

## Pyramiding of the B&O Tax

The following is a measure of non-neutralities caused by pyramiding of the B&O tax. In the analysis, the economy is broken down into nine sectors and the effective B&O tax on each dollar of value added was calculated for each sector. Input-output data is used to trace the tax through each sector's intermediate purchases. The table below compares the effective B&O tax rate on value added to the effective B&O tax rate on final output for each sector.

	<b>Effective Tax Rate on Value-Added</b>	<b>Effective Tax Rate on Final Output</b>
	<u>B&amp;O alone</u>	<u>B&amp;O alone</u>
Agriculture	4.4%*	0.7%*
Minerals	5.8%	0.5%
Construction	2.6%	0.5%
Manufacturing	3.2%	0.5%
Transprt/Comm/Utilities	3.7%	1.2%
Trade	1.5%	0.5%
Finance/Ins/RealEst	2.1%*	1.0%*
Services	2.6%	1.0%
Other	0.8%	0.6%
Statewide	2.4%	0.6%

\*Because many of the activities in these sectors are untaxed and therefore unreported, these effective tax rates appear much higher than they should. We are working on refining these estimates.

For all major industry groups the effective B&O tax rates on value-added are much higher than the effective tax rates on final output.

There is much variation in the effective B&O tax rate on value-added across industries, significantly more so than the variation in effective tax rates on final output.