

NOTES AND DEFINITIONS

Accrual Period

Data in this report reflect tax liability incurred for business conducted during the indicated period. Most taxpayers report on the accrual basis according to when the seller becomes entitled to receive payment (i.e. when the customer is billed). Some firms whose books are kept on strictly a cash receipts basis report tax liability according to when payment is received.

The quarterly accrual period includes data reported by taxpayers who submit returns for business during the indicated period. For example, the first quarter report includes the tax returns of all monthly taxpayers for January, February and March, as well as the first quarter returns for all firms reporting on a quarterly basis. Some distortion results from annual taxpayers being included with the fourth quarter data. However, such firms account for only about one-half of one percent of all excise taxes reported on the combined excise tax return.

"D"

The symbol "D" indicates that data have been withheld to avoid disclosure of information for individual firms, as required by the excise tax confidentiality statute. Data on fewer than three firms in a particular Standard Industrial Classification (SIC) category are included in the miscellaneous or "other" categories.

Gross Income

Gross income, as used in this report, covers only income of businesses subject to those taxes reported to the Department of Revenue on the combined excise tax return: retail sales, business and occupation, public utility, use and tobacco products taxes. The income of individuals, except for proprietors and partnerships, is excluded, as is income derived from agricultural production and the rental of real property.

Gross income is defined as the value proceeding or accruing from engaging in business within the state. It includes gross receipts, gross proceeds of sales, or the value of products without any deduction for the cost of tangible personal property sold, the cost of materials used, labor costs, interest, taxes or other business expenses. The business and occupation tax applies at various stages in the chain of production (e.g. manufacturing, wholesale, retail). Therefore, gross income reported for business and occupation tax involves double counting of income and the figures may not be compatible with other published data on income sources, such as personal income.

Gross Retail Sales

Gross receipts from sales of tangible personal property and taxable services to final consumers that are subject to retail sales tax are included under the heading of gross retail sales. Included are items that are potentially subject to sales tax, such as food for off-premises consumption, but which are statutorily exempt and are deductible before arriving at the taxable amount.

Operating Income

Income that is subject to the public utility tax is defined as operating income. Such income is not subject to the business and occupation tax.

Reporting Periods

State excise taxpayers are assigned to monthly, quarterly, or annual tax reporting. Quarterly Business Review data include the accruals of both monthly and quarterly taxpayers for the indicated period with the exception of the fourth quarter report which also includes amounts reported by annual taxpayers for the entire year.

SIC

Data in this report are shown by major industry according to the 1987 edition of the Standard Industrial Classification Manual, published by the federal Office of Management and Budget. Firms are assigned to a SIC category at the time of initial registration with the Department, based on a description of their intended primary activity. Income derived from other secondary activities engaged in by the firm is also reported according to the firm's SIC classification (i.e. principal business activity). Beginning with Quarter 1, 1989, SIC code classifications have been updated from the 1972 classifications to the 1987 classifications. Bridge tables have been published comparing 1972 classifications with those for 1987. Please refer to the bridge tables when making historical comparisons of data which encompass years both before and after 1989.

Taxable Income/Taxable Operating Income

These statistics represent the amount of gross income or gross operating income subject to business and occupation or public utility taxes less any applicable deductions claimed by the taxpayer. A variety of statutory deductions are allowed, e.g. interstate sales, bad debts, discounts, etc. The taxable amount is multiplied by the tax rate to compute the amount of tax due for each tax category.

Taxable Retail Sales

Gross retail sales of items subject to sales tax less any exemptions or deductions claimed by the taxpayer equal the taxable amount. Major deductible items include food for off-premises consumption, motor vehicle fuel, interstate sales and sales to nonresidents, sales to the federal government, and sales to Indians for use on the reservation.

The total taxable retail sales of each firm are multiplied by the state retail sales tax rate to produce the state sales tax liability. Also the total taxable retail sales must be coded to local city, county and transit district jurisdictions and the appropriate combined local tax rate applied for computing local sales tax liability. This breakdown of taxable retail sales by local area forms the basis for the amounts reported in Tables 3 and 4 of this report.

For a statewide total of taxable retail sales by industry, refer to Table 6.

Units

Unit counts for the statewide tables show the total number of taxpayers submitting returns during the period. Taxpayers reporting no business activity are included. The Department permits firms with multiple branches to report state tax liability from a single headquarters location. Thus, the unit count on statewide tables may not represent the actual number of business establishments.

For the local data in Tables 3 and 4, the unit count indicates the number of retailers reporting taxable retail sales activity within the county or city. However, firms that report centrally but which have more than one branch within the same local tax code area will be counted only once.