

## **The Effect of Tax Preferences on B&O Taxes Paid by Washington Businesses**

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In late January the Senate Ways and Means Committee and House Finance Committee held a joint hearing to receive testimony from JLARC staff and Commission members on the Citizen Commission for Performance Measurement of Tax Preferences' latest report.

During the hearing Senator Karen Fraser asked me whether there existed a report or study which aggregated B&O tax rates by economic sector, then looked at what percentage of the business activity within each sector is taxed. She particularly asked whether the application of the B&O tax is uniform across business sectors and, if it is not, whether there is a rational reason why B&O taxation differs from one sector to another.<sup>1</sup>

At the hearing I said Washington Policy Center would be happy to look into this question and provide her with a response. With the assistance of Research Assistant Betsy Hansen, I assembled the following information and sent it Senator Fraser. Since the fair application of the B&O tax is of broad interest to lawmakers, we are forwarding this information to all members of the legislature.

This research is particularly timely in light of recent legislation to enact a new major tax break for one type of business: a significant reduction in the B&O tax paid by newspapers for their online business.

### **B&O Taxation is Not Uniform**

In answer to the question Senator Fraser raised at the hearing, the B&O tax rate is not uniform across business sectors. This is true in two senses. First, the state levies 13 different B&O tax rates on 28 categories of business activity. In contrast, a flat B&O tax system would apply one uniform tax rate to all businesses in the state.

Second, businesses in different sectors qualify for various tax deductions, which reduce their effective tax rate and the amount of tax they actually pay. In contrast, a uniform system would apply a single deduction equally to all taxpaying businesses, like the personal deduction that applies to the federal income tax.

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<sup>1</sup> "Joint Legislative and Audit Review Committee presentation on the Citizens Commission on Tax Preferences," public hearing, Senate Ways and Means and House Finance Committees, Washington legislature, January 29, 2009.

## **The Average Effective Tax Rate**

The effective B&O rate charged to all industries averages 0.499% of gross revenue. This average rate is calculated by dividing the gross revenue of businesses of all types by the total tax revenues received by the state in 2007.

We provide this number simply as an illustration to policymakers, to show the general financial burden the B&O tax places on the overall economy. The average rate means nothing to individual business owners or even to groups of owners within economic sectors. They are only interested in how the actual effective B&O tax rate applies within their sector, since that is the only way they can determine their financial obligation to the government.

Many companies engage in business activities that fall within different sectors. For simplicity, the Department of Revenue assigns each firm one NAICS code, based on the largest taxable activity that it engages in within this state. NAICS stands for North American Industry Classification System and is used by taxing jurisdictions across the country.

Similarly, a business is also categorized by line code, which indicates the type of business activity that a firm engages in. Based on the line code, various deductions are made from gross revenue, leaving the net taxable amount, from which the total tax due is calculated.

## **The Effect of Tax Deductions on the Amount of B&O Tax Paid**

The two attached tables are provided by the Department of Revenue's Quarterly Business Review for calendar year 2007 (the latest year available). They provide a broad look at the total amount of tax deductions that apply to each type of business, and then the total amount of taxes paid based on the effective rate that applies to each type of business.

The first table is labeled, "Table 2: Summary of Excise Tax Returns, Amounts Reported by Tax Type and Line Code, Calendar Year 2007." It shows the B&O tax rate for each business sector and the amount of tax paid after deductions. Using this data, Washington Policy Center has added two columns to the table.

The first added column shows the effective tax rate for each sector. The second added column shows the difference between the nominal tax rate and the effective rate actually paid by businesses. In other words, the second added column shows the amount of benefit, in terms of a reduced tax rate, that businesses in each sector received in 2007 from their accumulated tax deductions.

The second table is labeled, "Table 5: Business and Occupation Tax: Gross Income, Taxable Income and Tax Due, Statewide by Industry (NAICS), Calendar Year 2007." This table shows the benefit businesses receive from tax deductions in a different way.

The table shows the difference between the gross amount of revenue by economic sector and the actual taxable amount after tax deductions are applied to businesses in each sector. When the taxable amount is multiplied by the B&O tax rate that applies to each sector, the result is the net tax revenue the state collected from businesses in each sector, called "Accrued B&O Tax" in the table.

Specific tax deductions are not itemized in the tables because many businesses engage in various activities, so they may qualify for deductions within different economic sectors.

The data provided in these tables provides an overview of how tax exemptions work within

the overall B&O tax system. They do not show how certain deductions affect individual businesses, or which deductions have the greatest impact within a certain sector. These would have to be calculated separately on a case-by-case basis. The history, scope and fiscal impact of individual tax deductions are presented in detail in the reports of the Citizen Commission for Performance Measure of Tax Preferences.

As you can see in Table 2, some economic sectors are taxed at the same rate. However, their effective tax burden may be very different because businesses within each sector will qualify for different tax deductions. Therefore, the effective B&O tax rate for a business sector is calculated by finding the actual tax due and then dividing it by the gross taxable amount.

For example, the gross amount of revenues in 2007 in the first economic sector, “Extracting, Extracting for Hire,” was \$561,455,000. The total tax due was \$2,479,000. The nominal tax rate for this sector was 0.004840 (.448%), but the effective tax rate, after deductions, was 0.00441 (.441%). Deductions thus lowered the tax rate for businesses in this sector by .0425 percentage points and reduced the amount of tax paid by \$49,346.

The economic sector which received the most benefit from tax deductions was the 14th sector shown on Table 2, “Gambling Contests of Chance.” Deductions reduced the effective tax rate for businesses in this sector from 0.0163 to 0.0104, lowering the rate by .5826 percentage points, and reduced the amount of tax paid by \$221,239.

Such comparisons among sectors can be misleading however. Businesses taxed under “Gambling Contests of Chance” may receive the largest benefit from deductions, but this sector had the highest nominal tax rate to begin with. Even after deductions are taken into account, businesses in the “Gambling Contests of Chance” sector still pay one of the highest B&O tax rates of all businesses. In contrast, businesses in another sector may receive far less benefit from tax deductions, but their sector’s tax rate may not be very high in the first place.

The business sector which received the largest dollar benefit from tax deductions was “Wholesaling.” Deductions lowered the rate for businesses in this sector by .1567 percentage points and reduced the amount of tax paid by \$61,675,667. According to Table 2, tax deductions reduced the amount of B&O tax paid by all businesses in 2007 by a total of \$131,806,191.

## **Conclusion**

Including the effect of deductions lowers the nominal tax rate, but the degree to which deductions may lower the rate in a given year is subject to change, because the number of deductions varies based on the specific activity a business engages in that year. For example, if a firm sells more than half of its products out of state, its gross taxable amount would be far lower than if the same firm made all of its sales within the state.

Given this degree of variability, looking at historical data based on actual collections, not the nominal rates on the books, is the only reliable way policymakers can know the effective B&O tax rate and how much tax businesses within each economic sector actually pay.

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## **Additional Resources**

Tax Reference Manual: Washington State Department of Revenue, 2007

Tax Exemptions: Washington State Department of Revenue, 2008

Department of Revenue website, “Find Taxes and Rates, Business and Occupation Tax,” at <http://dor.wa.gov/content/FindTaxesAndRates/BAndOTax/Default.aspx>.

Department of Revenue website, “Find Taxes and Rates, Business and Occupation Tax Classifications,” at <http://dor.wa.gov/Content/FindTaxesAndRates/BAndOTax/BandOrates.aspx>.

“A Compilation of Statistics on Gross Income, Taxable Retail Sales and Accrued Tax Liability as Reported by Washington State Excise Taxpayers for Calendar Year 2007,” Quarterly Business Review, Mary Welsh, Assistant Director, Contact: (360) 570-6070, at <http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/2007/qbrcal07/default.aspx>.

“Business and Occupation Tax Reform,” four part study series by Carl Gipson, Director, Center for Small Business at the Washington Policy Center, [www.washingtonpolicy.org](http://www.washingtonpolicy.org).

Department of Revenue, Research Department, B&O tax expert Skeets Johnson, 360-570-6075.

**TABLE 2: SUMMARY OF EXCISE TAX RETURNS  
AMOUNTS REPORTED BY TAX TYPE AND LINE CODE  
CALENDAR 2007 (\$000)**

STATE BUSINESS AND OCCUPATION TAX (source: DOR)								*ADDED BY WPC	
NO.	TAX CLASSIFICATION	LINE CODE	GROSS AMOUNT	DEDUCTIONS	TAXABLE AMOUNT	RATE	TAX DUE	EFFECTIVE TAX RATE	TAX RATE REDUCTION
1	Extracting, Extracting for Hire	16	\$561,455	\$49,346	\$512,109	0.004840	\$2,479	0.004415	0.000425
2	Processing Meat-Whlse, Mfg. Wheat into Flour Raw Seafood, Soybean, and Canola Proc.	30	4,704,835	1,517,588	3,187,247	0.001380	4,398	0.000935	0.000445
3	Travel Agent Commissions; International Charter Freight, Brokers and Stevedoring	28	3,987,349	364,427	3,622,921	0.002750	9,963	0.002499	0.000251
4	Insurance Agents/Brokers	14	1,968,330	43,642	1,924,689	0.004840	9,315	0.004733	0.000107
5	Splitting or Processing Dried Peas; Presc. Drug Warehousing; Manufacturing Dairy Products	21	3,160,966	161,351	2,999,615	0.001380	4,139	0.001310	0.000070
6	Processing for Hire/Printing and Publishing	10	4,794,460	574,843	4,219,618	0.004840	20,423	0.004260	0.000580
7	Manufacturing	7	27,392,865	1,563,459	25,829,406	0.004840	125,014	0.004564	0.000276
8	Royalties; Child Care	80	1,727,876	189,129	1,538,748	0.004840	7,448	0.004310	0.000530
9	Wholesaling	3	190,496,136	61,675,667	128,820,469	0.004840	623,491	0.003273	0.001567
10	Warehousing, Radio and TV Broadcasting; Public Road Construction/Gov't Contracting	11	5,629,214	737,807	4,891,407	0.004840	23,674	0.004206	0.000634
11	Public or Nonprofit Hospitals	55	7,071,194	1,681,154	5,390,040	0.015000	80,851	0.011434	0.003566
12	Cleanup of Radioactive Waste for U.S. Gov't Environmental Remedial Action	83	2,342,169	837	2,341,332	0.004710	11,028	0.004708	0.000002
13	Service & Other Activities	4	99,482,175	23,753,196	75,728,979	0.015000	1,135,935	0.011418	0.003582
14	Gambling Contests of Chance (\$50,000 per year or greater)	192	618,979	221,239	397,739	0.016300	6,483	0.010474	0.005826
15	Retailing of Interstate Transportation Equip.	19	1,797,474	779,282	1,018,192	0.004840	4,928	0.002742	0.002098
16	Retailing	2	187,376,415	31,379,368	155,997,048	0.004710	734,746	0.00392	0.000789
17	Mfg. of Aluminum/Solar Energy/FAR	190	659,264	10,707	648,557	0.002904	1,883	0.002857	0.000047
18	Wholesaling of Aluminum/Solar Energy	191	135,657	0	135,657	0.002904	394	0.002904	0.000000
19	Mfg. of Commercial Airplanes or Components	195	2,471,227	20,652	2,450,575	0.004235	10,378	0.004200	0.000035
20	Whlse of Commercial Airplanes or Components	196	13,840,012	1,827,204	12,012,808	0.004235	50,874	0.003676	0.000559
21	Retailing of Commercial Airplanes or Components	197	19,113,719	905,039	18,208,680	0.004235	77,114	0.004034	0.000201
22	Parimutuel Wagering	193	D	D	D	0.001300	D		
23	Processing for Hire Timber Products	300	364,372	1,247	363,126	0.004235	1,538	0.004221	0.000014
24	Extracting Timber, Extracting for Hire Timber	301	264,505	16,118	248,387	0.004235	1,052	0.003977	0.000258
25	Manufacturing of Timber or Wood Products	302	3,839,911	361,284	3,478,627	0.004235	14,732	0.003837	0.000398
26	Wholesaling of Timber or Wood Products	303	7,432,495	3,891,435	3,541,060	0.004235	14,996	0.002018	0.002217
27	Sale of Standing Timber	304	4,692	8	4,684	0.003424	16	0.003418	0.000006
28	Manufacturing of Semi-Conductors	607	568,445	1,395	567,049	0.002750	1,559	0.00274	0.000007
<b>TOTAL B&amp;O TAXES</b>			<b>591,806,191</b>	<b>131,727,423</b>	<b>460,078,768</b>		<b>2,978,853</b>	<b>0.005033</b>	

**STATE SALES TAX AND USE TAX**

NO.	TAX CLASSIFICATION	LINE CODE	GROSS AMOUNT	DEDUCTIONS	TAXABLE AMOUNT	RATE	TAX DUE
29	Retail Sales Tax	1	\$190,511,882	\$71,554,214	\$118,957,667	0.065000	\$7,732,248
30	Use Tax	5	4,877,289	0	4,877,289	0.065000	317,024
<b>TOTAL STATE SALES/USE TAX</b>			<b>195,389,170</b>	<b>71,554,214</b>	<b>123,834,956</b>		<b>8,049,272</b>

**STATE PUBLIC UTILITY TAX**

NO.	TAX CLASSIFICATION	LINE CODE	GROSS AMOUNT	DEDUCTIONS	TAXABLE AMOUNT	RATE	TAX DUE
31	Water Distribution	60	\$886,120	\$83,227	\$802,893	0.050290	\$40,377
32	Sewer Collection	61	431,953	197,692	234,260	0.038520	9,024
33	Power	49	6,618,281	1,308,978	5,309,303	0.038730	205,629
34	Gas Dist., Telegraph	26	1,908,531	17,821	1,890,710	0.038520	72,830
35	Motor Transportation, Railroad, Railroad Car	8	4,190,173	2,820,387	1,369,786	0.019260	26,382
36	Urban Transportation/Vessels Under 65 Feet	12	682,795	182,939	499,857	0.006420	3,209
37	Other Public Service	13	569,345	317,713	251,632	0.019260	4,846
<b>TOTAL PUBLIC UTILITY TAXES</b>			<b>15,287,197</b>	<b>4,928,757</b>	<b>10,358,440</b>		<b>362,298</b>

**OTHER TAXES**

NO.	TAX CLASSIFICATION	LINE CODE	GROSS AMOUNT	DEDUCTIONS	TAXABLE AMOUNT	RATE	TAX DUE	
38	Motor Vehicle Sales/Leases	120	\$10,264,358	\$0	\$10,264,358	0.003000	\$30,793	
39	Litter Tax	36	55,067,715	0	55,067,715	0.000150	8,260	
40	Tobacco Products	20	55,410	0	55,410	0.750000	41,557	
41	Refuse Collection	64	1,373,859	474,828	899,031	0.036000	32,365	
42	Petroleum Products Tax	57	<b>Temporarily Not Due - Fund Limit Reached</b>					
43	Hazardous Substance	65	17,599,227	597,533	17,001,694	0.007000	119,012	
44	IMR	79	157,208	0	157,208	0.060000	9,432	
45	Solid Fuel Burning Device Fee	59	Devices	0	4,777	\$30/Device	143,298	
46	Syrup Tax	54	Gallons	0	9,083	\$1.00/Gal	9,083	
47	Tire Fee	73	Tires	0	4,268	\$.90/Tire	3,841	
48	Cigar Tax (\$0.67 or more)	194	Cigars	0	670	\$.50/Cigar	335	
49	State Enhanced 911, TRS & WTAP	93	Switched Lines	0	39,806	\$.44/Line	17,515	
50	Wireless State Enhanced 911 Tax	94	Radio Lines	0	53,835	\$.20/Line	10,767	
<b>TOTAL OTHER TAXES</b>							<b>426,259</b>	

**TOTAL STATE TAXES\*\* \$11,816,682**

\* Reflects reported tax liability prior to any applicable tax credits.  
 \*\* Does not include retail sales and use tax collected by county auditors and the Department of Licensing.  
 \*\*\* Tax has not yet taken effect.  
 D - Indicates data cannot be disclosed because the total taxpayer count has fewer than statutory requirement.  
 N/A - Not applicable. Fund limit reached. Tax temporarily not due.  
 NOTE: City, county and transit sales/use taxes are reported in the Local Tax Distributions report.

TABLE 5: BUSINESS & OCCUPATION TAX:  
GROSS INCOME, TAXABLE INCOME & TAX DUE  
STATEWIDE BY INDUSTRY (NAICS)  
CALENDAR 2007

INDUSTRY	NAICS	INCOME SUBJECT TO B&O TAX		ACCRUED
		GROSS	TAXABLE	B&O TAX
<u>AGRICULTURE, FORESTRY, FISHING</u>	<u>11</u>	<u>\$3,356,513,233</u>	<u>\$2,465,361,947</u>	<u>\$13,561,649</u>
CROP & ANIMAL PRODUCTION	111,112	837,192,824	532,456,948	2,985,485
FORESTRY & LOGGING	113	1,814,448,493	1,506,689,784	6,815,577
FISHING & HUNTING	114	218,850,255	65,893,638	400,380
AG & FORESTRY SUPPORT ACTIVITIES	115	486,021,661	360,321,577	3,360,207
<u>MINING</u>	<u>21</u>	<u>716,326,341</u>	<u>586,071,482</u>	<u>3,151,647</u>
SAND & GRAVEL, QUARRYING	2123	486,912,603	429,868,590	2,324,333
OTHER EXTRACTION AND SUPPORT ACTIVITIES	211, 2121, 2122, 213	229,413,738	156,202,892	827,314
<u>UTILITIES</u>	<u>22</u>	<u>1,683,793,783</u>	<u>1,555,852,339</u>	<u>20,661,306</u>
ELECTRIC POWER GENERATION & TRANS.	2211	354,093,981	350,111,225	4,765,133
NATURAL GAS DISTRIBUTION	2212	149,889,213	140,254,416	708,697
WATER & SEWER	2213	1,179,810,589	1,065,486,698	15,187,476
<u>CONSTRUCTION</u>	<u>23</u>	<u>48,171,969,166</u>	<u>43,296,131,837</u>	<u>212,516,427</u>
RESIDENTIAL BUILDING & REMODELING	2361	10,451,070,045	9,635,004,338	46,792,113
NONRESIDENTIAL BUILDING	2362	9,488,898,408	8,169,248,777	39,115,559
HEAVY CONSTRUCTION & HIGHWAYS	237	5,945,207,538	5,123,532,385	26,471,242
SPECIAL TRADE CONTRACTORS	238	22,286,793,175	20,368,346,337	100,137,513
PLUMBING & HEATING	23822	4,277,783,613	3,969,162,352	19,565,753
PAINTING	23832	817,884,105	744,790,473	3,604,144
ELECTRICAL	23821	4,225,892,689	3,616,184,140	18,421,037
MASONRY/DRYWALL	23814, 23831	1,928,397,501	1,798,298,146	8,679,390
ROOFING	23816	1,218,583,496	1,183,354,342	5,660,582
OTHER CONTRACTORS	238 not listed above	9,818,251,771	9,056,556,884	44,206,607
<u>MANUFACTURING</u>	<u>31-33</u>	<u>132,865,766,036</u>	<u>97,893,670,358</u>	<u>435,992,446</u>
FOOD PRODUCTS	311	9,143,242,190	3,992,171,569	16,765,591
MILLING OF GRAINS	3112	318,652,534	208,636,747	768,780
FRUITS & VEGETABLES	3114	1,489,697,723	584,550,959	2,942,790
DAIRY PRODUCTS	3115	1,117,598,704	281,188,676	1,364,616
MEAT PRODUCTS	3116	1,348,976,923	729,054,471	1,337,959
SEAFOOD PRODUCTS	3117	2,205,670,968	458,283,032	2,103,931
BAKERY PRODUCTS	3118	915,756,369	737,054,373	3,554,145
OTHER FOOD ITEMS	3111, 3113, 3119	1,746,888,969	993,403,311	4,693,370
BEVERAGES	312	2,461,521,112	1,595,902,304	7,726,208
TEXTILES	313,314	1,356,201,691	354,745,105	1,766,768
APPAREL	315	216,722,199	114,824,678	558,843
LEATHER & ALLIED PRODUCTS	316	93,944,654	28,269,012	136,868
LUMBER & WOOD PRODUCTS	321	8,929,153,035	5,921,218,196	26,739,583
SAWMILLS	3211	2,996,004,358	1,896,153,766	8,106,270
PLYWOOD & TRUSSES	3212	1,137,136,036	681,017,951	2,932,660
MILLWORK, WINDOWS, WOOD PRODUCTS	3219	4,796,012,641	3,344,046,479	15,700,653
PAPER PRODUCTS	322	6,922,795,710	4,255,816,863	18,144,171
PULP & PAPER MILLS	3221	4,491,121,807	2,623,609,901	10,803,509
OTHER PAPER PRODUCTS	3222	2,431,673,903	1,632,206,962	7,340,662
COMMERCIAL PRINTING	323	1,179,942,317	1,066,924,431	5,226,796
PETROLEUM & COAL PRODUCTS	324	19,731,863,019	17,930,760,932	86,661,137
PETROLEUM REFINING	32411	19,176,221,062	17,565,986,058	84,895,902
ASPHALT/PETROLEUM/COAL PRODUCTS	32412, 32419	555,641,957	364,774,874	1,765,235
CHEMICALS	325	2,728,118,092	1,949,948,028	9,734,998
CHEMICALS	3251	666,012,973	470,861,164	2,276,565
PESTICIDES & FERTILIZERS	3253	161,751,089	122,893,266	617,270
PHARMACEUTICALS	3254	456,095,072	303,454,057	1,577,024
OTHER SYNTHETIC ITEMS	3252, 3255, 3256, 3259	1,444,258,958	1,052,739,541	5,264,139
PLASTICS & RUBBER PRODUCTS	326	2,464,986,399	1,499,997,499	7,261,441
NONMETALLIC MINERALS	327	2,958,214,211	2,297,000,611	10,893,694
PRIMARY METALS	331	4,562,351,868	3,230,322,363	14,344,026
IRON & STEEL MILLS	3311, 3312	1,244,341,082	801,066,657	3,830,431



TABLE 5: BUSINESS & OCCUPATION TAX:  
 GROSS INCOME, TAXABLE INCOME & TAX DUE  
 STATEWIDE BY INDUSTRY (NAICS)  
 CALENDAR 2007

INDUSTRY	NAICS	INCOME SUBJECT TO B&O TAX		ACCRUED B&O TAX
		GROSS	TAXABLE	
ALUMINUM SMELTING	3313	1,991,099,235	1,564,727,331	6,310,256
OTHER NONFERROUS METALS	3314	274,577,653	254,917,444	1,235,122
FOUNDRIES	3315	1,052,333,898	609,610,931	2,968,217
FABRICATED METAL PRODUCTS	332	4,397,121,258	3,142,627,459	14,966,354
MACHINERY	333	5,768,655,405	3,774,279,615	18,372,923
FARM & CONSTRUCTION IMPLEMENTS	3331	532,046,534	258,114,072	1,253,152
INDUSTRIAL MACHINERY	3332	861,745,179	426,837,405	2,083,052
COMMERCIAL & OTHER EQUIPMENT	3333-3336 & 3339	4,374,863,692	3,089,328,138	15,036,719
COMPUTERS & ELECTRONICS	334	10,129,255,659	5,775,612,203	28,010,837
COMPUTER HARDWARE	3341	1,143,530,258	425,923,247	2,340,346
TELEPHONE & COMMUNICATIONS EQUIPMENT	3342	690,474,082	518,205,453	2,846,715
AUDIO & VIDEO EQUIPMENT	3343	129,939,033	76,886,284	394,411
SEMICONDUCTORS	3344	3,393,552,712	1,759,847,705	7,259,647
INSTRUMENTS	3345	4,432,436,708	2,827,272,957	13,794,851
SOFTWARE REPRODUCTION	334611	324,155,308	156,181,443	1,298,792
OTHER MAGNETIC & OPTICAL MEDIA	334612, 334613	15,167,558	11,295,114	76,075
ELECTRICAL EQUIPMENT & APPLIANCES	335	1,475,767,565	761,396,434	3,507,778
LIGHTING EQUIPMENT	3351	186,434,052	85,832,478	415,374
HOUSEHOLD APPLIANCES	3352	17,944,481	13,962,608	69,742
OTHER ELECTRIC EQUIPMENT	3353, 3359	1,271,389,032	661,601,348	3,022,662
TRANSPORTATION EQUIPMENT	336	42,562,911,727	36,609,515,622	147,348,181
MOTOR VEHICLES & PARTS	3361, 3362, 3363	1,823,134,608	1,163,455,302	5,869,245
AIRCRAFT, AEROSPACE & PARTS	3364	38,927,761,114	34,239,433,071	135,586,984
SHIPS & BOATS	3366	1,713,920,158	1,122,641,381	5,483,082
RAILROAD, OTHER TRANSPORTATION EQUIP.	3365, 3369	98,095,847	83,985,868	408,870
FURNITURE & RELATED PRODUCTS	337	1,609,898,536	1,156,944,593	5,597,817
OTHER MANUFACTURING	339	4,173,099,389	2,435,392,841	12,228,432
<b>WHOLESALE TRADE</b>	<b>42</b>	<b>127,361,892,436</b>	<b>91,181,842,653</b>	<b>435,401,734</b>
DURABLE GOODS	423	61,768,613,503	43,428,404,960	216,512,673
MOTOR VEHICLES & PARTS	4231	7,821,287,325	6,994,512,866	34,355,138
FURNITURE & HOME FURNISHINGS	4232	1,312,540,046	1,028,325,317	5,114,099
LUMBER & CONSTRUCTION MATERIALS	4233	6,348,654,527	4,413,512,504	21,228,972
PROFESSIONAL & COMMERCIAL EQUIP.	4234	10,790,152,180	8,713,416,621	43,431,106
ELECTRICAL EQUIPMENT	4236	8,273,912,046	6,524,760,345	34,446,139
HARDWARE, PLUMBING, HEATING EQUIP.	4237	2,960,589,277	2,451,279,186	11,970,897
MACHINERY & EQUIPMENT	4238	11,346,631,563	8,168,666,826	39,437,738
OTHER DURABLE GOODS	4235, 4239	12,914,846,539	5,133,931,295	26,528,584
NONDURABLE GOODS:	424	64,460,895,645	47,240,943,516	215,458,394
PAPER & PAPER PRODUCTS	4241	1,704,628,232	1,395,151,986	6,797,825
DRUGS & SUNDRIES	4242	6,733,817,859	6,290,714,510	20,571,983
APPAREL	4243	2,757,779,985	1,105,323,366	5,501,044
FOOD PRODUCTS	4244	21,587,961,685	13,703,797,968	61,341,409
FARM PRODUCTS	4245	724,658,675	401,361,068	2,135,673
CHEMICALS & PLASTICS	4246	3,082,804,520	2,361,979,374	12,140,966
PETROLEUM PRODUCTS	4247	12,839,029,014	11,791,479,275	57,160,484
OTHER NONDURABLE GOODS	4248, 4249	15,030,215,675	10,191,135,969	49,809,010
ELECTRONIC MARKETS, AGENTS, BROKERS	425	1,132,381,905	512,492,794	3,430,660
<b>RETAIL TRADE</b>	<b>44-45</b>	<b>113,902,860,282</b>	<b>93,576,392,750</b>	<b>460,292,371</b>
MOTOR VEHICLES & PARTS	441	21,164,927,456	19,210,628,314	94,480,998
NEW & USED AUTO DEALERS	4411	16,391,643,539	15,032,351,210	73,952,508
RV, BOAT, MOTORCYCLE DEALERS	4412	2,293,217,103	1,939,824,308	9,588,025
AUTOMOTIVE PARTS & TIRES	4413	2,480,066,814	2,238,452,796	10,940,465
FURNITURE & HOME FURNISHINGS	442	3,416,701,716	3,013,829,022	14,497,600
ELECTRONICS & APPLIANCES	443	5,345,359,173	4,181,096,744	22,796,991
HOUSEHOLD APPLIANCES	443111	765,046,596	738,242,236	3,554,896
RADIO, TV & OTHER ELECTRONICS	443112	1,704,950,180	1,426,943,241	7,090,609



TABLE 5: BUSINESS & OCCUPATION TAX:  
GROSS INCOME, TAXABLE INCOME & TAX DUE  
STATEWIDE BY INDUSTRY (NAICS)  
CALENDAR 2007

INDUSTRY	NAICS	INCOME SUBJECT TO B&O TAX		ACCRUED B&O TAX
		GROSS	TAXABLE	
COMPUTERS & SOFTWARE	44312	2,785,514,521	1,930,664,910	11,747,430
CAMERAS & PHOTO SUPPLY	44313	89,847,876	85,246,357	404,056
BLDG. MATERIALS, GARDEN SUPPLIES	444	8,431,706,125	7,900,100,617	37,996,035
BUILDING MATERIALS	4441	7,434,728,199	7,044,923,182	33,850,414
LAWN & GARDEN SUPPLIES	4442	996,977,926	855,177,435	4,145,621
FOOD & BEVERAGES (OFF-PREMISES)	445	12,606,427,447	11,960,552,922	57,324,005
GROCERY & CONVENIENCE STORES	4451	11,774,706,223	11,402,951,170	54,479,504
OTHER FOOD STORES/SPECIALTY FOODS	4452	718,422,304	459,584,192	2,308,266
BEER, WINE AND LIQUOR STORES	4453	113,298,920	98,017,560	536,235
DRUG STORES & PERSONAL CARE STORES	446	5,265,890,488	4,436,404,811	21,575,345
GAS STATIONS (INCL. CONVENIENCE STORES)	447	9,879,242,398	8,309,104,538	39,970,399
APPAREL & ACCESSORIES	448	5,723,302,768	4,181,800,793	20,083,833
CLOTHING STORES	4481	4,350,892,142	3,227,232,929	15,480,876
SHOE STORES	4482	401,329,467	370,796,569	1,793,071
JEWELRY & LUGGAGE STORES	4483	971,081,159	583,771,295	2,809,886
SPORTING GOODS, TOY/HOBBY/ BOOK/ MUSIC	451	2,962,068,237	2,466,675,700	12,147,231
SPORTING GOODS	45111	1,476,134,618	1,134,874,489	5,587,084
HOBBY & TOY STORES	45112	376,725,369	334,765,750	1,606,987
SEWING SUPPLIES	45113	165,571,919	151,168,805	725,176
MUSICAL INSTRUMENTS	45114	173,453,180	153,496,861	780,375
BOOK, PERIODICAL & MUSIC STORES	45121	552,013,733	498,127,454	2,487,478
TAPES & CDs	45122	218,169,418	194,242,341	960,131
DEPARTMENT STORES	4521	3,543,422,115	3,362,079,942	16,181,210
GENERAL MERCHANDISE STORES	4529	14,817,121,736	13,349,020,665	63,485,105
E-COMMERCE & MAIL ORDER	4541	7,973,153,177	784,874,194	5,030,066
MISCELLANEOUS RETAILERS	453, 4542, 4543	12,773,537,446	10,420,224,488	54,723,553
<u>TRANSPORTATION</u>	<u>48-492</u>	<u>4,785,911,041</u>	<u>3,579,803,339</u>	<u>23,972,650</u>
AIR TRANSPORTATION	481	131,935,346	82,262,996	885,743
RAILROADS	482	115,261,549	71,051,661	662,774
WATER TRANSPORTATION	483	262,669,986	87,559,357	339,496
TRUCK TRANSPORTATION	484	966,430,302	724,230,230	6,191,261
TRANSIT & GROUND PASSENGER TRANSPORT	485	133,564,577	123,218,701	1,505,624
OTHER TRANSPORTATION SERVICES	486, 487, 488, 491, 492	3,176,049,281	2,491,480,394	14,387,752
<u>WAREHOUSING &amp; STORAGE</u>	<u>493</u>	<u>560,521,111</u>	<u>466,636,680</u>	<u>2,711,388</u>
<u>INFORMATION</u>	<u>51</u>	<u>16,116,823,848</u>	<u>13,797,787,782</u>	<u>123,220,733</u>
PUBLISHING (EXCEPT INTERNET)	511	3,257,871,100	2,772,760,509	24,569,967
NEWSPAPERS	51111	891,853,295	850,057,548	4,643,241
BOOKS & PERIODICALS	51112, 51113	476,353,610	381,847,588	2,666,198
SOFTWARE	5112	1,678,399,493	1,349,736,218	14,762,208
OTHER PUBLISHERS	51114, 51119	211,264,702	191,119,155	2,498,320
MOTION PICTURE PRODUCTION	512	670,276,204	595,276,304	6,450,613
RADIO & TV BROADCASTING, CABLE TV	515	1,072,161,339	583,904,528	6,251,938
INTERNET PUBLISHING & BROADCASTING	516		NAICS no longer valid	
TELEPHONE & TELECOMMUNICATIONS	517	8,749,423,110	8,401,601,911	67,768,246
ISPs, WEB SEARCH PORTALS, DATA PROC. SVCS	518	1,969,809,426	1,252,127,790	15,413,821
OTHER INFORMATION SERVICES	519	397,282,669	192,116,740	2,766,148
<u>FINANCE, INSURANCE, REAL ESTATE</u>	<u>52-53</u>	<u>37,263,049,541</u>	<u>25,345,139,485</u>	<u>291,869,064</u>
BANKS & CREDIT UNIONS	522	18,207,336,046	11,192,241,107	158,424,160
SECURITIES & OTHER FINANCIAL INVESTMENT	523, 525	3,866,071,888	2,920,003,273	31,429,942
INSURANCE AGENTS & BROKERS	524	6,087,260,820	3,163,274,735	26,143,822
REAL ESTATE AGENTS & BROKERS	531	4,509,190,963	3,977,602,391	54,231,315
RENTAL OF TANGIBLE PERSONAL PROPERTY	532	4,484,671,469	3,984,883,902	21,041,883
LESSORS OF NONFINANCIAL INTANGIBLES	533	108,518,355	107,134,077	597,942
<u>BUSINESS, PERSONAL AND OTHER SERVICES</u>	<u>54-92</u>	<u>105,167,756,079</u>	<u>86,357,579,905</u>	<u>930,352,391</u>
LEGAL SERVICES	5411	4,159,619,817	3,800,399,227	55,784,438
ACCOUNTING SERVICES	5412	2,341,043,682	2,085,814,094	30,869,182

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STATEWIDE BY INDUSTRY (NAICS)  
CALENDAR 2007

INDUSTRY	NAICS	INCOME SUBJECT TO B&O TAX		ACCRUED B&O TAX
		GROSS	TAXABLE	
ARCHITECTURAL/ENGINEERING/DESIGN SVCS	5413, 5414	9,220,838,782	7,344,800,702	83,946,169
COMPUTER SYSTEM DESIGN SERVICES	5415	7,065,409,580	4,785,725,266	51,526,927
CONSULTING SERVICES	5416	5,454,423,319	4,387,567,532	56,587,120
ADVERTISING & PUBLIC RELATIONS	5418	1,357,272,389	1,011,230,914	12,640,265
OTHER PROFESSIONAL SERVICES	5417, 5419	5,149,329,412	3,964,946,533	38,060,668
MANAGEMENT SERVICES	55	223,458,563	160,956,437	1,394,325
ADMINISTRATIVE & SUPPORT SERVICES	561	13,715,855,705	11,295,003,271	107,535,105
EMPLOYMENT SERVICES	5613	2,535,752,207	2,016,034,185	27,316,852
TRAVEL SERVICES	5615	1,077,844,000	1,008,232,693	4,353,247
INVESTIGATION & SECURITY SERVICES	5616	743,362,851	685,527,477	7,849,588
BUILDING SERVICES & JANITORIAL	5617	6,844,565,614	5,163,175,979	48,751,029
OTHER	5611, 5612, 5614, 5619	2,514,331,033	2,422,032,937	19,264,389
WASTE TREATMENT/ COLLECTION	562	3,168,397,728	3,000,688,483	27,329,138
SCHOOLS (PUBLIC, PRIVATE, TECHNICAL)	61	1,611,601,071	798,755,167	10,249,710
HEALTH SERVICES	62	26,886,533,318	22,248,590,534	317,279,565
PHYSICIANS	6211	6,052,835,491	5,350,755,734	79,391,670
DENTISTS	6212	2,827,304,992	2,813,072,819	42,081,872
OTHER PRACTITIONERS	6213	2,135,823,611	1,939,259,685	27,279,868
HOSPITALS	622	8,581,307,251	6,550,041,313	95,742,941
NURSING & RETIREMENT HOMES	623	1,565,584,116	1,451,145,891	16,773,355
OTHER HEALTH FACILITIES & SERVICES	6214, 6215, 6216, 6219	858,594,070	470,551,631	5,608,348
SOCIAL SERVICES & DAY CARE	624	4,865,083,787	3,673,763,461	50,401,511
ARTS, ENTERTAINMENT, & RECREATION	71	2,619,467,753	2,023,068,308	18,631,419
PERFORMING ARTS, SPECTATOR SPORTS	711	1,142,106,167	737,965,013	8,436,313
MUSEUMS, HISTORICAL SITES, ETC.	712	47,787,901	18,552,459	126,812
AMUSEMENT, GAMBLING, RECREATION	713	1,429,573,685	1,266,550,836	10,068,294
ACCOMMODATIONS	721	2,252,266,957	2,183,732,890	10,977,579
RESTAURANTS, FOOD SERVICES	7221, 7222, 7223	11,301,075,060	9,625,095,586	50,133,192
DRINKING PLACES	7224	621,838,018	538,269,696	3,253,855
AUTO REPAIR & SERVICES	8111	2,587,035,271	2,410,065,393	11,679,887
OTHER REPAIR SERVICES	8112, 8113, 8114	1,555,535,806	1,348,930,349	7,160,008
PERSONAL SERVICES	812	3,041,349,570	2,785,530,813	28,842,481
PERSONAL CARE (BARBER, BEAUTY, ETC.)	8121	950,743,104	937,218,093	12,266,957
LAUNDRY & DRY CLEANING	8123	406,702,851	393,413,271	2,520,715
OTHER PERSONAL SERVICES	8122, 8129	1,683,903,615	1,454,899,449	14,054,809
RELIGIOUS, CIVIC & OTHER ORGANIZATIONS	813, 814	590,224,650	344,874,004	3,927,465
PUBLIC ADMINISTRATION, OTHER	92,00	245,179,628	213,534,706	2,543,893
<b>TOTAL ALL INDUSTRIES</b>		<b>591,953,621,193</b>	<b>460,102,708,220</b>	<b>2,953,706,453</b>