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10/9/02

To: Governor's Task Force on Tax Policy  
Subject: Profit Margins

Much of the discussion about the gross receipts tax has centered on the question of profitability. The "bottom line" and how a gross tax will affect different industries. Many spokespersons have been queried on this subject and have been asked to document their numbers.

It occurred to me there is a single, well respected source for the information requested: The Value Line Investment Survey. V-L does an industry by industry statistical array which includes "Net Profit Margin (NPM)."  
Herewith the numbers:

INDUSTRY	2001 NPM	GROSS REC. TAX RATE ADJUSTED FOR PROFITABILITY TO EQUAL THE TAX BURDEN.
Hotel/Gaming	5.4% - 3.60	X .25 = .90
Int'l Pete.	7.1% 4.73	X " = 1.18
Nat. Gas Dist.	3.6% 2.40	X " = .60
Medical Services	3.8% 2.53	X " = .63
Telecom Services	3.3% 2.20	X " = .55
Telecom Equip.	3.2% 2.13	X " = .53
Pharmacy	1.8% 1.20	X " = .30
Homebuilding	6.2% 4.13	X " = 1.03
Building Supply	4.5% 3.00	X " = .75
Precious Metals	7.6% 5.06	X " = 1.26
Grocery Stores	1.7% 1.13	X " = .28
Food Wholesale	1.5%	
Beverage (Alcohol)	7.0% 4.66	X .25 = 1.16
Beverage (Soft Drink)	9.6% 6.40	X " = 1.60
Tobacco	9.3% 6.20	X " = 1.55
Retail	2.8% 1.86	X " = .46
Newspaper	3.6% 2.40	X " = .60
Restaurant	7.6% 5.06	X " = 1.26

A few "different" industries:

Cable TV: No profits. Every company covered (including COX) running deficits.

Banks: Profitability yardstick is defined as "Return on Total Assets" 0.81%

Prop./Casualty Insurance: Underwriting Margin: Def. (3.2%)

Auto Dealerships: Not large enough to have its own industry array. However, I found three publicly traded companies in "Specialty Retail":

Simon Automotive: 1.3% - Group One Auto: 1.4% - Auto Nation: 1.5%

Hope having this information in one place is helpful to you.

Respectfully submitted,

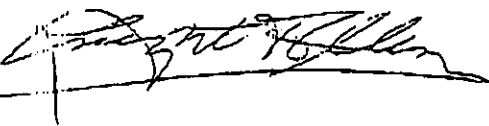


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Government partnership not privilege.