	Liability	Number	Liability
LEGAL	237	\$5,157	31	\$1,760
FINANCE & REAL ESTATE	90	2,430	10	1,093
PROFESSIONAL SERVICES	994	20,501	81	5,447
PERSONAL & BUSINESS SERVICES	255	7,673	36	4,028
TRADE & OTHER	290	7,423	28	3,092
TOTAL	1,866	\$43,184	186	\$15,421

UNINCORPORATED BUSINESS TAX PROPRIETORSHIP TAXPAYERS

Table 34
TAX YEAR 1997
DISTRIBUTION BY ALLOCATION METHOD
(\$ THOUSANDS)

ALLOCATION METHOD	Number	% of Total	Liability	% of Total
NOT AVAILABLE / EXTENSION	1,258	6.7 %	\$6,467	6.5 %
FORMULA	555	3.0	3,580	3.6
100% N.Y.C.	16,718	89.6	87,493	88.5
SEPARATE BOOKS	138	0.7	1,327	1.3
TOTAL	18,669	100.0 %	\$98,867	100.0 %

APPENDICES

APPENDIX A

DESCRIPTION OF THE NEW YORK CITY GENERAL CORPORATION TAX FOR TAX YEAR 1997

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;
- 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 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.

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, there must be substantial intercorporate transactions among the members of the group. 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 1997 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 1997 and December 31, 1997. In 1997, 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 1997

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 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. 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. As noted in the section entitled *Recent Legislative Developments*, investment partnerships and proprietorships may now 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.¹ By contrast, dealers who hold stock or 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

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

cannot be determined from the taxpayer's books and records, total net income must be apportioned in accordance with the traditional three-factor formula based on property, payroll, and receipts. Manufacturers have the option of double-weighting their receipts factor. Investment income is allocated to the City according to the extent of activity within the City of the issuer of the investment.²

Filing Period

The 1997 tax year includes all reported activity and income over a twelve-month period that began sometime between January 1, 1997 and December 31, 1997. In 1997, virtually 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.

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.

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.

APPENDIX C

MAJOR LEGISLATIVE CHANGES: 1987 TO 1997

Over the last decade, the City enacted two major sets of revisions to the GCT law and four to the UBT law.

- In 1987, the City increased the credit allowed under the UBT for low-liability taxpayers from \$100 to \$600, eliminating UBT liability for approximately 30,000 taxpayers. The City provided a partial credit for firms with liabilities between \$600 and \$800.
- In 1989, the City enacted changes to the GCT in order to conform to changes made in the State's Article 9-A tax on corporations. The City (1) increased the minimum tax from \$125 to \$300, (2) limited the use of net operating loss carrybacks, (3) disallowed certain deductions related to certain highly-leveraged mergers and acquisitions, (4) subjected transportation companies to the GCT (and repealed the transportation corporation tax), (5) disallowed the deduction for 50 percent of dividends from nonsubsidiary corporations when stock of such corporations is held for fewer than 45 days, (6) disallowed the use of the investment allocation percentage for business income or the business allocation percentage for investment income (85/25 rule) and (7) clarified the computation of the issuer's allocation percentage.
- In 1994, the City made two changes to the UBT exemption rules. First, the self-trading exemption was broadened to allow firms to retain this exemption if they have gross receipts of \$25,000 or less from business activities. Second, the exemption for owners and operators of real property was expanded to allow retention of the exemption even if incidental business income was earned from services (such as garages or health clubs) offered solely to the tenants of the property.
- In 1994, New York State passed legislation allowing the formation of limited liability companies (LLCs). LLCs are generally taxed as partnerships under the UBT.
- In 1996, as part of a business income tax reform package, New York City adopted various changes in the general corporation tax law and conforming amendments to the unincorporated business tax. Following are descriptions of the most significant reforms:

General Corporation Tax: Income-plus-Compensation Alternative Tax Base

One of the four tax bases for computing GCT liability is the income-plus-compensation tax base. This base previously required that the taxpayer add back to net income the salaries of company officers and of shareholders owning more than 5 percent of the firm's outstanding stock. The add-back was intended to address the issue of "disguised dividends" -- the distribution of company earnings to employee/shareholders in the form of tax deductible compensation rather than as non-deductible dividend payments. However, the formulaic

approach used by this tax base had been criticized as arbitrary and imprecise. The taxation of officer salaries was particularly burdensome to firms using “vanity” titles that come under the definition of “officer” in the statute. Furthermore, this formula caused an increase in taxable income, which resulted in the taxation of some firms with little or no net profits.

The base has been significantly modified to address these concerns. First, the add-back of officers’ salaries was phased out and fully eliminated for tax years beginning on or after July 1, 1999. (The add-back elimination does not apply to officers who are also greater-than-5-percent shareholders.) Second, the deduction allowed for the base was increased from \$15,000 to \$40,000. The chart below indicates these modifications and their effective dates:

Modification	Tax Years Beginning On or After
Reduce add-back of officers’ compensation by 25%	July 1, 1996
Increase per-firm exclusion from \$15K to \$30K	July 1, 1997
Reduce add-back of officers’ compensation by additional 25%; increase per-firm exclusion to 40K	July 1, 1998
Fully eliminate add-back of officers’ compensation	July 1, 1999

An effective tax rate of 2.655 percent is applied to this base.

General Corporation Tax and Unincorporated Business Tax: Repeal of “Regular Place of Business” Requirement

The City has eliminated the “regular place of business” rule for tax years beginning on or after July 1, 1996. Under this rule, only taxpayers with a “regular place of business” outside the City could apportion business income. Due to this rule, many locally-based firms that delivered goods outside the City could not apportion any of their income outside the City, and thus were required to pay City tax on all of their income, possibly resulting in double taxation across multiple jurisdictions.

General Corporation Tax and Unincorporated Business Tax: Allowing Manufacturers to Double-Weight the Business Allocation Formula’s Receipts Factor

This change, effective for tax years beginning on or after July 1, 1996, was enacted to assist local manufacturers that sell products both inside and outside the City and use the business allocation percentage (BAP) to apportion income to the City. The BAP is an average of three ratios reflecting the share of a firm’s property, payroll and receipts in the City. Manufacturers can now elect to compute the BAP by double-weighting the receipts factor in deriving the

average. For many manufacturing firms, this has the effect of lowering the portion of their income that is allocable to the City, thereby reducing their tax liability.

Unincorporated Business Tax: Small Business Credit

Effective for tax years beginning or on after January 1, 1997, a full credit is provided for unincorporated businesses with liabilities up to \$1,800 and a partial credit is allowed for those with liabilities between \$1,800 and \$3,200. This means that sole proprietors with up to \$55,000 in taxable income owe no UBT, and those with incomes between \$55,000 and \$90,000 receive a partial credit. Two-partner partnerships with up to \$60,000 in taxable income owe no UBT, and those with incomes between \$60,000 and \$95,000 receive a partial credit.

Unincorporated Business Tax: Technical Reforms

Effective for tax years beginning on or after January 1, 1996, certain exemptions related to investment and real estate activities were expanded and clarified. The UBT contains a “self-trading exemption,” which, before these reforms, provided that entities and individuals were not subject to the UBT when their sole source of income was from the purchase and sale of property or the purchase, writing or sale of stock options for their own account. (Dealers holding property primarily for sale to customers in the ordinary course of business were not eligible for this benefit.) If a person were also engaged in business activities, those activities could “taint” the trading activity, causing the “self-trading” income to be treated as business income and subject to full taxation.

Several reform measures were enacted to prevent the loss of the “self-trading exemption” in situations where the entity or individual also earns business income. First, a “safe harbor” was put into place that allows an entity or individual to earn as much as \$25,000 in gross business income without triggering the loss of the exemption. Secondly, a rule was established allowing an entity that meets new criteria indicating that it is “primarily engaged” in activities qualifying for the self-trading exemption to retain the exemption even if it also earns business income greater than \$25,000. Finally, in order to minimize the impact of losing the exemption, the tax treatment of investment income under the UBT was changed to conform to the GCT treatment. The use of the GCT “investment allocation” apportionment method generally reduces the tax liability on such income.

The reform legislation also addressed issues concerning the UBT exemption of income derived from an owner, lessee or fiduciary engaged exclusively in holding, leasing or managing real property. Like the “self-trading exemption,” this type of income could previously have become “tainted” and subjected to tax if the owner, lessee or fiduciary also engaged in other non-exempt business activity. In addition, this exemption did not apply to income from ancillary building services and garage services provided to tenants. The reforms prevent the loss of the exemption through “tainting” by allowing the exemption to continue even if other business activity is carried on and also by expanding the exemption, with certain restrictions, to related building activities.

- In 1998, in order to address the double taxation issue, the City enacted a personal income tax credit for UBT payers ranging from 65 percent of UBT paid for personal income taxpayers with adjusted gross income of \$42,000 or less, to 15 percent for those with adjusted gross income of \$142,000 or more. Both changes were effective for tax years beginning on or after January 1, 1997.

APPENDIX D 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 example, for tax year 1997, 94 percent of GCT annual returns and 97 percent of UBT annual returns are included. For GCT, annual returns accounted for 96 percent of 1997 liability, while for UBT they accounted for 99 percent. 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 reflect Principal Business Activity (PBA) codes as reported by taxpayers on their federal tax returns. The PBA system is similar to the Standard Industrial Classification (SIC) code system and was used by the IRS through 1997 to reflect the taxpayer's primary source of nationwide income. Therefore, the PBA may not accurately categorize the New York City activity of a multi-jurisdictional company.

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, 93 percent of the City's corporate taxpayer liability and 94 percent of the City's unincorporated taxpayer 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. Finance is also treated as a distinct sector, rather than as part of FIRE. Professional Services (such as medical, accounting, and advertising) and Personal & Business Services (such as repair, cleaning, and data processing) are also isolated for the same reason.

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 1997 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 who 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 E
GLOSSARY OF TAX SECTORS

GENERAL CORPORATION TAX

F.I.R.E.

Credit Agencies

Non-bank credit institutions, leasing companies.

Holding Companies

Investment management firms, unit-investment trusts, commodity traders.

Insurance

Insurance agents and brokers. Insurance corporations are exempt from the General Corporation Tax.

Real Estate

Real estate agents, managers, building operators, developers.

Securities & Commodities

Security and commodity brokers, dealers and exchanges.

Other F.I.R.E.

Other related corporations.

Manufacturing

Apparel & Textile

Manufacturers of textiles, garments and related products.

Chemical & Petroleum

Manufacturers of industrial chemicals, plastics, paint, drugs, petroleum, other chemical and petroleum products.

Food & Kindred

Manufacturers of food products, beverages and ingredients.

Machinery & Equipment

Manufacturers of appliances, electronic components and equipment, transportation equipment, industrial and commercial machines and scientific, medical and optical instruments and equipment.

Basic Materials

Manufacturers of wood, paper, rubber, plastic, leather, stone, glass, primary and fabricated metal products.

Printing & Publishing

Newspaper, magazine, book and greeting card publishers, printers and printing trade services.

Other Manufacturing

Other related corporations.

Services

Advertising

Advertising agencies and services.

Amusement & Recreation

Motion picture theaters, production and distribution, orchestras, entertainers, dance studios, producers, commercial sports and recreation businesses, such as golf courses, bowling alleys, amusement parks.

Other Business Services

Accounting, credit rating, personnel agencies, consulting, market research, airport services, security firms.

Lodging

Hotels, other lodging places.

Personal & Repair Services

Garages, car washes, parking lots, auto rentals, appliance, watch, and furniture repair, personal services such as laundry, cleaning, shoe repair, funeral services, barber and beauty shops.

Legal Services

Law firms and services.

Medical Services

Medical and dental practices and laboratories, hospitals, nursing homes, outpatient care facilities.

Other Services

All service-related firms not described above.

Trade

Retail

Retail stores, dealers, restaurants.

Durable Wholesale

Machinery, motor vehicles, furniture, appliances, hardware, other durable goods.

Non-durable Wholesale

Food, clothing, petroleum, other non-durable goods.

Other

Communication

Television and radio broadcasting, telephone, telegraph and communication services firms.

Construction

General contractors and special trade contractors such as plumbing, electrical, carpenter and demolition contractors.

Transportation

Shipping, delivery, warehousing, freight forwarding, taxis and limousines.

Utility

Mining, unregulated utilities, and firms which were not classified elsewhere.

Not Available

Corporations with missing and invalid PBA codes that could not be corrected during data cleaning.

UNINCORPORATED BUSINESS TAX

Legal

Law firms and services.

Finance

Credit Agencies (partnerships only)

Non-bank credit institutions, leasing companies.

Securities & Commodities

Security and commodity brokers, dealers, and exchanges not subject to the financial corporation tax.

Insurance

Insurance agents and brokers.

Holding & investment Companies (partnerships only)

Investment management firms, unit-investment trusts, commodity traders.

Professional Services

Medical & Health

Medical and dental practices and laboratories, hospitals, nursing homes, outpatient care facilities.

Accounting

Accounting agencies and services.

Advertising

Advertising agencies and services.

Management, Consulting & Public Relations

Credit rating, personnel agencies, consulting, market research, airport services, security firms.

Engineering

Engineering and architectural services.

Personal and Business Services

Personal Services

Laundry, cleaning, shoe repair, funeral services, barber and beauty shops, photographic and portrait studio, child day care, teaching and tutoring.

Business Services

Janitorial and window cleaning, equipment rental and leasing, computer and data processing services, employment agencies, investigative and protective services.

Amusement & Recreation

Motion picture theaters, production and distribution, videotape rental stores, orchestras, entertainers, producers, dance studio, physical fitness facilities, commercial sports and recreation businesses, such as golf courses, bowling alleys, amusement parks, racing.

Repair Services

Garages, car washes, parking lots, auto rentals, repair shops for automobile, radio, television, appliance, watch, furniture.

Trade

Retail

Retail stores, dealers, restaurants.

Wholesale

Durable -- machinery, motor vehicles, furniture, appliances, hardware, etc. Non-durable -- food, clothing, petroleum, etc.

Real Estate

Operators & Lessors

Real estate operators, lessor of building and real property.

Agents, Brokers & Managers

Real estate agents, brokers, managers.

Developers & Subdividers (partnerships only)

Developers and subdividers, including cemeteries.

Construction, Manufacturing, Transportation and Communication

Construction

General contractors and special trade contractors such as plumbing, electrical, carpenter and demolition contractors.

Manufacturing

Manufacturers of apparel and textile, chemical and petroleum, food and kindred, machinery, equipment and instruments, printing, basic materials and products.

Transportation

Shipping, delivery, warehousing, freight forwarding, transportation corporations not subject to the City transportation corporation tax (eliminated in tax year 1989).

Communication

Television and radio broadcasting, telephone, telegraph and communication services firms.

Unidentified

Missing/Invalid

Partnerships and proprietorships with invalid PBA codes.