OTPA **_New York State Department of Taxation and Finance_**

Office of Tax Policy Analysis

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Small Business Report:

Statistics for Tax Year 2001

George E. Pataki
Governor

Andrew S. Eristoff
Commissioner

Contents

Executive Summary

- In 2001, there were over 1.4 million small businesses operating in New York. The small business sector accounted for almost 99 percent of all New York businesses. The largest number of small businesses is in the 0-10 employment class. The small business sector accounted for nearly 63 percent of total employment and almost 43 percent of total receipts in the State.

- This statistical report uses the Economic Development Law (Section 131) definition of a small business. A business is considered small if it has fewer than 100 employees in New York State. The report is based upon information drawn from New York State labor data and corporate tax returns as well as federal tax return information shared by the Internal Revenue Service with the Department of Taxation and Finance (the Department). In instances where the Department lacked employment information, data from State and federal sources were used to estimate employment. The estimates were performed using an imputation based on receipts. This method made it possible to use the employment characteristics of firms for which we had data to impute employment values for similar firms for which we lacked employment information.

- Companies employing no more than 25 people accounted for over 95 percent of all the small businesses. The sole proprietorship was the dominant entity type among companies with 25 or fewer employees; average annual receipts of these firms were about $71,000.

- The choice of an entity type is influenced by the industry which is the primary focus of the business. In agriculture, most small businesses were sole proprietors filing Schedule C or F. In manufacturing, 74 percent of the companies were S and C corporations. Wholesale trade was also dominated by S and C corporations. In the finance, insurance and real estate sector, partnerships accounted for more than 40 percent of the companies.

This report contains information pertaining to corporate conversions to limited liability company (LLC) and limited liability partnerships (LLP) organizations.

- The tax laws that affect small business have changed significantly as a result of legislation, administrative initiatives, and the State's conformity to changes in federal law. These tax changes affected small business directly, indirectly, or acted as incentives. The report contains an appendix that lists the changes that have had an impact upon small business.

Over the last several years, the Department of Taxation and Finance has also undertaken numerous initiatives to ease tax compliance for many small businesses.

For example, the Department:

- Adopted new regulations to allow more than 100,000 additional businesses to file sales tax returns on an annual basis, rather than quarterly. Previously, any individual or business collecting more than $250 in sales tax monies during the prior year was required to file a sales tax return each quarter, even if the business had no taxable sales during that quarter. Under the revised regulations the sales tax liability threshold for quarterly filing increased from $250 to $3,000 per year.

- Established a system which allows those businesses with no taxable activity to file their sales tax return via the telephone. This offers a simple alternative to taxpayers who would otherwise have to file a paper return to report they owed no tax.

- Adopted a new regulation that allows as many as 75,000 more business employers to file the less complicated corporation tax short form, saving these smaller businesses almost $2 million in annual tax preparation costs.

- Eliminated the requirement that seasonal employers file withholding and wage reporting forms for quarters in which they do not pay wages. Worked with the Department of State to revise the corporate dissolution process. It once took as long as six months for the Department to approve a request from a company to dissolve. Today, for a small business to dissolve, it takes less than a week and the process can be completed over the telephone.

- Eliminated hundreds of pages of regulations that were either obsolete or unnecessarily burdensome on many small businesses.

- The Department launched a new E-file/E-pay Pilot Program that allows sales tax vendors to remit certain sales tax returns through the Internet.

Introduction

This report provides data for New York State small businesses in tax year 2001. The methodology used in this study has changed, compared to past studies (tax years 1995 and 1996). As a result, comparison of the data in this report with data presented in prior reports may be misleading. The section on methodology describes the process in detail.

One of the key questions in this study is: what is a “small business?” The definition of a small business used in this analysis follows the Economic Development Law definition (Section 131). A business is considered small if it has fewer than 100 employees in New York State.

Small businesses organize themselves in many different forms. The most prevalent organizational form for small business is the sole proprietorship. Sole proprietors may or may not employ additional workers. They file tax returns under the personal income tax for both federal and New York State purposes using federal Schedule C to compute their business profit or loss.

Many farms are also organized as a type of sole proprietorship. The farm owner may hire workers and pay them wages subject to withholding tax. The farmer will also pay tax under the personal income tax, but will use federal Schedule F to compute farm profit or loss.

Partnerships are another small business form. Partners pay income tax on their distributive share of income derived from the partnership. The partnership entity also files informational returns with the State and federal governments.

Additionally, limited liability companies (LLCs) and limited liability partnerships (LLPs) are treated as partnerships for income tax purposes. Appendix A provides additional detail concerning LLCs and LLPs in New York State.

Some small businesses decide to incorporate. Businesses that pay a New York State entity tax under the general business corporate franchise tax (Article 9-A) are referred to as C corporations. Small businesses, including some farms, may choose this organizational form to insulate the business owners from liability.

In 2001, general business corporations with 75 or fewer shareholders could elect subchapter S status for both federal and New York State tax purposes. This election causes the income from the S corporation to flow through from the entity to the shareholder. Each shareholder pays income tax on their pro rata share of the corporation's income. With personal income tax rates generally below corporate tax rates, S corporation status confers tax benefits on these business owners. In New York State, the S corporation entity also pays an entity level tax.

Trucking and railroad companies have the option of paying tax either under Article 9 or under the general corporate franchise tax (Article 9-A). The vast majority of these companies have opted to be taxed under the general corporate franchise tax (Article 9-A). As a result, Article 9 taxpayers are principally comprised of large businesses, and thus excluded from this analysis.

New York State has undertaken a series of important tax reductions that have provided benefits to small businesses.

Since 1995, New York State has undertaken a series of important tax reductions that have provided benefits to small businesses. These tax cuts can be categorized into three distinct types. First, there are tax reductions that directly affect small businesses. The centerpiece of these direct tax cuts was the three year reduction in the personal income tax enacted in 1995. As discussed above, all small businesses except those organized as C corporations, pay their tax under the personal income tax.

Other significant direct tax relief provisions for small businesses include reductions in the S corporation entity level tax, reductions in tax rates on C corporations, and a credit for farmers for school property taxes paid. For small C corporations, the corporate franchise rate for small businesses with ENI less than $200,000 is reduced to 6.85 percent for tax years after June 30, 2003. The rate is further reduced to 6.5 percent for tax years beginning on or after

January 1, 2005. An additional example of this tax relief is the enhancement of the sales tax vendor credit. The credit has been increased from 1½ percent to 3½ percent of the State tax collected. The cap on this credit was also increased to $150.

Please refer to Appendix B for more detail on these provisions as well as a complete listing of all tax relief provisions enacted beginning in 1995.

A second type of tax relief affects small businesses indirectly. For example, the gross receipts tax paid by gas, electric and telecommunications utilities are generally passed through to end user customers. Legislation enacted in 2000 continued the reductions in telecommunications taxes begun in 1997, while other legislation in 2000 began a phased reduction of taxes paid by energy delivery companies. Effective January 1, 2005, receipts from businesses were completely eliminated from the gas and electric utilities tax base. As these tax cuts get passed through to end users in the form of lower prices, small business consumers of utility services will have lower utility costs. Another example of indirect tax relief is the estate tax reductions that began in 1998 and that continued into the year 2000. These provisions allow family owned businesses to be passed on to the next generation without onerous estate taxes causing liquidation of the business assets just to pay the tax.

The final category of tax relief are those provisions that provide incentives for consumers to utilize New York businesses. A prime example of this type of relief is the Sales and Use Tax exemption for maintenance and other services performed on private aircraft in New York State which took effect on December 1, 2004.

Finally, other non-tax initiatives also provide substantial relief to small businesses. Among these are regulatory reform, and workers compensation relief. While immensely important, these measures are not within the purview of the Department of Taxation and Finance. Therefore, they will not be discussed further in this analysis.

Given the number of important changes to New York's tax climate, this report will profile the status of the small business community. Over one million separate business entities operating in the State are classified as "small." It is estimated that these small businesses accounted for almost 63 percent of the total employment and over 43 percent of total gross receipts generated in New York State in 2001.

Methodology

Small businesses are defined as those businesses that employ fewer than 100 employees in New York. The only data readily available for determining the number of employees for 2001, is from New York State Department of Labor (Labor Department) employment data. The major data source for sole proprietors and Schedule F farmers comes from federal tax returns, shared with the Department from the IRS. Data on S corporations, partnerships, and C corporations are available from both State and federal tax returns.

The flow charts in Appendix C depict the data sources used, as well as the process of merging information from State entity tax returns with the Labor Department data and federal tax return files. Federal information supplements the State tax return information for partnerships, C corporations and S corporations. For example, C corporations are required to provide to the State information on their gross receipts only if they allocate their net income. However, many small businesses are wholly present in New York. Therefore, the information available about their gross receipts is available from the federal tax return files. The merging of the files was based on the employer identification number.

To obtain information on the number of employees, each of the tax return files was merged with the Labor Department information. The merge success rate with the Labor Department data differed among entity types, but was not completely successful for any given entity. Because the study attempts to profile the population of businesses, a complete analysis required imputing employment, based on other characteristics, for those entities which did not match successfully with the Labor Department data.

Historic ratios based on the number of employees and gross receipts were used for the taxpayers that did not successfully match the Labor Department data. Separate ratios were developed for each entity type for each industry.

Other issues worth noting are:

- As a result of changes in some of the data sources used for this report and changes in industry classification from Standard Industry Classification (SIC) codes to North American Industry Classification (NAIC) codes, comparisons with previous reports are not meaningful.

- As noted earlier, the historic ratios used to impute employment were developed by entity type and industry. The industry designation on the data files used to create these ratios was based on the Standard Industry Classification (SIC) system. While the data files used in this report contain NAICs codes, the data was summarized and presented based on the SIC major industry groups to facilitate the use of the historic ratios.

- Consistent with methodology used in the prior reports, Schedule C filers (sole proprietorships) with less than $10,000 in gross receipts were excluded from the analysis. This decision was an attempt to segregate "hobby" Schedule C activity from active sole proprietorship businesses. A separate table is included which reports the number of these entities, and their gross receipts class.

- For sole proprietorships, we added 1 to the actual or imputed employment to account for the sole proprietor him/her self.

- The match between sole proprietorships and Labor data was extremely unsuccessful for the 2001 data. Therefore, historic gross receipts were used to impute employment for all sole proprietorships.

- For partnerships, the number of partners was added to the actual or imputed employment from the Labor Department data to account for the partners employed in the entity.

Analysis

Number of Small Businesses by Employment Class

In 2001, there were 1,423,018 small businesses in New York State

As shown in Table 1, in 2001 there were 1,423,018 small businesses in New York State.

About 50 percent were sole proprietors (Schedule C filers). There were more than 29,000 small businesses with income from farming operations (Schedule F filers), although these accounted for only 2.1 percent of small businesses. (Many of these represent family farms.) Partnerships accounted for more than 11 percent of the small businesses.

There were over 518,000 small business corporations in New York State in 2001 accounting for about 36 percent of all small business in the State. S corporations, numbering 300,546 accounted for considerably more firms than the 218,269 general C corporations.

Firms with 25 or fewer employees accounted for about 95 percent of all the small business in New York. The density of the smallest firms in terms of employees is a pattern that holds for all entity types.

Small Businesses as a Percent of all Businesses, Employment, and Receipts

Table 2 shows that in 2001 it is estimated that 99 percent of all businesses in the State were small. The lowest concentration of small businesses was for corporations classified as C corporations.

Table 1: Number of Businesses by Entity Type and Employment Class - 2001

			Employee Class		
Entity Type	0-10	11-25	26-50	51-99	Total
Schedule C	597,319	79,714	27,514	10,602	715,149
Schedule F	26,607	2,117	371	71	29,166
Partnership	147,218	7,883	3,153	1,634	159,888
S Corporation	260,462	25,317	8,861	5,906	300,546
C Corporation	184,124	21,341	8,356	4,448	218,269
Small Businesses	1,215,730	136,372	48,255	22,661	1,423,018

Table 2: Summary of Small Business By Entity - 2001

Entity Type	Percent of Companies	Percent Total Employment	Percent Receipts
Schedule C	99.63	84.50	75.70
Schedule F	99.90	81.41	83.20
Partnership	98.70	23.01	36.77
S Corporation	99.16	67.90	69.94
C Corporation	97.89	27.78	37.53
All Entities	99.31	62.62	43.06

All small business types provided about 63 percent of the State's employment. As expected, this percentage varies significantly by entity type. Almost all, nearly 81 percent, of Schedule F farm employment was attributable to small business. Small C corporations accounted for 28 percent of total C corporation employment.

Small businesses accounted for nearly 45 percent of all business receipts. This percentage varied greatly according to entity type. Small Schedule F farms accounted for almost 85 percent of farm receipts. The receipts of small C corporations were about 37 percent of the receipts of all C corporations.

Small partnerships accounted for 37 percent of total partnership receipts and 23 percent of partnership employment. Small S corporations employed almost 68 percent of S corporation employees and accounted for 70 percent of S corporation receipts.

Average Receipts of Small Businesses by Entity Type and Employment Class

Table 3 shows that the smallest entities by employment class had the smallest average receipts. The average level of receipts tended to increase with employment. Sole proprietorship Schedule C and sole proprietorship farmers (Schedule F) companies look different in that their average receipts for each employment class generally tended to be significantly less than the average receipts for the other entities. The average of receipts for each employment class for C corporations was always greater than the average receipts for the same employment class of S corporations.

Table 3: Average Receipts of Small Businesses by Entity Type and Employment Class - 2001

Employee Class	Schedule C	Schedule F	Partnership	S Corporation	C Corporation	All Employees
0-10	$33,896	$30,894	$230,949	$296,131	$1,611,010	$352,730
11-25	167,418	296,919	4,248,044	2,008,362	4,957,336	1,496,654
26-50	367,918	623,076	5,862,296	4,778,703	10,251,374	3,250,284
51-99	713,781	1,143,084	24,087,254	6,504,200	16,393,535	6,987,312
All Employment Classes	71,709	60,444	783,859	694,517	2,570,218	666,266

Gross Receipts Distribution for Schedule C Filers With Gross Receipts Less Than $10,000

As shown in Table 4, more than one-half million New Yorkers were involved with a small business with less than $10,000. Over 118,000 had receipts of $1,000 or less. The average level of receipts for Schedule C filers that had less than $10,000 in receipts was slightly more than $3,900.

Table 4 Average Receipts for Schedule C With Less Than $10,000 in Gross Receipts - 2001

Gross Receipts Class	Number of Businesses	Average Receipts
0	4,334	NA
$ 1 - 1,000	114,147	587
1,001 - 2,500	141,613	1,716
2,501 - 5,000	158,403	3,731
5,001 - 7,500	118,421	6,245
7,501 - 9,999	98,685	8,640
Total	635,603	3,922

Table 4 provides information about the very smallest sole proprietors as measured by gross receipts. These companies were excluded from the statistical analysis presented in the other tables and figures contained in this report. However, because these companies are so numerous, and are indicative of the vitality of the entrepreneurial spirit in New York, it is important to provide some description of their activity.

There are a number of explanations for an entity with extremely low gross receipts. Such companies could be start-up companies that were created during the year. In their first year of operation, such companies could have very low gross receipts, either because of their creation late in the year or because of the nature of initial operations. Schedule C filers may also engage in part-time business operations to supplement their wage income or their family income. Many individuals conduct business operations from their homes on a part-time basis. Frequently these operations involve the sale of nationally known and advertised retail products. Often the gross receipts of such business activity is less than $10,000. Other Schedule C activity is generated by individuals whose business is more in the nature of a hobby. This “hobby” activity could generate receipts during a year that would require the filing of a Schedule C return.

Distribution of Entity Types for Each Employment Class

Two of the more interesting findings to emerge from the analysis of the data concern the choice of the type of entity and the level of employment or business activity. Businesses in the various sectors of the State's economy tended to choose to organize themselves to conduct business in different ways. The study shows that the most likely choice of an entity type was strongly influenced by the type of economic activity in which the business was engaged. In addition, the study shows that the size of small firms in terms of employment was also an important factor in the choice of an entity type.

As illustrated in Figure 1-A, for the smallest businesses, as measured by having 10 or fewer employees, the most common entity type was the sole proprietorship, with about 50 percent of the companies, followed by S corporations and C corporations, with about 21 percent and 15 percent of the companies, respectively.

In the next two employment classes of 50 employees or less, Figures 1-B and 1-C show that sole proprietorships were still the dominant entity type, accounting for more than 50 percent in each of the two classes. In the employment class with more than 50 employees, C corporations, S corporations and partnerships were significant. The sole proprietorship accounted for fewer business entities in this employment class.

Fig. 1-A: Distribution of Entity Types for Employment Class 0-10

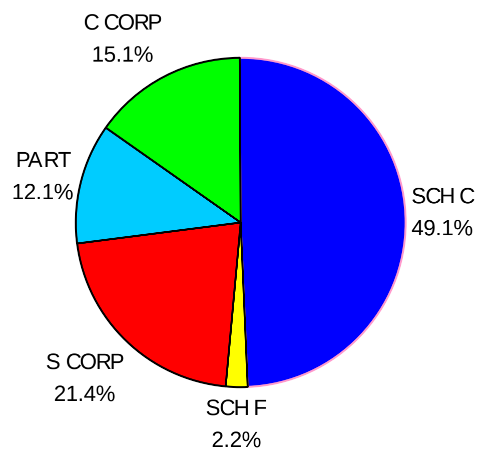


Fig. 1-B: Distribution of Entity Types for Employment Class 11-25

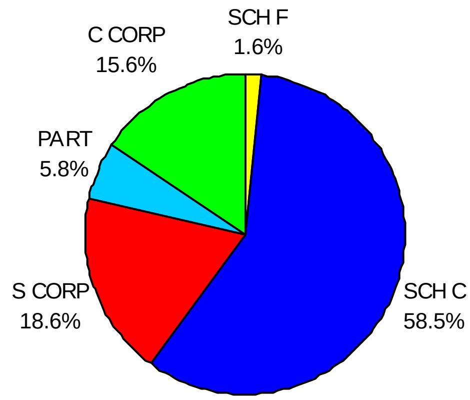


Fig. 1-C: Distribution of Entity Types for Employment Class 26-50

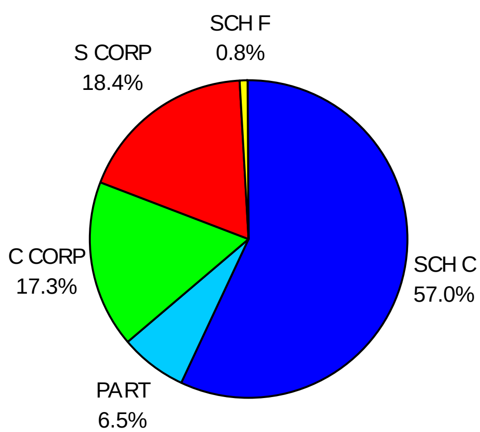


Fig. 1-D: Distribution of Entity Types for Employment Class 51-99

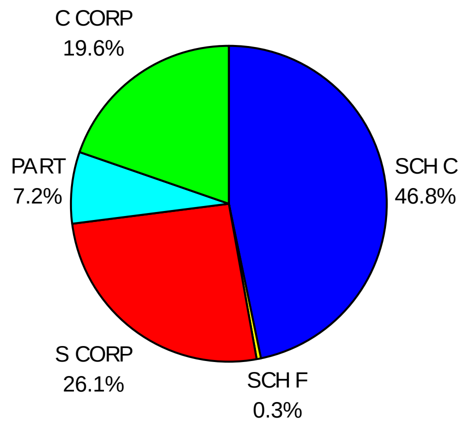
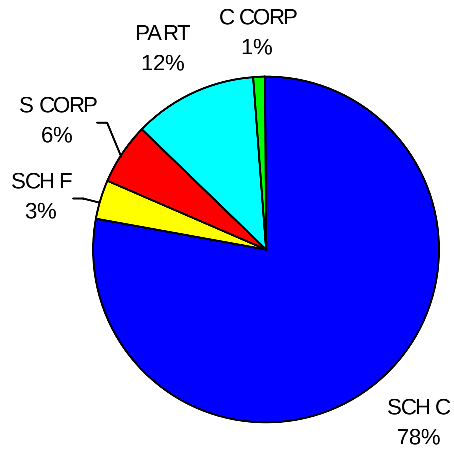


Fig. 1-E: Distribution of Entity Types for All Small Companies



Distribution of Entity Types for Each Industry for Small Businesses

Using tax reporting documents as the source for industry information creates unique problems in reporting agricultural industry statistics. The nature of the agricultural sector results in the reporting of agricultural activity in different ways. An understanding of how agricultural activity is captured for tax reporting is helpful in interpreting the statistics contained in the report. In recognition of family farming as a primary agricultural activity, farming conducted by sole proprietorships is reported on Schedule F. However, farming operations conducted by corporations would be captured as C corporation agricultural activity. In addition, the agricultural NAICS includes activities other than farming that support agricultural activity. As a result, farming activity conducted by a sole proprietorship would be reported on Schedule F and non-farming income classified as an agricultural activity conducted by a sole proprietorship would be reported on Schedule C. Corporate farming activity and non-farming agricultural support activities would be placed within the agricultural NAICS code and would be reported under C corporation agriculture. As shown in Figure 2-A, in the agricultural sector, most small businesses were Schedule F filers.

Figure 2-B shows that small businesses in the mining industry were predominantly sole proprietorships or partnerships. In the construction industry, Figure 2-C, about 55 percent of small construction firms were Schedule C sole proprietorships. Twenty-six percent of small construction firms were S corporations, and 15 percent were C corporations.

In manufacturing, Figure 2-D, the C corporations were dominant with 39 percent of the small manufacturers. S corporations were 34 percent of manufacturing entities. Schedule C sole proprietorships accounted for only 21 percent of the small businesses engaged in manufacturing.

Figure 2-E shows that, in the transportation, communication and public utilities sector, Schedule C was the largest single entity type, accounting for over 60 percent of all small companies.

The wholesale trade sector, Figure 2-F, was noteworthy for the dominance of the corporate form. Together C and S corporations accounted for close to 75 percent of small businesses. C corporations accounted for nearly 39 percent of the firms, and S corporations represented about 35 percent.

The composition of the retail trade sector, as shown in Figure 2-G, was more diverse. Sole proprietorships were predominant, representing over 39 percent of the firms, followed by S corporations with 31 percent of small businesses. About 25 percent of the firms were C corporations, and 5 percent were partnerships.

In the finance, insurance and real estate sector, Figure 2-H, the partnership form of organization was dominant among small businesses. In this sector, partnerships accounted for more than 40 percent of the small business firms. S corporations represented about 23 percent. Schedule C filers were about 20 percent, followed by C corporations with about 16 percent.

The Schedule C filer was the dominant form of enterprise in the service sector, Figure 2-I. Schedule C filers represented almost 61 percent of all firms. S and C corporations were 20 percent and 13 percent, respectively, of the firms. Partnerships represented about 6 percent of the firms.

Figure 2-J summarizes the distribution of small businesses (including unclassified industries) by entity type. It shows that more than 50 percent of small businesses in the State were sole proprietorships. About 36 percent were corporations; roughly 21 percent S corporations and 15 percent C corporations. More than 11 percent were partnerships.

Fig. 2-A: Distribution of Entity Types for Agriculture

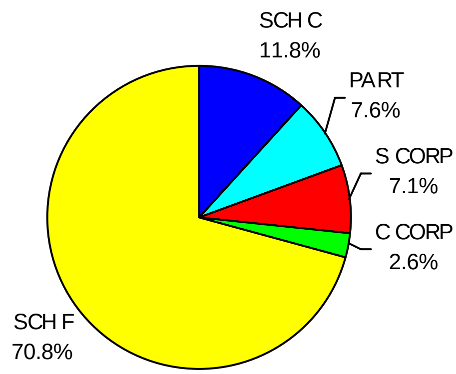


Fig. 2-B: Distribution of Entity Types for Mining

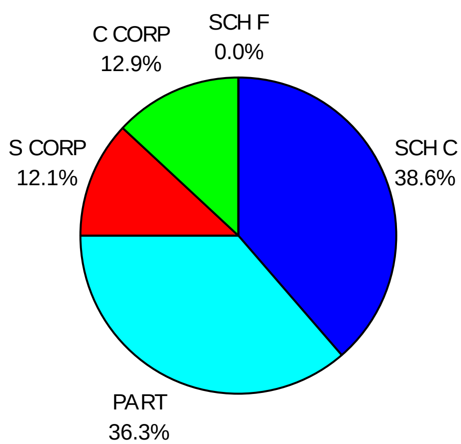


Fig. 2-C: Distribution of Entity Types for Construction

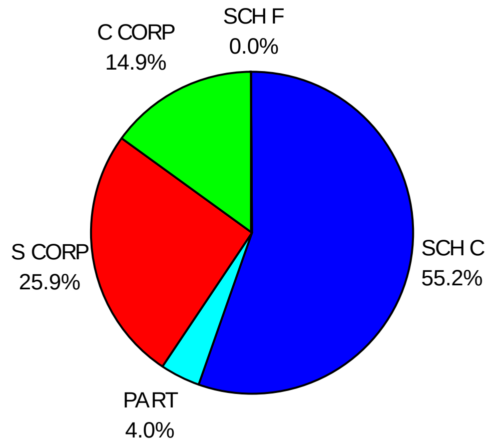


Fig. 2-D: Distribution of Entity Types for Manufacturing

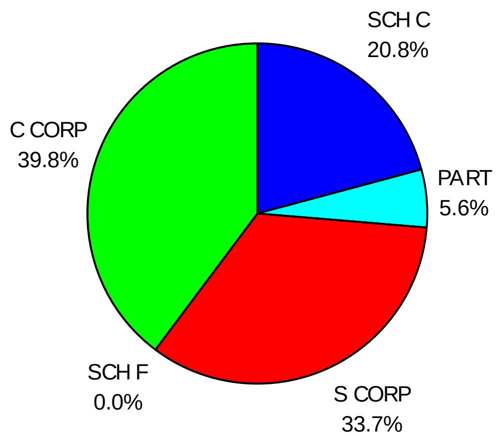


Fig. 2-E: Distrib. of Entity Types for Trans. Comm. & Pub. Utilities

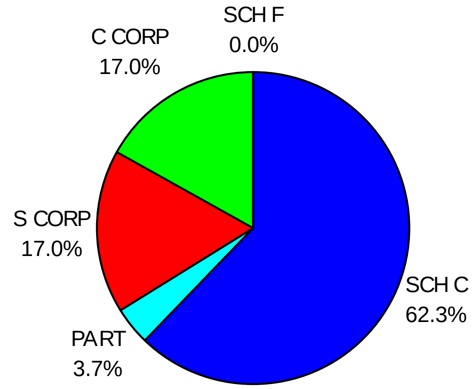


Fig. 2-F: Distribution of Entity Types for Wholesale Trade

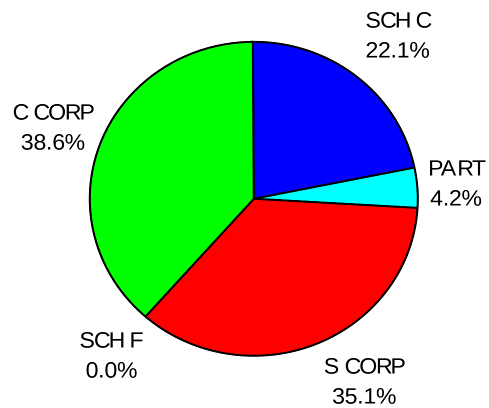


Fig. 2-G: Distribution of Entity Types for Retail Trade

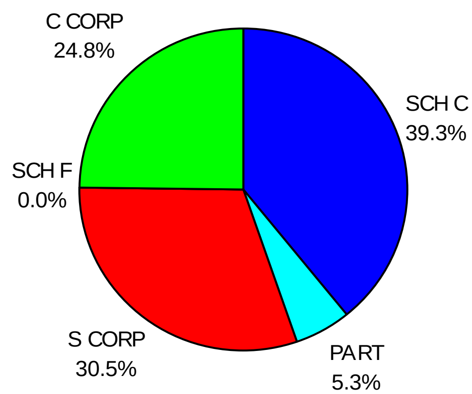


Fig. 2-H: Distrib. of Entity Types for Finance, Insurance & Real Estate

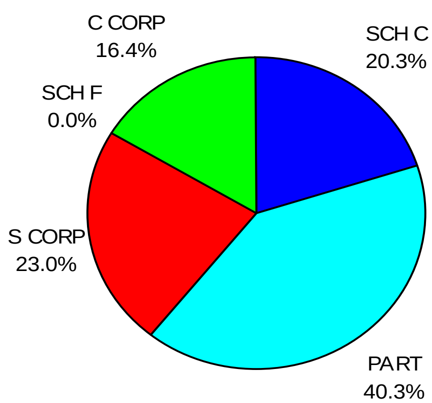


Fig. 2-I: Distribution of Entity Types for Services

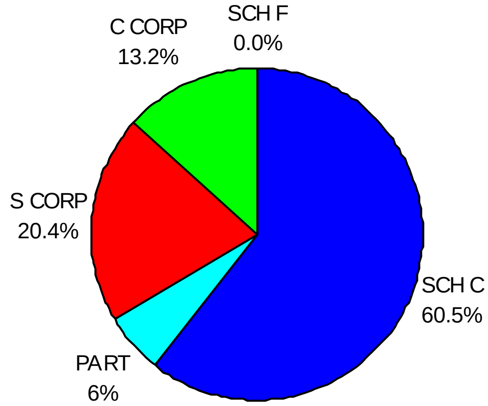
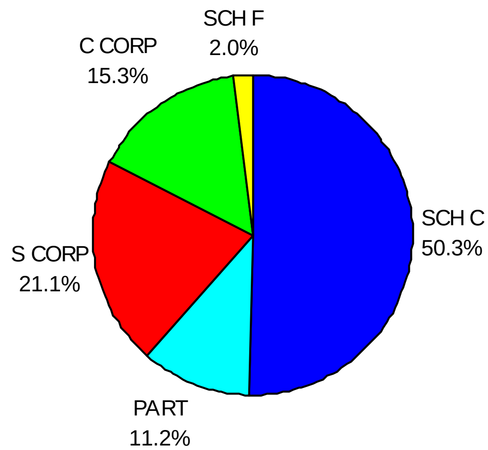


Fig. 2-J: Distribution of Entity Types for All Industries



Appendix A: LLC's and LLP's*

A limited liability company (LLC) provides members with the limited liability aspect of corporate form while retaining federal and State partnership tax treatment. In this respect, any income earned by the LLC passes through to members for inclusion in their personal income tax return or, in the case of a corporate member, their corporate franchise tax returns.

Limited liability partnerships (LLP) closely resemble LLCs both in formation and tax treatment. One key difference between an LLC and an LLP is that Partnership Law governs the LLP while Limited Liability Law governs an LLC. Moreover, every LLC or LLP that is treated as a partnership and has any New York-source income must pay an annual fee in lieu of the entity level tax. For tax year 2001, the fee equaled $50 multiplied by the number of members of the LLC or partners of the LLP. The fee for tax year 2001 may neither be less than $325, nor more than $10,000 in any year.

The following table sets forth LLC and LLP formation and conversion activity for the period January 1, 2001 to December 31, 2001. However, the tax liability for these entities is based on tax year 1999, the latest information available for these entities.

* This information is published as a separate document at the end of each calendar year. This was originally distributed in Spring 2002.

The following table shows LLC activity during the 2001 calendar year.

Selected Information on LLC and LLP Organizations January 1, 2001 – December 31, 2001

Item	Total	Professional LLCs and LLPs*	Other LLCs
Number of Firms	33,098	1,510	31,588
Number of Domestic	28,725	1,454	27,271
Number of Foreign	4,373	56	4,317

Corporate Conversions to LLC and LLP Organizations January 1, 2001 – December 31, 2001

Item	Total Number	Total 1999 Liability
Total C and S Corporation Conversions	1,759	$ 9,032,592
C Corporation Conversions	710	$ 7,304,979
S Corporation Conversions	1,049	$ 1,727,613
C and S Corporation Conversion Minimum (estimated full-year and	1,214	$ 222,305
C Corporation Conversion Minimum Taxpayers (estimated full-year and part-year)	378	$ 109,591
S Corporation Conversion Minimum Taxpayers (estimated full-year and part-year)	836	$ 112,714
C and S Corporation Conversion Non-minimum Taxpayers (estimated)	545	$ 8,810,287
C Corporation Conversion Non-minimum Taxpayers (estimated)	332	$ 7,195,388
S Corporation Conversion Non-minimum Taxpayers (estimated)	213	$ 1,614,899

*This category includes professional service limited liability companies (PLLCs) and LLPs. Both PLLCs and LLPs can only be formed by professionals.

Appendix B: Important Tax Changes Affecting New York's Small Business

Tax laws that affect New York's small business population have changed significantly over the last decade. This has been due to several factors including: the enactment of legislation as part of the State budget and legislative processes; administrative initiatives undertaken to resolve issues raised under New York's current tax structure; and New York's conformity to enacted federal legislation and administrative rulings.

State Budget and Legislative Actions

Legislation enacted after 1994 contained a significant number of tax reductions and other incentives aimed at increasing New York State's competitiveness and reducing tax burdens on individuals and businesses. These changes are presented by tax type.

This analysis considers three types of tax changes; direct, indirect and business incentives. Direct tax changes apply to income or earnings of a taxable entity, for instance, the personal income or corporate franchise taxes. Indirect taxes apply primarily to inputs, and are part of business operating costs. Indirect taxes include the sales and use taxes paid by businesses, the telecommunications and corporate utilities taxes, the petroleum business tax and various fuel use taxes. Indirect taxes also include taxes triggered by non-recurring transactions, for instance, the real estate transfer tax. Business incentives include changes to the Tax Law that enhance the overall business climate of the State such as tax credits or exemptions.

Direct Taxes

Personal Income Tax

The centerpiece of the tax changes accompanying the fiscal 1995-96 budget was a multi-year reduction in personal income taxes. These changes:

- Reduced the top tax rate incrementally from 7.875 percent in 1994 to 6.85 percent in 1997 and subsequent years;

- Raised the standard deduction from $9,500 to $13,000 (increased further to $14,600 under legislation enacted in 2000) for married couples and from $6,000 to $7,500 for individuals; and

- Expanded the income threshold where the top rate becomes effective from $26,000 to $40,000 of taxable income for married filers, and from $13,000 to $20,000 for individuals.

The benefit of this legislation was somewhat offset by a temporary three-year tax increase enacted in 2003, which raised the top tax rate from 6.85 percent to 7.7 percent. However, the top-rate increase applies only for taxpayers with taxable incomes above $500,000, and expires after tax year 2005. Therefore, small business taxpayers that pay income tax will continue to benefit in aggregate from tax cuts that began after 1994.

Other recent changes made to the personal income tax that directly affect small business include:

- Withholding/wage reporting/unemployment insurance consolidation – employers can now file one new combined return for income tax withholding, wage reporting, and unemployment insurance purposes. They can also make combined unemployment insurance and withholding tax payment on a quarterly basis;

- Estimated tax threshold – the amount of tax liability that triggers the need to make estimated tax payments, without penalty, was raised from $100 to $300, beginning in tax year 1999;

- Electronic signatures – Effective in March 2000, State agencies have the authority to allow for the use of electronic signatures on electronic versions of tax returns and other filings (affects other taxes besides the income tax);

- Standard Deduction – The standard deduction for married taxpayers filing jointly increased to $13,400 in tax year 2001, $14,200 in tax year 2002 and $14,600 thereafter; and

- Single receipts factor—required corporate franchise taxpayers to compute the business allocation percentage (BAP) based on a single receipts factor, as opposed to the previous three-factor formula of receipts, property, and wages. Small businesses that have sales outside of New York will benefit, as they will no longer have to consider property and wages in determining the allocation of their taxable income to the State. The change will be phased in starting in 2006 and will be fully effective for taxable years beginning on or after January 1, 2008.

Corporate Franchise (Article 9-A) Tax

Legislation enacted as part of the State budget process and legislative sessions also contained corporate tax reductions. The most significant provisions included:

- Corporation franchise tax rate reduction – incrementally reduced the rate imposed under the entire net income (ENI) base of the Article 9-A corporate franchise tax. The rate reduction was phased in over three years, from 9 percent to 7.5 percent for taxable years beginning after June 30, 2001;

- Corporate franchise tax small business rate reduction – businesses with an ENI base of not more than $200,000 realized a rate reduction from 8 percent to 7.5 percent, effective for taxable years beginning after June 30, 1999, and a further reduction from 7.5 percent to 6.85 percent, effective for taxable years beginning after June 30, 2003. For taxable years beginning on or after January 1, 2005, the rate is further reduced from 6.85 percent to 6.5 percent, and applies to businesses with an ENI base of not more than $290,000. A separate formula applies to small businesses with ENI of more than $290,000, but not over $390,000. The rate ranges from 6.5 percent to 7.5 percent effective for taxable years beginning on or after January 1, 2005;

- Alternative minimum tax rate reduction – reduced the alternative minimum tax rate from 3.5 percent to 3 percent for taxable years beginning after June 30, 1999; and to 2.5 percent for taxable years beginning after June 30, 2000;

- Fixed dollar minimum rate reduction – reduced the fixed dollar minimum tax for small business taxpayers. The fixed dollar minimum tax decreased from $325 to $100 for taxpayers with gross payrolls of $250,000 or less and from $325 to $225 for taxpayers with gross payrolls of more than $250,000 but not more than $500,000. The fixed dollar minimum tax was further reduced to $100 for all taxpayers with gross payrolls of $500,000 or less effective for tax years beginning in 2004 and 2005;

- S corporation rate differential reduction – decreased the S corporation entity-level tax over a three year period, from 1.125 percent to 0.65 percent for taxable years beginning after June 30, 2001. The rate was further reduced from 0.65 percent to 0.3575 for taxable years beginning after June 30, 2003. For small business taxpayers with entire net income (ENI) of not more than $200,000, the entity level tax decreased to 0.05 percent for taxable years beginning after June 30, 1999, and to .0275 percent for taxable years beginning after June 30, 2003;

- S corporation tax changes-eliminated the tax on ENI and subject S corporations solely to the fixed dollar minimum tax for tax years beginning in 2003, 2004 and 2005. S corporations were also made subject to the special $800 minimum tax amount for inactive corporations. The tax on ENI is scheduled to be restored for tax years beginning after 2005.

- Fulfillment service businesses – provided that foreign corporations that use a New York fulfillment service business (unless the service provider is an affiliate) will not have nexus with New York for purposes of the sales and use tax or the Article 9-A franchise tax on business corporations; and

- Temporary business tax surcharge – was eliminated in 1997.

Corporation and Utilities Taxes

Tax Law changes affecting businesses taxable under Article 9:

- The gross receipts tax on the provision of energy services was eliminated effective for tax years beginning on or after January 1, 2000. Energy companies are now subject to the corporate franchise tax;

- The tax rates on the furnishing of utility services have all been reduced. The taxes on gross income from commodities charges and on gross operating income were phased out starting in 2000 and were eliminated for taxable years after 2004. The tax rate on gross income from transmission and distributions charges was phased down from 2.5% to 2% over the same period;

- The excise tax rate on telecommunications was reduced from 3.5% to 2.5% effective on January 1, 2000;

- The Power for Jobs Program created a new tax credit against the tax on the furnishing of utility services effective in 1997;

- Trucking and Railroad companies were allowed the option of being taxed under the corporate franchise tax starting in 1998. For those that elected to remain subject to tax under Article 9, the tax rate on gross earnings was reduced from 0.75 percent in 1997 to 0.375 percent in 2000;

- Natural gas used to produce electricity for sale to consumers was exempted from the gas import tax, effective January 1, 2001. The gas import tax itself was phased out starting in 2000 and was eliminated after 2004; and

- The excess dividends tax for local telecommunications companies with fewer than one million access lines was eliminated beginning January 1, 2002.

Indirect Taxes

Estate and Gift Tax

Legislation enacted includes:

- Repealed the gift tax for gifts made on or after January 1, 2000;

- Replaced the estate tax with a “pickup” of the tax equal to the maximum federal credit for State death taxes, and increased the exemption level for estates to from $115,000 in 1995 to $1 million by 2002; and

- Conformed the estate and gift tax to the Internal Revenue Code as of July 22, 1998. This incorporated federal legislation enacted in 1997 and expanded in 1998, most notably including a new estate tax exclusion for assets in family-owned businesses. The conformity legislation also helped ensure that when the pickup tax became effective on February 1, 2000, it did not apply to estates that were not subject to federal estate tax.

New York imposed a true pickup tax (the lowest possible state death tax) from February 2000 through 2001. However, federal legislation effective after 2001 reduced the credit for state death taxes and repealed it entirely by 2005, instead replacing it with a deduction. While this has not increased New York's estate tax compared to prior law, the absence of conforming legislation means that it is no longer a true pickup tax.

Sales and Use Tax

Legislation included several sales and use tax changes, for example:

- Building materials suppliers – allowed qualifying materialmen to elect to postpone remitting the sales tax on building materials until they received payment on qualifying sales to contractors;

- Coin-operated devices – exempted certain goods and services sold through coin-operated devices (certain food and hot drinks, car washes, photocopies, luggage carts, and bulk vending);

- Computer system hardware – exempted computer system hardware used directly and predominantly in designing and developing computer software for sale or in providing the service, for sale, of designing and developing Internet web sites;

- Farmers and commercial horse boarding operations – expanded exemptions available to farmers to include most purchases of property and services and extended such benefits to commercial horse boarding operations;

- Film production – exempted equipment and related services used in film production, including film produced and distributed using digital media;

- Mandated emissions testing equipment – exempted equipment used for enhanced emission inspections of motor vehicles;

- Manufacturers – lowered the use tax owed on self-produced property used on site; repealed the local tax on installing and servicing production machinery and equipment;

- Pollution control equipment – exempted manufacturing and industrial pollution control machinery and equipment;

- Promotional materials – exempted printed promotional materials and related services when they are mailed or shipped to customers;

- Radio and television broadcasting – radio and television broadcasters received an exemption for machinery, equipment, and certain services used in producing and transmitting live or recorded programs;

- Telecommunications and Internet equipment – extended the exemption for telephone central office equipment to include most property used directly and predominantly in receiving, amplifying, processing, transmitting and transmitting telecommunications or Internet access;

- Theater property – exempted certain property and services used to produce live dramatic or musical arts performances;

- Use tax - provided mechanism to report use tax annually on personal income tax returns for those small business taxpayers who file personal income tax returns;

- Utility transmission and distribution – the tax on separately purchased transmission and distribution service was phased out and was eliminated effective September 1, 2003;

- Vendor allowance – increased the vendor allowance to 3½ percent of the State sales tax collected and raised the cap from $100 to $150 per quarter;

- Web site hosting – provided companies that operate Internet data centers in New York an exemption for most property and services used in furnishing web site hosting services;

- Wine tastings – exempted wine furnished by wineries at wine tastings;

- Internet data centers - provided companies developing and operating Internet data centers in New York an exemption for most property and services used in their web site hosting facilities;

- Vending sales - exempted food and drink sold through a vending machine when such items cost 75 cents or less;

- Private aircraft maintenance - provided sales and use tax exemptions for maintenance and certain other services performed on private aircraft, including property used in performing the service and storage services rendered in conjunction with servicing the aircraft; and

- Water taxis - Provided a refund or credit for tax paid on the sale to or use by a vessel operator of a vessel with a seating capacity of more than 20 passengers used for local transportation on water of passengers for hire.

Miscellaneous Taxes

State legislation has featured tax reductions and exemptions, impacting the miscellaneous taxes. These changes, made to a variety of taxes:

Motor Fuel Excise Tax:

- Reduced the diesel motor fuel excise tax from 10 cents to 8 cents per gallon; and

- Provided an up-front exemption from the motor fuel excise tax for retail sales of aviation gasoline.

Petroleum Business Tax (PBT):

- Reduced the petroleum business tax on aviation fuels to 5.2 cents per gallon (before surcharge), reduced the monthly minimum petroleum business tax $25 to $2 and permitted non-airline aviation businesses to file annually rather than monthly;

- Reduced the supplemental PBT rate on automotive diesel product by 0.75 cents per gallon effective January 1, 1998, and by an additional one cent per gallon effective April 1, 1999;

- Exempted residual petroleum product and non-automotive diesel product used for manufacturing purposes beginning January 1, 1998;

- Exempted residual petroleum and non-automotive diesel product used for commercial purposes from the supplemental tax effective March 1, 1997;

- Increased the credit allowed against the PBT on residual petroleum product and non-automotive diesel product used to generate electricity by 0.5 cents per gallon effective April 1, 1999;

- Provided for reimbursements of petroleum business taxes on aviation fuel;

- Provided for 20 percent PBT rate reduction for non-automotive diesel motor fuel and residual oil used for non-residential heating purposes beginning April 1, 2001;

- Provided for a full reimbursement of the PBT paid on diesel motor fuel and residual oil in mining and/or extracting processes. The change was effective April 1, 2001;

- Clarified the imposition of the PBT and granted refunds and credits under the PBT and motor fuel excise tax;

- Eliminated the PBT minimum taxes;

- Provided for an additional 33 percent tax rate reduction for both non-automotive diesel motor fuel and residual oil used for nonresidential heating purposes beginning September 1, 2002;

- Provided for a full reimbursement for diesel motor fuel and residual petroleum product used and consumed by a passenger commuter ferry when such fuel is used exclusively in providing a mass transportation service. The change was effective December 1, 2000;

- Exempted from the PBT kero jet and aviation gasoline used in over-flight miles. The change was effective November 1, 2004; and

- Fully exempted from the PBT airlines which service four or more cities in the state with direct flights between those cities. The change was effective June 1, 2005.

Truck Mileage and Fuel Use Tax

- Reduced the supplemental tax portion of the truck mileage tax (TMT) by 50 percent as of January 1, 1999, and by an additional 20 percent effective April 1, 2001; and

- Extended the time period to claim a fuel use tax or carrier tax refund for fuel purchased within the state but consumed outside the state, and to claim a refund for erroneous payments under the highway use tax from two to four years.

Real Property Transfer/Gains Taxes

- Eliminated the real property gains tax, as of June 15, 1996. This tax, which was enacted in 1983, imposed a 10 percent levy on the gain derived from non-residential property transfers over $1 million; and

- Made permanent existing provisions contained in both the State and New York City real estate transfer taxes concerning newly formed real estate investment trusts (REITs), and provided temporary additional tax relief for property transferred into existing REITs.

Other Tax Changes

- Eliminated the one cent non-refillable beverage container tax (Article 18-A) as of October 1, 1998;

- Reduced the beer tax from 16 to 13.5 cents per gallon effective January 1, 1999;

- The beer tax was reduced further to 12.5 cents per gallon effective April 1, 2001 and to 11 cents per gallon effective September 1, 2003; and

- Expanded the small brewer's exemption from the alcoholic beverage tax on beer effective January 1, 2000.

Credits and Other Business Incentives

Legislation produced several new incentives for New York's business community. It also enhanced other existing incentives and provided targeted relief to various taxpayers. These incentives, generally available under both the personal income and corporate franchise taxes, include the following:

- Empire Zones Program—The EZ program offers three credits for businesses located in areas designated as Empire Zones; a wage tax credit, an investment tax credit, and an employment incentive credit. For tax years beginning on or after January 1, 2001, if an EZ taxpayer increases employment and meets an annual employment test, they can become a qualified Empire Zone enterprise, or QEZE, and receive two additional credits; a real property tax credit and a tax reduction credit. The former is fully refundable and, for businesses whose operations are totally within an EZ, the latter can be applied to the alternative minimum tax and the fixed dollar minimum tax to reduce liability to zero.

An EZ capital tax credit is also available for businesses that make investments in EZ businesses or community development projects;

- School property tax credit – Beginning in 1997, a school property tax credit is available for taxpayers that derive at least two-thirds of their total income from farming (also available under the Article 9-A corporate franchise tax). Subsequent legislation enhanced the credit by exempting up to the first $30,000 of non-farm federal gross income in determining credit eligibility and providing for subtracting principal payments on farm debt when calculating the income limit for the phase-out of the credit. More recent changes include increasing the acreage limitation under the credit from 175 acres to 250 acres, and providing for income averaging to meet the farm income test;

- Historic barns – The investment tax credit was expanded to allow a tax credit for the costs of rehabilitating historic barns in the State (also available under the Article 9-A corporate franchise tax);

- Employment incentive credits – Legislation extended the employment incentive credit to businesses taxable under the personal income tax. The EZ employment incentive credit for Article 9-A taxpayers was also amended to be allowed against the alternative minimum tax;

- Emerging technologies – Taxpayers were provided a gain deferral for investments in emerging technology companies (also available under the corporate franchise tax);

- Qualified emerging technology company credit - Three tax credits were created to encourage the growth of emerging technology and biotechnology research and development in New York State. The credits are:

  - a wage tax credit equal to $1,000 for each person employed full time over a base year level;

  - a capital credit that varies (10 percent or 20 percent) depending upon how long the investment is held; and

- a facilities, operations, and training credit which consists of components for research and development property (18 percent), research expenses (9 percent), and high-technology training expenditures (100 percent, up to $4,000 per employee per year).

Other credits which may indirectly impact small business include:

- A $500 per unit credit for the purchase of an automated external defibrillator, effective January 1, 2001 (also available under the corporate franchise tax);

- A credit for 10 percent of long term care insurance premiums effective January 1, 2002. The credit was increased to 20% of premiums beginning in tax year 2004 (also available under Corporate Utilities, Corporate Franchise, Bank and Insurance);

- Industrial or Manufacturing Business Credit – To insure that energy tax reductions enacted with the 2000-01 Budget would have an immediate economic development benefit, businesses engaged in manufacturing, processing, assembling, refining, mining, extracting, farming, agriculture, horticulture, floriculture, viticulture, commercial fishing or research and development; or that are industrial waste treatment facilities, or air pollution control facilities may claim a credit for gross receipts taxes that were passed through in utility bills since January 1, 2000. An eligible business should apply to its energy provider for a statement of such taxes due and paid during 2000;

- Green Buildings Tax Credit – This credit provides incentives or tax credits for activities such as the purchase of recyclable building materials and construction or rehabilitation of environmentally sensitive buildings. The 2005-06 State Budget allocated an additional $25 million for "Period Two" of this program. The Department of Environmental Conservation can start issuing certificates in 2005;

- A tax credit for employers who employ individuals with disabilities;

- The New York State Low Income Housing Tax Credit Program to promote the construction and rehabilitation of low-income housing. The credit is available to be claimed by building owners for tax years beginning on or after January 1, 2000;

- The financial services ITC for equipment or buildings used in broker or dealer activities, the provision of investment and lending advice, or activities related to the purchase or sale of securities and placed in service between October 1, 1998 and October 1, 2008; and

- Credits for brownfields redevelopment—there are three separate credits:

  - the brownfields redevelopment credit equals a percentage of the costs of site preparation, tangible personal property, and groundwater remediation. The base credit is 10 percent for personal income taxpayers and 12 percent for other taxpayers. Bonus rates also apply: 2 percent if the land is restored to a certain standard and 8 percent if the land is located in an area designated as an En-Zone:

  - the credit for real property taxes varies depending upon the level of employment increase and the amount of real property taxes paid; and

  - the environmental remediation insurance credit for premiums paid for environmental remediation insurance, up to the lesser of $30,000 or 50% of the costs of the premiums.

Sales Tax Incentives

- Boats sold to nonresidents – exempted certain boats sold in New York State to out-of-State residents;

- Bus companies – exempted buses when used to provide passenger transportation service, including charter and tour buses;

- Clothing exemption - provided for a series of one-week exemptions for clothing and footwear costing less than $110 from the State tax with local option;

- Internet access – exempted Internet access services from sales and telecommunications excise taxes. This law also provided that an out-of-state company with no nexus in New York would not have nexus created merely by having its advertising appear on a New York server;

- Internet data centers - provided companies developing and operating Internet data centers in New York an exemption for most property and services used in their web site hosting facilities;

- Telecommunications and internet access services - modernized and enhanced the exemption for property and services used to provide telecommunication services and Internet access services for sale;

- Radio and television broadcasters - provided radio and television broadcasters an exemption for machinery and equipment and certain services used in the production and transmission of live or recorded programs;

- Pollution control - exempted manufacturing and industrial pollution control equipment and machinery;

- Private aircraft maintenance - provided sales and use tax exemptions for maintenance and certain other services performed on private aircraft; and

- Water taxis - provided a refund or credit for tax paid on the sale to or use by a vessel operator of certain vessels used for local transportation on water of passengers for hire.

Other Significant Provisions

Budget legislation has included several other significant changes, some of which cover more than one tax. For example, legislation:

- Disclosure and Voluntary Compliance Initiative (VCI) – created a tax-shelter and reportable transaction disclosure requirement effective June 12, 2005 and created a voluntary disclosure program from October 1, 2005 through March 1, 2006 whereby taxpayers can get certain penalties waived by filing amended returns disclosing participation in tax shelters;

- Tax amnesty program - established a tax amnesty program in 2002-03. The amnesty program covered most major taxes, including the personal income tax, sales and use taxes, and the corporate franchise tax. The amnesty application period ran from November 18, 2002 to January 31, 2003, and the program applied to tax liabilities incurred prior to the 2001 tax year;

- Established a tax amnesty program for the personal income tax, the Article 9-A corporate franchise tax, certain taxes imposed under Article 9, and the sales and use tax during the period November 1, 1996 to January 31, 1997; and

- Created the Taxpayer Bill of Rights Act of 1997.

Departmental Initiatives and Administrative Changes

PBT

- Revised and streamlined the Petroleum Business Tax (PBT) forms effective with the March 2001 reporting period.

Personal Income Tax and Corporate Franchise Tax

- Expanded lookup tables to save small businesses from having to make complicated withholding tax calculations for their employees; and
- Changed Form CT- 4 reporting requirements to increase the availability of the shorter corporate franchise tax return to more small businesses.

Sales Tax

- Annual filing threshold – increased the threshold for annual filing from $250 to $3,000 in annual sales tax liability, allowing more than 100,000 additional businesses to file sales tax returns annually rather than quarterly;
- Clothing alterations - amended Tax Regulation to simplify the exemption for tailoring services;
- Rod and gun clubs—provided that effective October 1, 1996, dues and initiation fees paid by members to rod or gun clubs are no longer subject to sales tax;
- Data entry services – exempted from the State and local sales tax data entry services performed by independent contractors and temporary service contractors or similar service providers that furnish personnel to perform data entry services;
- Forms simplification – redesigned sales tax returns to make them much easier to complete;
- Motion picture production – in concert with the motion picture industry and the Governor's Office of Motion Pictures, developed a publication to address many areas of uncertainty regarding application of the sales tax to motion picture production;
- Sales tax registration - Online registration is available via the Online Permit Assistance and Licensing (OPAL) Web site sponsored by the Governor's Office of Regulatory Reform;

- Telephone filing – permitted sales tax vendors having no taxable activity during a reporting period to file returns by telephone;

- Trash and debris removal – amended sales tax regulations to enable contractors to purchase certain trash and debris removal services exempt from tax;

- Alcoholic Beverage Tax (ABT) - The Department amended the ABT regulations to provide an annual filing option for certain beer tax filers. Restaurant brewers and microbreweries licensed by the State Liquor Authority may file an annual beer tax return for the calendar year rather than monthly returns. The option became available in 2001;

- Cigarette Tax - Relicensing of cigarette stamping agents and wholesalers - In 2002, the Department required all cigarette stamping agents and wholesalers in the State to renew their licenses. The Department has the authority to require agents and wholesalers to relicense not more often than once every three years; and

- Cigarette stamping agent commissions - The commission rate that stamping agents receive for affixing stamps to packages of cigarettes is based on a percentage of the cost of the stamp. When the State increased the excise tax rate in 2000, and again in 2002, the Department opted not to adjust the commission rates that agents receive. As a result, for each tax rate increase, the paid commissions that agents receive for affixing the stamps increased as well.

Conformity to Federal Legislation

New York has generally conformed to many changes occurring at the federal level with the enactment of the Small Business Protection Act of 1996 and subsequent legislation. Highlights include:

- Allowing for special “bonus depreciation” for certain property located in a resurgence zone or New York Liberty zone;

- Increased expense treatment for small businesses – increased the annual expense in lieu of depreciation incrementally from $17,500 to $105,000;

- Treatment of storage of product samples – extended the deduction for home office expenses by individuals and S corporations to the storage of product samples;

- Class life for gas station convenience stores and similar structures – provided a 15 year MACRS life (formerly 31.5 or 39 years) to business property which is a retail motor fuels outlet (whether or not associated with convenience store operation). Taxpayers can elect to apply the new class life to property placed in service prior to the effective date of the change;

- Deductibility of health insurance premiums for self-employed individuals – raised the above-the-line deduction for insurance premiums incrementally from 25 percent to 100 percent;

- Independent contractor safe haven – provided that taxpayers may treat independent contractors as not being an employee for employment tax purposes (and thus State withholding tax) regardless of the worker's actual status under the common law test, unless no reasonable basis for such treatment exists; and

- Establishment of savings incentive match plans for employees (SIMPLE) of small employers – authorized establishment of SIMPLE pension plans by employers of 100 or less.

Significant changes were also made to federal S corporation provisions. These changes:

- Permitted S corporations to have up to 100 shareholders;

- Permitted electing small business trusts (ESBT) to be S corporation shareholders;

- Permitted tax exempt organizations which are shareholders of a federal S corporation, and which are subject to the New York tax on unrelated business income (nonprofit organizations and pension plans), to be C corporation shareholders;

- Permitted S corporations to hold both C and S subsidiaries;

- Liberalized rules relating to inadvertent terminations and invalid elections of S status;

- Provided for pass-through tax treatment of qualified Subchapter S subsidiaries (QSSS) – (A QSSS is not a separate entity for federal tax purposes; all assets, liabilities, and items of income, deduction and credit are treated as belonging to the S parent); and

- Permitted a single owner business entity, not required to be classified as a corporation, to elect classification as an association or to have the organization disregarded as an entity separate from its owner.

Other federal provisions include:

- Rollover of gain – allowed the roll over of gain from the sale of a small business held for more than 6 months where the proceeds of the sale are used to purchase another qualified small business within 60 days of the original sale;

- AMT repeal – repealed the alternative minimum tax for small corporations with average gross receipts during the prior 3 years of $5 million or less;

- Home office deduction – clarified the definition of principal place of business in the application of the home office deduction;

- Income averaging – reinstated income averaging for farmers;

- Health insurance deduction – allowed self-employed individuals to deduct higher percentages of amounts paid for health insurance;

- In 2000, reinstated the installment accounting method for accrual based taxpayers which had been repealed in 1999;

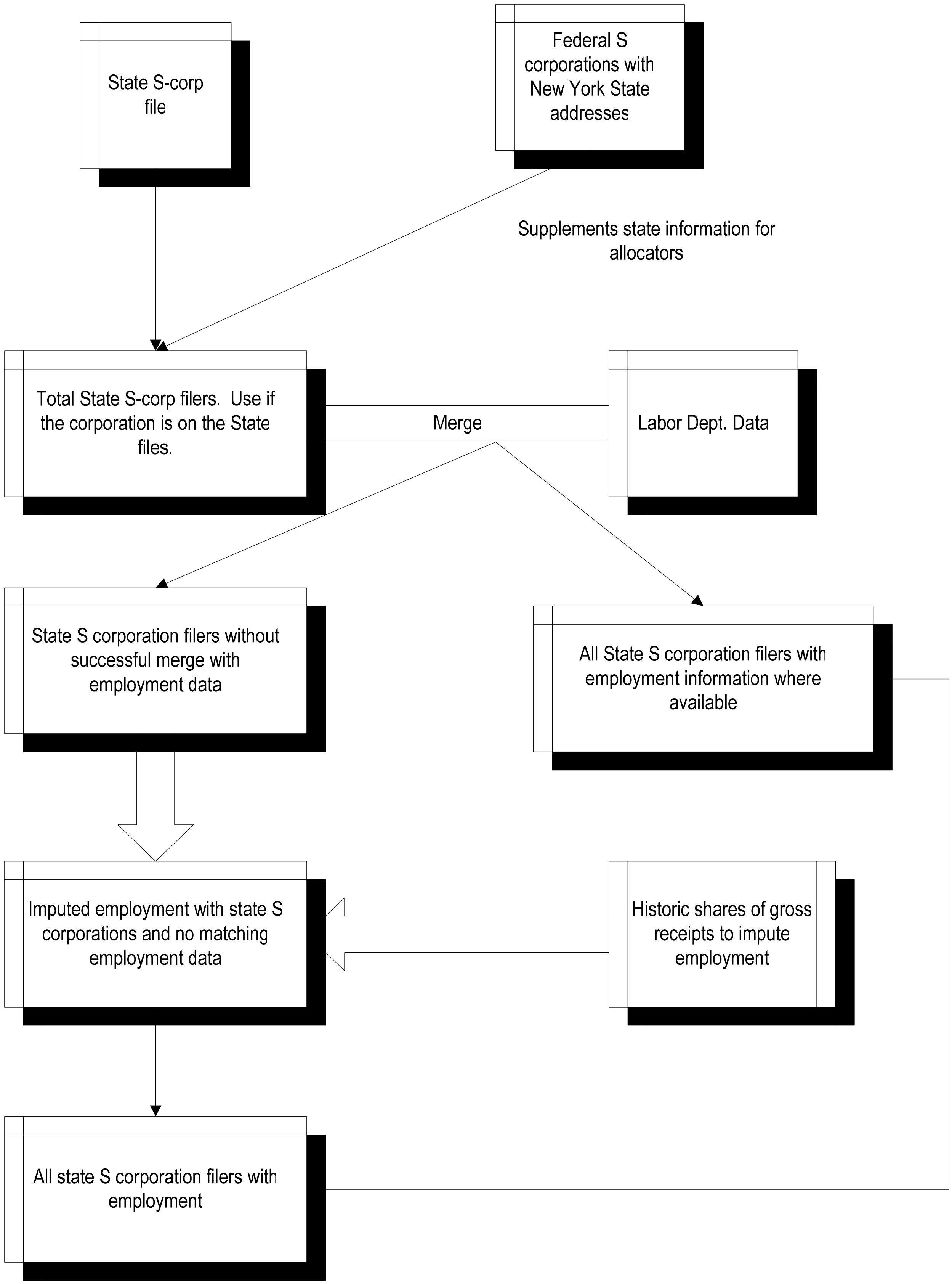
- Modification for federal bonus depreciation-required modifications to federal taxable income for property qualifying for special federal bonus depreciation, except for qualified resurgence zone and qualified New York Liberty Zone property. Effective for property placed in service on or after June 1, 2003; and

- Mobile telecommunications sourcing rules-provided for sourcing of receipts from mobile telecommunications services according to the federal Mobile Telecommunications Act.

Appendix C: Data Compilation Flow Charts

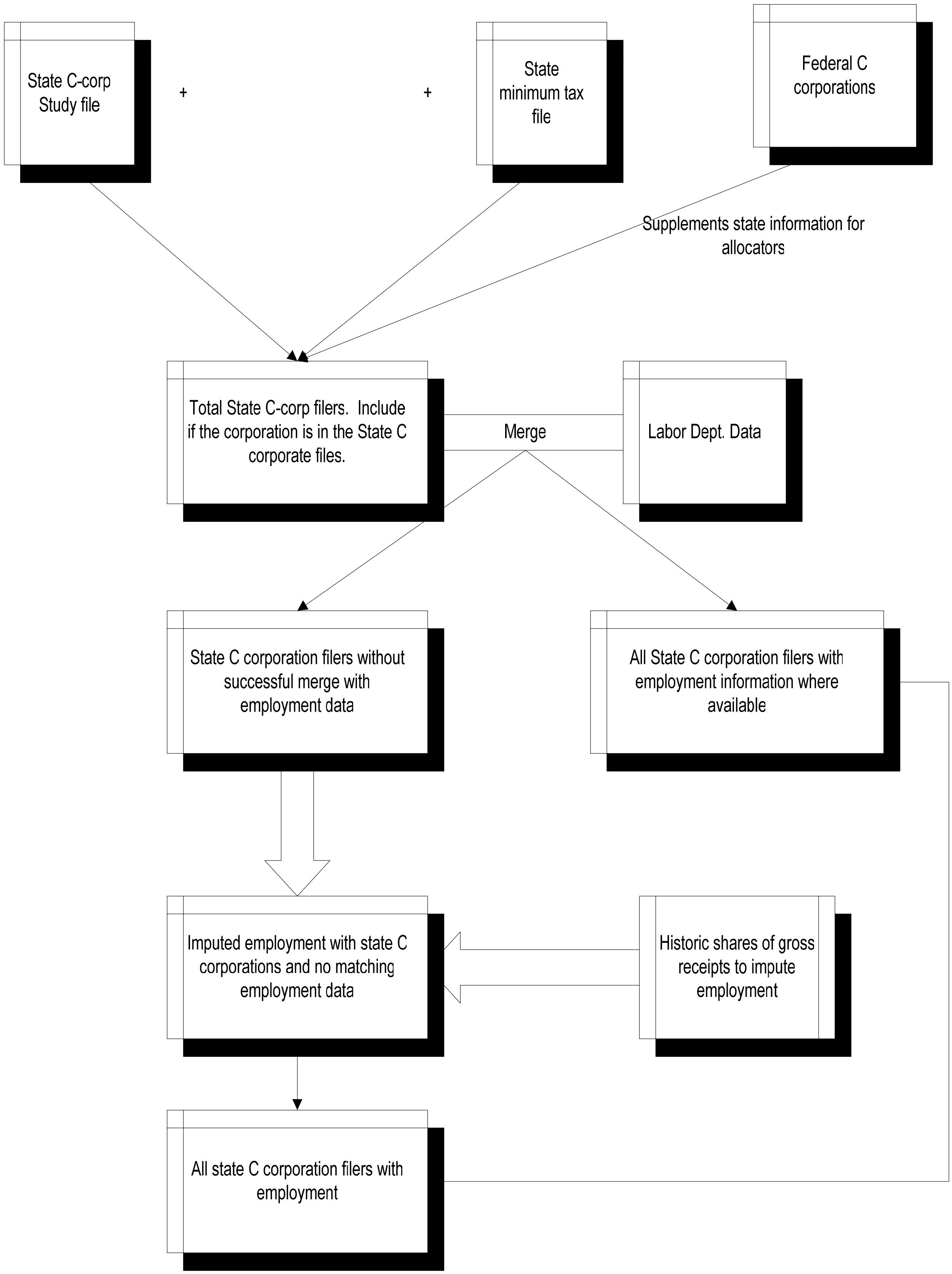
S Corporations

Development of Total S Corporation Filers with Supplemental Federal and NYS Department of Labor Employment Information



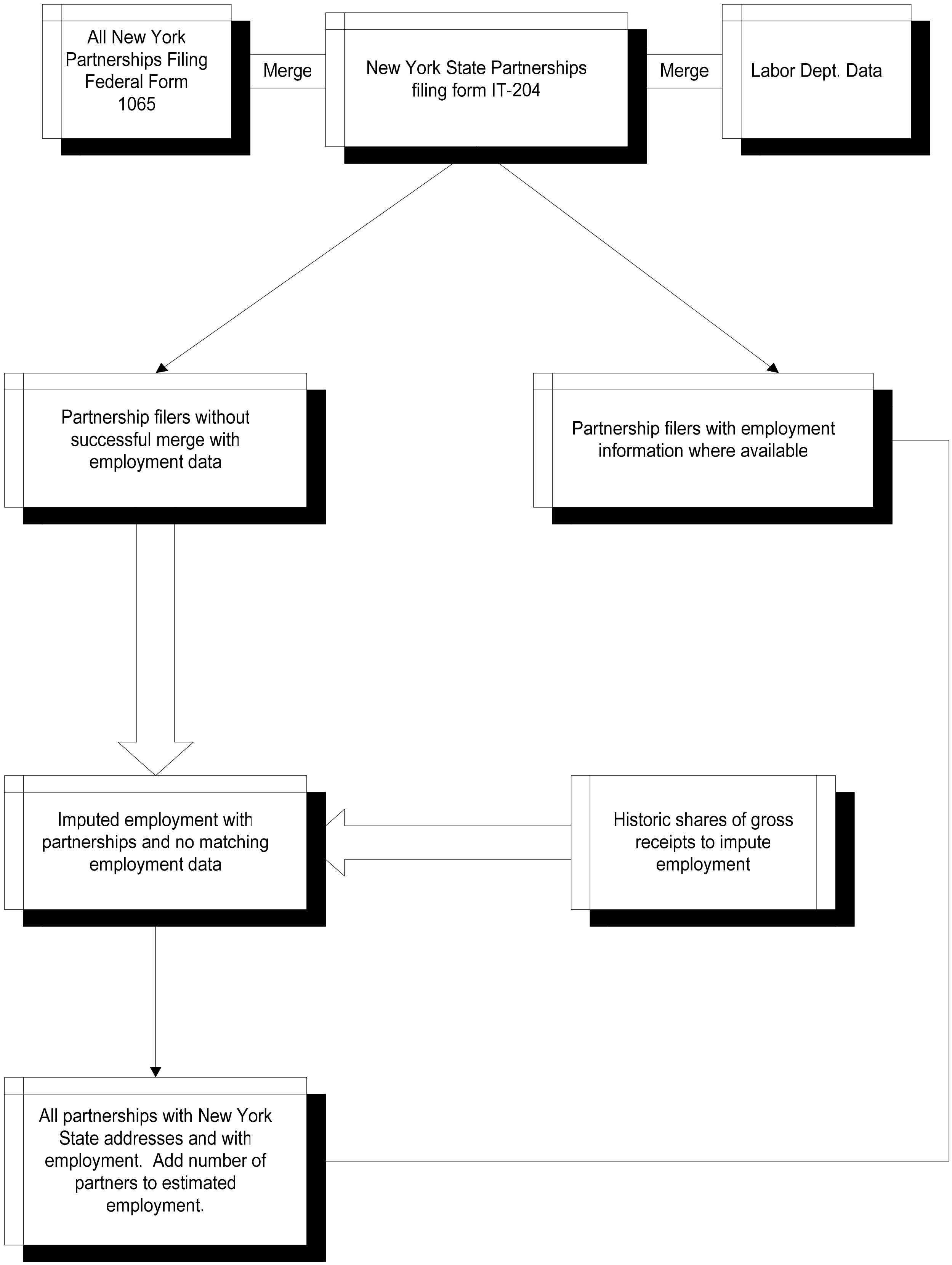
C Corporations

Development of Total C Corporation Filers with Supplemental Federal and NYS Department of Labor Employment Information



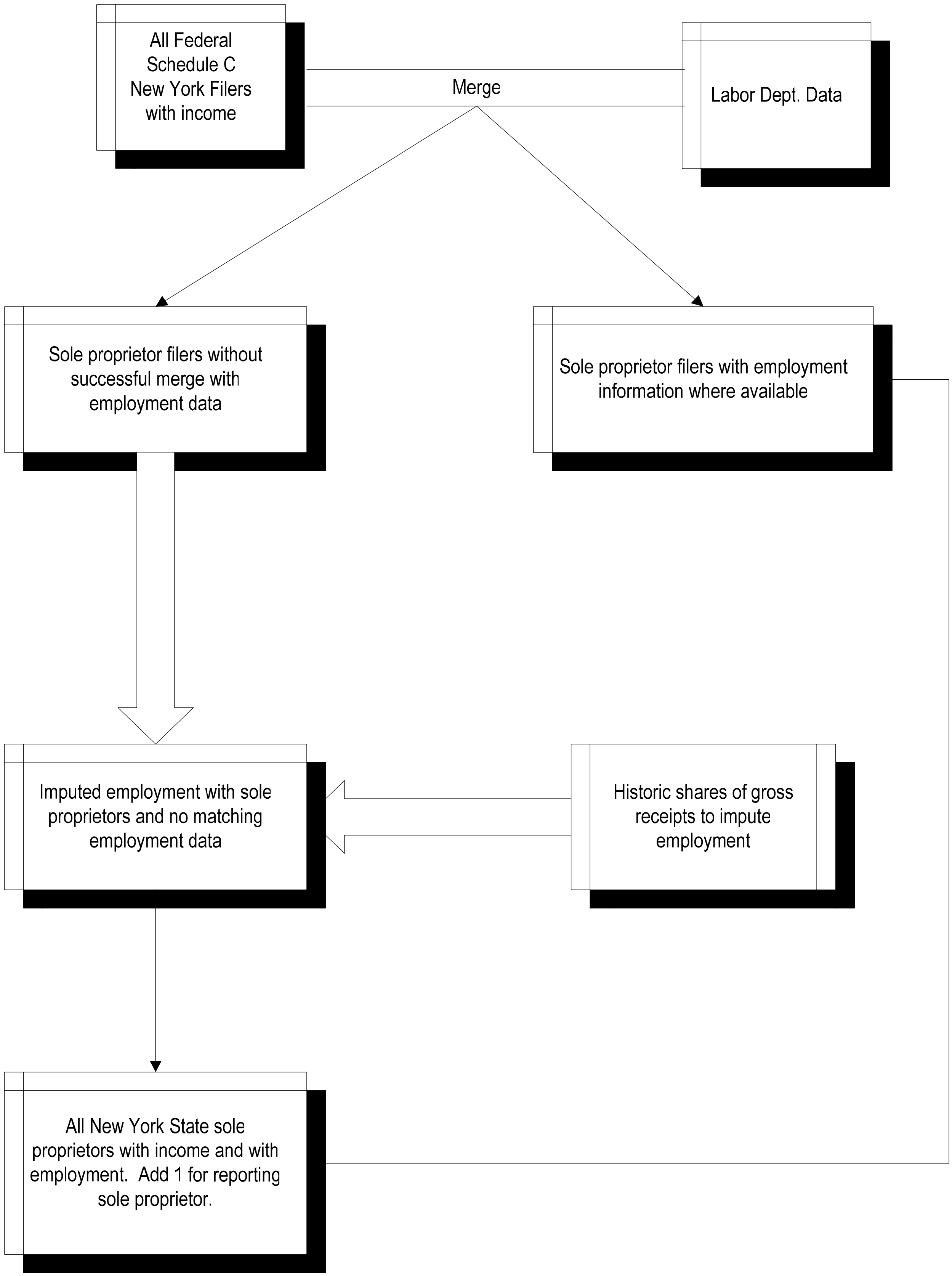
Partnerships

Development of Partnership Filers with NYS Department of Labor Employment



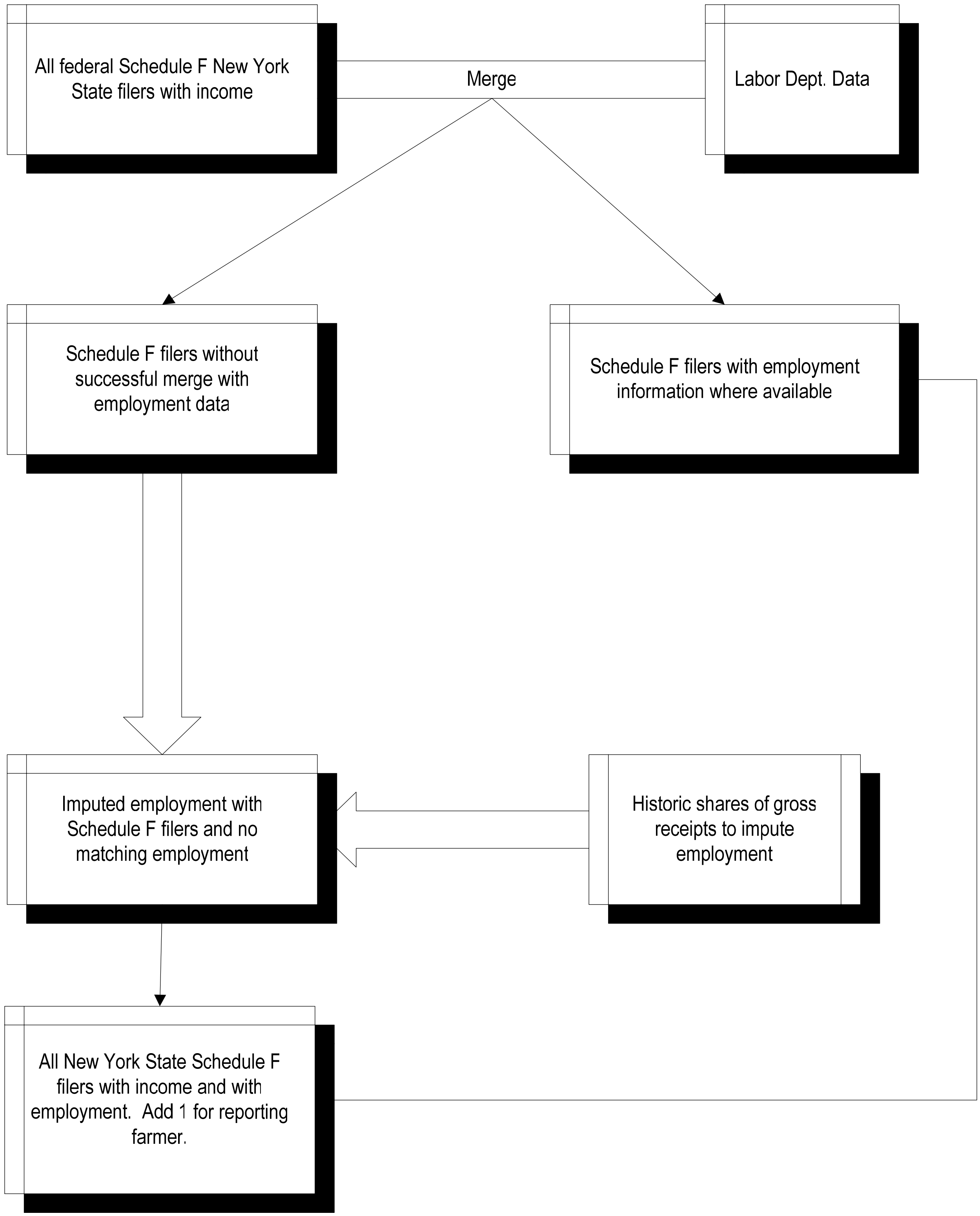
Sole Proprietors

Development of sole Proprietor Filers with NYS Department of Labor Employment Information



Farmers

Development of Farmer Filers with NYS Department of Labor Employment Information



For more information concerning the data provided in this publication, please contact:

New York State Department of Taxation and Finance
Office of Tax Policy Analysis
W.A. Harriman State Campus Office
Albany, New York 12227
Phone (518-457-3187)