Corporation Income Tax Returns, 1988

By Amy Pavelko and Patrice Treubert*

As a reflection of the continued economic growth in the 1980's and base broadening provisions of the Tax Reform Act of 1986 (TRA), corporate pre-tax profits for 1988 increased 25.8 percent to $413.0 billion. Income Year 1988 was also the first for which many of the changes to the tax code based on TRA were fully implemented. The number of returns declined from 3.61 million to 3.56 million chiefly because of the unusually large number of part-year returns filed for 1987 which were required to implement new TRA rules applicable to S Corporations. Although the corporate tax base increased 22.9 percent to $383.2 billion, regular income tax increased only by $11.8 billion to $126.9 billion for 1988, due mainly to the lower corporate tax rates enacted by TRA. The new alternative minimum tax increased $1.1 billion to $3.4 billion because Income Year 1988 was the first year in which all corporate filers were subject to the new tax.

NUMBER OF RETURNS

For Income Year 1988, the number of corporation income tax returns filed dropped for the first time since the end of World War II, from 3.61 million returns to 3.56 million returns (Figure A). The decrease was prompted by the Tax Reform Act of 1986, which caused some firms to file twice for Income Year 1987.

Figure A.--Number and Growth Rate of Returns Filed, Income Years 1980-1988

Income year	Total number of returns	Percentage change	Number of returns with net income	Percentage change
	(1)	(2)	(3)	(4)
1980	2,710,538	6.0%	1,596,632	0.6%
1981	2,812,420	3.8	1,597,298	1/
1982	2,925,933	4.0	1,608,363	0.6
1983	2,999,071	2.5	1,676,288	4.2
1984	3,170,743	5.7	1,777,770	6.0
1985	3,277,219	3.4	1,820,120	2.4
1986	3,428,515	4.6	1,907,738	4.8
1987	3,612,133	5.4	1,995,452	4.6
1988	3,562,789	-1.4	1,908,799	-4.3

1/ Less than .05 percent, but greater than zero.

An indicator of corporate business activity is the number of part-year returns filed during a tax year. Part-year returns are filed when a corporation changes its accounting period or otherwise reports for less than a full year for a substantial business purpose [1]. The number of part-year returns filed by corporations increased significantly for Income Year 1987, with 484,074 part-year returns filed for that year and 244,607 filed for 1986 and 217,634 for 1988. Part-year returns usually involve new, merging, liquidating or S-converting corporations, but for Income Year 1987 they also included returns filed to effect the changeover of S Corporations and personal service corporations to a calendar year accounting period as required by TRA. Since personal service corporations account for a small proportion of the returns for Income Year 1988, the effects of their filing activities on the number of total returns are considered insignificant to the corporate statistics [2].

S Corporations are generally small corporations that elect to be taxed through the individuals who are their shareholders. Part-year filings for 1987 increased to some extent because some smaller, income-generating companies decided to convert to S Corporations to take advantage of the lower individual tax rates initiated by TRA. The Act reduced the top tax rate for corporations but also reduced the tax rates for individuals so that the top individual rate (28 percent) became lower than the top corporate rate (34 percent) [3]. Therefore, by converting to S Corporations, certain small corporations could have their profits taxed at a lower individual income tax rate [4]. Although the total number of returns decreased for 1988, the decrease in the number of regular corporate filers by 7.5 percent to 2.1 million returns is possibly related to the increase in the number of S Corporate filers by 11.5 percent to 1.3 million returns.

Approximately 37 percent of the part-year filings for 1987 was due to S Corporation conversions combined

*Corporation Returns Analysis Section. Prepared under the direction of Ken Szeflinski, Chief.

with changes to a calendar year by existing S Corporations, prompted by the Tax Reform Act of 1986 (TRA) [5]. Part-year filings initiated by S Corporation conversions and calendar year changeovers for Income Year 1987 resulted in an inflation in the number of returns filed for that year, since each corporation needed to file two returns to enact these changes. (Corporation statistics are based on returns with accounting periods ending July of one calendar year through June of the following calendar year.)

The decline in the number of returns for Income Year 1988 was concentrated in the services division. The decline in the number of part-year returns was particularly acute in this division, where the number of such returns decreased from 214,680 to 66,488. The total number of returns for the services division decreased by 11.1 percent, to 995,425 returns (Figure B), whereas for Income Year 1987, the number of returns increased above the 5.4 percent national average to 10.6 percent. The decrease is most noted in the number of returns with net income, where the number of returns dropped by 17.3 percent.

Most of the decline in both part-year and full-year filings in the services division was concentrated in activities such as physicians, legal services, dentists, and architecture and engineering. These firms are included in the "other services" major industry, where the number of returns with assets under $500,000 dropped significantly (Figure C). Physicians and dentists combined showed a decrease of 89,169 returns, which accounts for over 70 percent of the 125,607 drop in the "other services" category. The decline in the number of small service industry returns is possibly related to S Corporation activity since S Corporation status is both attractive and accessible to small income-generating companies.

INCOME STATEMENT

Net Income

Reflecting the continued expansion in the U.S. economy and base broadening provisions of TRA, pre-tax profits reported on corporate income tax returns for Income Year 1988 increased 25.8 percent to $413.0 billion. By asset size, 78.0 percent of all corporate profits were attributable to 5,120 returns with assets of $250 million or more. This is similar to 1987, when 4,794 returns of comparable size accounted for 75.4 percent of corporate profits. The increase in profits was primarily due to the growth in the manufacturing division, but most other industrial divisions also showed increases in net income (less deficit) (Figure D). The increase was caused by a rise in the total net income of $90.6 billion, which exceeded the rise in total deficit of $5.9 billion reported by loss companies. Most divisions showed increases in both net income and deficit.

Of the $84.8 billion increase in total corporate profits over 1987, manufacturing showed the largest dollar gain as profits rose $59.6 billion to $205.1 billion. Within manufacturing, the largest increases occurred in the following major industrial groups: machinery, except electrical ($9.3 billion increase), motor vehicles and equipment ($7.9 billion increase), petroleum (including integrated) and coal products ($7.2 billion increase), and "other" machinery, except electrical ($6.5 billion increase)[6]. Within these groups, the major industries with the largest growth were motor vehicles and equipment with a 152.7 percent increase to $13.2 billion, tobacco with a 139.8

Figure B.--Number of Returns by Industrial Division, Income Years 1987-1988

Industrial division	1987		1988	
	Number of returns	Percentage change	Number of returns	Percentage change
	(1)	(2)	(3)	(4)
All industries 1/	3,612,133	5.4%	3,562,789	-1.4%
Agriculture, forestry and fishing	116,544	9.3	119,902	2.8
Mining	42,050	4.2	41,080	-2.3
Construction	371,169	8.6	381,499	2.9
Manufacturing	294,211	3.2	299,538	1.8
Transportation and public utilities	147,893	6.8	149,248	0.9
Wholesale and retail trade	971,758	3.5	984,553	1.3
Finance, insurance and real estate	521,136	-3.0	572,418	9.8
Services	1,119,604	10.6	995,425	-11.1

1/ Includes returns not allocable by industrial division.

Figure C.--Analysis of Number of Returns in "Other Services," Income Years 1987-1988

Returns	1987	1988	Frequency change	Percentage change
	(1)	(2)	(3)	(4)
Number of returns, total	482,770	357,163	-125,607	-26.0%
Number of returns with net income	303,035	187,236	-115,799	-38.2
Number of returns with assets under $500,000	465,370	338,687	-126,683	-27.2

Figure D.--Net Income (Less Deficit) by Industrial Division, Income Years 1987-1988
[Money amounts are in thousands of dollars]

Industrial division	1987		1988	
	Amount	Percentage change	Amount	Percentage change
	(1)	(2)	(3)	(4)
All industries 1/	$328,223,710	21.8%	$412,982,753	25.8%
Agriculture, forestry and fishing	1,626,501	41.6	1,615,921	-0.7
Mining	275,048	108.8	4,111,855	1,395.0 2/
Construction	8,700,642	50.5	11,343,920	30.4
Manufacturing	145,493,891	42.9	205,083,651	41.0
Transportation and public utilities	37,466,184	71.8	46,943,801	25.3
Wholesale and retail trade	38,040,057	8.9	42,844,883	12.6
Finance, insurance and real estate	87,403,218	-12.4	91,892,954	5.1
Services	9,251,928	24.2	9,276,631	0.3

1/ Includes amounts of net income (less deficit) not allocable by industrial division.
2/ This increase was due mostly to several large corporations whose principal business activity for 1988 (but not 1987) was mining.

percent increase to $10.3 billion, and primary metal industries with a 120.9 percent increase to $7.1 billion.

Net income (less deficit) reported by Interest Charge Domestic International Sales Corporations and Foreign Sales Corporations together accounted for $1.6 billion of the $328.2 billion of net income (less deficit) reported by all corporations for 1987. However, these returns were excluded from the corporate statistics for 1988 so that net income or deficit for 1988 is not completely comparable with 1987. Net income from S Corporations increased $9.3 billion to $33.4 billion from 1987 [7].

Receipts

Total receipts reported on corporate income tax returns for 1988 increased $0.7 trillion to $10.3 trillion (Table 1). This 7.1 percent increase most likely reflects the continuation of the economic expansion period which began 6 years earlier. Business receipts (generally gross operating receipts) rose 6.4 percent to $8.9 trillion, with the largest dollar gains occurring in wholesale and retail trade and in manufacturing.

The largest gains in total receipts were from dividends from foreign corporations, which rose 67.9 percent to $42.3 billion. The largest dollar increase occurred in manufacturing. Foreign dividends received by manufacturers increased from $21.3 billion to $35.4 billion. Industries within the manufacturing division which experienced the largest dollar increases were office computing machinery, tobacco, motor vehicles, and electrical equipment. Divisions which experienced the largest percentage increases were construction, transportation and public utilities, and agriculture.

Foreign dividends received are payments made by companies incorporated abroad, most of them foreign subsidiaries of U.S. parents. Such foreign companies bore different relationships to the U.S. company to which they paid dividends; the U.S. company may have held only portfolio investments in the foreign company, or it may have partially or completely owned or controlled it. For 1988, 92.6 percent of foreign dividends received by domestic corporations was reported in "other foreign dividends" on the tax return. Other foreign dividends includes all foreign dividends except certain special categories which are subject to a partial or full deduction, generally because they are derived from income that was previously taxed for U.S. purposes.

The flow and reporting of foreign income is determined by U.S. companies' control of the foreign entity that generates the income, and most U.S. corporations have a controlling interest in the foreign companies in which they invest. Therefore, most U.S. companies have some control over the timing of dividend payments made by their foreign subsidiaries. For Income Year 1986 (the most current data available), 919 U.S. companies with assets $500 million or more owned over 50 percent of at least one foreign corporation. These U.S. companies also controlled 94.4 percent of the 29,465 foreign companies for which Form 5471 was required to be filed for U.S. companies with assets $500 million or more [8]. The U.S. parent of foreign controlled subsidiaries could conceivably have foreign companies delay dividend payments until such time as the U.S. tax rate dropped from 46 percent in 1986 for income over $100,000 to 34 percent in 1988 for income over $75,000 (1987 was a transition year in which income was taxed at a blended rate using the old and new tax rates). This delay could explain the dramatic increase in foreign dividends, given the relatively stable growth rate of foreign investment and income in the economy in the late 1980's (Figure E).

Net long-term capital gains (less net short term capital loss) continued the decline that began with 1987, decreasing 11.1 percent to $56.7 billion for 1988. For the

Figure E.--Dividends Received from Foreign Corporations, Income Years 1980-1988
[Money amounts are in billions of dollars]

Income year	Amount	Percentage change 1/
1980	$14.6	14.6%
1981	13.8	-5.3
1982	13.9	1.2
1983	13.9	-0.4
1984	15.4	10.7
1985	20.8	35.1
1986	22.7	9.5
1987	25.2	10.7
1988	42.3	67.9

1/ Percentage changes reflect the amounts as reported.

second consecutive year, the decline may have been influenced by the effects of the change in the tax treatment of capital gains. The lower maximum 28 percent alternative tax rate on long-term capital gains was repealed for tax years beginning on or after July 1, 1987, eradicating the tax advantage that had accounted for the sharp rise in long-term gain realized in 1986, the year before the law was changed [9].

Net gain from sales of property other than capital assets rose 23.5 percent to $36.5 billion for 1988. Manufacturers were responsible for over half of the increase, with "other electrical equipment" and motor vehicles and equipment exhibiting the largest money gains [10]. These net gains generally resulted from the sales of real and depreciable property used for business purposes as opposed to sales of assets held for investment purposes [11].

Deductions

Total deductions increased 6.6 percent to $9.9 trillion for 1988. Since this was somewhat less than the 7.1 percent increase in total receipts, the difference is partially responsible for the rise in net income. Cost of sales and operations, the largest deduction item, increased $0.3 trillion to $5.9 trillion.

The depreciation deduction continued the slowed rate of growth first evidenced in the 1987 statistics, rising only 3.4 percent to $327.5 billion. The reduced growth in the deduction may reflect the effects of TRA which introduced a modified Accelerated Cost Recovery System (ACRS) that lengthened the class lives of some assets and changed the depreciation methods for business property placed in service after 1986.

The bad debt deduction increased by 7.5 percent to $58.6 billion for 1988. Bank holding companies and their subsidiaries are largely responsible for the increase, although the bad debt deduction they reported rose by only $3.7 billion to $19.4 billion. Reflecting the restrictions imposed by TRA, the total deduction increase was up from the 1987 increase of 2.2 percent over 1986, but did not come near the pre-TRA growth rates of over 20 percent (Figure F). The reporting of bad debt deductions changed with TRA, disallowing the reserve method for computing bad debts which allowed deductions for additions to bad debt reserve for companies other than small banks and thrift institutions [12].

Interest paid, the largest identifiable deduction item outside of cost of sales, rose 14.0 percent to $672.4 billion. As would be expected, the largest dollar gains were reported in the finance, insurance and real estate division, particularly in commercial banking. The finance, insurance and real estate division increased $51.4 billion and commercial banking accounted for nearly two-thirds of this amount, or $33.2 billion. The next largest gain was reported by credit agencies other than banks (which includes savings and loans associations) which increased $8.7 billion to $109.6 billion. The increase in interest paid, which includes interest paid on deposits, is not surprising since deposits in commercial banks were estimated to have increased in 1988 [13].

Figure F.--Bad Debt Deduction, Income Years 1980-1988
[Money amounts are in billions of dollars]

Income year	Amount	Percentage change 1/
1980	$18.8	7.7%
1981	22.3	18.7
1982	26.7	19.8
1983	30.5	14.4
1984	33.8	10.7
1985	43.3	28.2
1986	53.4	23.3
1987	54.6	2.2
1988	58.6	7.5

1/ Percentage changes reflect the amounts as reported.

BALANCE SHEET

Assets

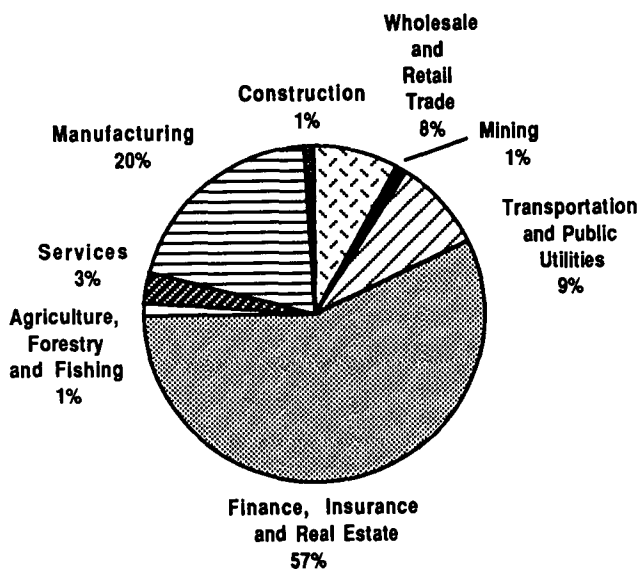
For 1988, year-end total assets reported on corporation income tax returns increased $1.3 trillion to $16.6 trillion (Table 1). Although this increase was less than the all-time highs of $1.7 trillion for 1985 and $1.4 trillion for 1986, it was slightly higher than the 1987 increase of $1.1 trillion. The percentage increase for 1988 was similar (8.2 percent as compared to 8.1 percent).

The services division, with a 21.8 percent increase, had the largest percentage increase of assets. This percentage increase exceeded the 14.1 percentage increase for 1987. This was mainly due to the acquisition of several non-service companies by several large corporations in

the services division. However, the services division's assets were only a small percentage of overall total assets (3.2 percent).

The finance, insurance, and real estate division continued to account for over half of total corporate assets, with 56.8 percent (Figure G). Total assets for this division rose $0.7 trillion to a total of $9.4 trillion for 1988, led by companies with assets of $250 million or more, which comprised about 87.2 percent of the increase. Insurance companies had an increase in total assets of $0.2 trillion, rising to $1.9 trillion for 1988. Banking companies' assets also increased, $0.2 trillion to $3.9 trillion. The manufacturing division, comprising 20.5 percent of total corporate assets, was the second largest industrial division for 1988. Its assets rose to $3.4 trillion, an increase of $0.3 trillion. Chemicals and allied products and tobacco manufacturers showed the largest increases in year-end assets, $0.07 trillion and $0.05 trillion, respectively.

Figure G
Corporate Assets by Industrial Division, 1988



Trade notes and accounts receivable, the largest asset account, rose by $334.4 billion for 1988 (Figure H). Over 50 percent of this increase was due to the finance, insurance, and real estate division. The second largest asset account, "other investments", increased by $387.2 billion, a 12.0 percent difference. Some examples of "other investments" are: bank certificates, common stock, equity in unconsolidated subsidiaries, officers life insurance, and patronage dividends. "Other investments" for finance, insurance, and real estate increased $263.8 billion, more than two-thirds of the total increase. This was mainly caused by insurance companies which showed a $175.3 billion increase in "other investments."

The net intangible assets account increased 26.6 percent to $261.8 billion, the largest increase of all asset accounts. After 1982, net intangible assets tripled, with the manufacturing division responsible for about half of the increase. One possible cause of the rise in intangible assets may have been the mergers and acquisitions activity of this period. The acquisition cost of goodwill, trademarks, patents, copyrights, and like assets are all includable in intangible assets. Although the percentage of completed mergers and acquisitions declined in 1987 and 1988, taking the entire 6-year period, 1983-1988, into account, the number of completed transactions involving U.S. firms rose 45.8 percent [14].

Liabilities

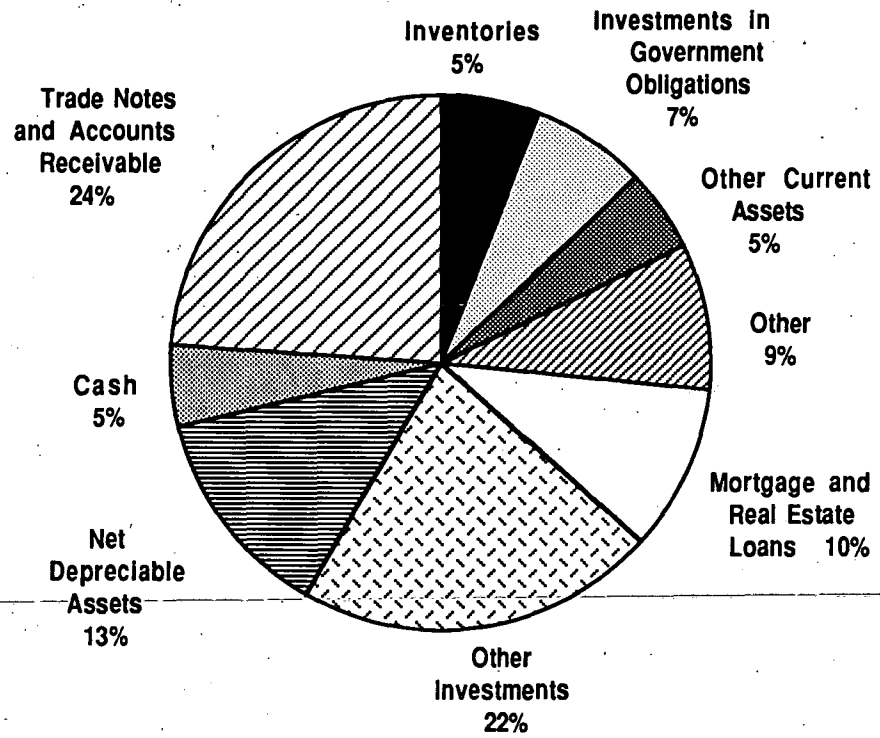
On the liabilities side of the balance sheet, the largest percentage gain occurred in mortgages, notes, and bonds payable in less than 1 year, which increased 14.7 percent to $1.4 trillion. The manufacturing division led the way, with 39.4 percent of the increase. Within manufacturing, motor vehicles and equipment reported the largest increase, up by $14.6 billion to $96.7 billion. About 16.6 percent of the increase in mortgages, notes, and bonds payable in less than 1 year was caused by bank holding companies and their subsidiaries; their increase was $30.6 billion to a total of $278.3 billion. "Other current liabilities," the largest component of all debt as well as current debt, increased a modest 5.6 percent to $5.1 trillion.

Mortgages, notes, and bonds payable in 1 year or more increased 9.9 percent to $2.4 trillion; this was similar to the 9.3 percent increase reported for 1987. However, this rate of growth was less than the 14 and 15 percent increases for 1985 and 1986, respectively. For 1988, manufacturing contributed about 43.6 percent of the increase, with machinery, except electric companies and electrical and electronic equipment companies having the largest increases. Finance, insurance, and real estate reported about 27.5 percent of the increase, with real estate companies making up about one-third of finance, insurance, and real estate's increase.

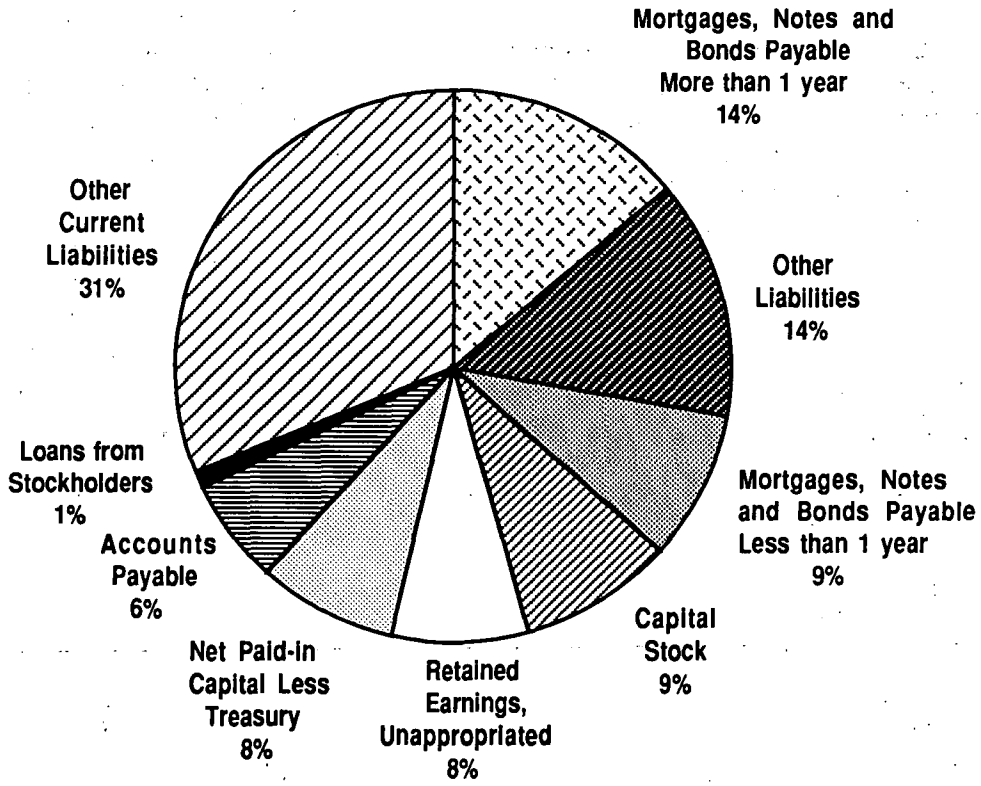
Unappropriated retained earnings, out of which most dividends are paid, reported a 4.5 percent increase for 1988, as compared to a 4.3 percent decrease for 1987. The manufacturing division accounted for 83.9 percent of

Figure H

Total Assets by Account, 1988



Total Liabilities by Account, 1988



this rise, increasing $47.0 billion to $628.8 billion. Chemicals and allied products companies' unappropriated retained earnings increased $12.8 billion to $88.4 billion, approximately one-fourth of manufacturing's increase.

INCOME TAX AND TAX CREDITS

Reflecting the $84.8 billion increase in net income (less deficit), income subject to tax, the base amount (computed for Statistics of Income) upon which the regular income tax was computed, increased $71.4 billion to $383.2 billion for 1988 (Figure I).

For the most part, income subject to tax consists of net income less certain amounts called "statutory special deductions" in the statistics [15]. The primary statutory special deduction is the net operating loss deduction (NOLD), which represents certain prior-year losses applied against current-year income [16]. For 1988, NOLD increased $2.4 billion to $51.4 billion. This increase, while widespread, was mainly caused by a $3.5 billion increase from the manufacturing division and an offsetting $4.7 billion decrease from the finance, insurance, and real estate division. Within manufacturing, petroleum and coal products companies reported an increase for NOLD of $1.9 billion to $2.3 billion for 1988. Insurance companies reported a drop of $4.3 billion, lowering NOLD that could be claimed by them to $5.8 billion, the largest decrease in the finance, insurance, and real estate division.

The second largest component is the dividends received deduction. For 1988, this deduction increased $1.6 billion (up 13.8 percent) to $12.9 billion. The manufacturing and finance, insurance, and real estate divisions together made up 82.4 percent of the total, or $1.3 billion. Machinery, except electrical had a $0.6 billion increase, and security, commodity brokers, and service increased $0.2 billion.

Total income tax (regular tax before credits, plus certain other taxes) increased $12.9 billion to $131.4 billion (Figure I) [17]. Eighty-eight percent of this increase was due to the manufacturing division, with about one-fifth coming from motor vehicles and equipment.

Regular tax, the tax most related to net income, rose 10.3 percent to $126.9 billion. The alternative minimum tax alone increased $1.1 billion to $3.4 billion. Sixty-seven percent of the increase in alternative minimum tax was attributed to the manufacturing division. Within this division, petroleum and coal products companies made up half of manufacturing's increase. Companies without net income and with assets $250 million or more were responsible for 55.3 percent of the increase in alternative minimum tax for the petroleum and coal products industry; the tax for this group increased from $1.4 million for 1987 to $213.0 million for 1988. (Because the alternative minimum tax is computed from an income tax base consisting of tax preference items, tax adjustment items, a book income adjustment, as well as taxable income before NOLD, it is possible for a company with no net income to have an alternative minimum tax liability.) Finance, insurance, and real estate contributed 18.4 percent of the increase in alternative minimum tax. Banking companies with net income and assets $250 million or more made up 73.5 percent of the increase recorded for the finance, insurance, and real estate division; the alternative minimum tax for this group increased from $146.9 million in 1987 to $299.6 million for 1988. The environmental tax, new starting with 1987, rose 38.9 percent to $487.9 million. Over half of this increase came from the manufacturing division; in particular, electrical and electronic equipment companies rose 89.1 percent to $21.3 million.

For 1988, the general business credit continued to decline, by $2.4 billion, to $5.6 billion. This was directly

Figure I.--Selected Tax and Tax Credit Items, Income Years 1987-1988
[Money amounts are in thousands of dollars]

Item	1987	1988	Percentage change
	(1)	(2)	(3)
Income subject to tax, total	$311,840,615	$383,201,978	22.9%
Income tax, total	118,484,975	131,367,397	10.9
Regular tax	115,073,572	126,899,211	10.3
Personal holding company tax	10,215	17,729	73.6
Recapture of investment credit tax	783,953	552,398	-29.5
Alternative minimum tax	2,229,107	3,352,845	50.4
Environmental tax	351,253	487,926	38.9
Tax credits, total	31,496,205	35,471,636	12.6
Foreign tax credit	20,812,861	27,068,104	30.1
U.S. possessions tax credit	2,666,634	2,318,021	-13.1
Orphan drug credit	5,154	8,053	56.2
Nonconventional fuel source credit	52,439	49,517	-5.6
General business credit	7,959,117	5,559,174	-30.2
Prior year minimum tax credit	N.A.	468,767	N.A.

N.A. - Not applicable.

related to the 1986 repeal of the regular investment tax credit, the principal component of the general business credit. However, total tax credits increased $4.0 billion to $35.5 billion (Figure J). This was mainly caused by a $6.3 billion increase in the foreign tax credit to a new record high of $27.1 billion, which was more than enough to offset the decline in the general business credit.

Although tax before foreign tax credit is a better economic measure of the total U.S. corporate income tax liability (because it effectively includes foreign taxes before they are credited), the measure of tax owed the U.S. Government is best represented by the total tax after credits. The latter amount increased $8.9 billion to $95.9 billion. However, the increase in income tax after credits (10.3 percent) was less than the increase reported for 1987 (17.7 percent), despite the fact that the increase in income tax before credits for 1988 (10.9 percent) was greater than the increase in income tax before credits for 1987 (6.6 percent). This was due to a much larger increase in total credits for 1988 (12.6 percent) than for 1987 when total credits actually decreased 15.4 percent.

Since 1986, each successive income year's "giant companies" (companies with assets $250 million or more) reported a growing percentage of the total income tax (after credits). For 1986, the giant companies accounted for 53.9 percent of the total. For 1987 this percentage was 65.2, and for 1988 it was 71.1 percent. One cause of giant companies reporting a growing proportion of income tax (after credits) appears to be an income base (income subject to tax) that grew rapidly for the last three years (Figure K). The income base for all other companies did not increase significantly. Although the ratio of giant

Figure J
Income Tax and Tax Credits, Income Years 1980-1988

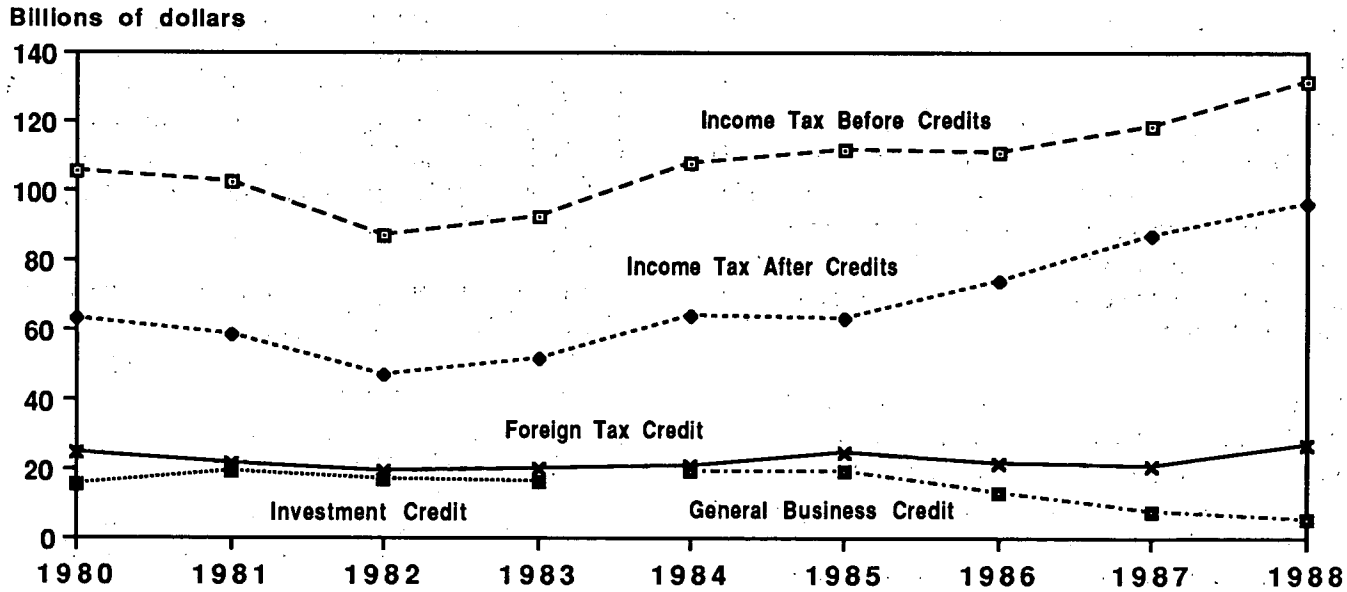


Figure K.--Selected Tax and Tax Credit Items for "Giant" Corporations, Income Years 1986-1988 1/
[Money amounts are in millions of dollars]

Item	1986	Percentage change	1987	Percentage change	1988	Percentage change
	(1)	(2)	(3)	(4)	(5)	(6)
Income subject to tax	$170,069	4.9%	$213,271	25.4%	$284,926	33.6%
Income tax before credits	71,661	-0.6	84,871	18.4	100,436	18.3
Total credits	31,832	-20.4	28,174	-11.5	32,277	14.6
Income tax after credits	39,829	24.3	56,697	42.3	68,159	20.2

1/ "Giant" corporations are companies with assets of $250 million or more.

companies to the total remained the same from 1986 to 1988, the rate of growth for giant corporations was higher than the rate of growth for all others. Between 1987 and 1988 there were 300 additional giant companies; these 300 companies would add to both the income base and the final income tax after credits.

SUMMARY

Net income (less deficit) for Income Year 1988 increased $84.8 billion to $413.0 billion, as business receipts increased $535.3 billion to $8,949.8 billion. Dividends received from foreign corporations showed the largest percentage increase, 67.9 percent, to $42.3 billion. With the decline in tax rates under the Tax Reform Act of 1986 (TRA), U.S. corporations may have deferred receipt of dividends from their foreign subsidiaries until 1988.

The number of returns filed for 1988 dropped for the first time since the mid-1940's, decreasing slightly to 3,562,789. Increased filings for 1987 of part-year returns by S Corporations changing their accounting periods to a calendar year, as required by TRA, and converting from regular corporations, were probably the major reasons for the 1988 decline.

Income subject to tax, the tax base, rose 22.9 percent to $383.2 billion for 1988, substantially more than the 12.9 percent increase for 1987. However, the increase in income tax before credits (though still greater than the 6.6 percent increase for 1987) was only 10.9 percent, reflecting the lower corporate tax rates provided by the Tax Reform Act of 1986.

Total income tax credits increased for 1988, largely due to a $6.3 billion increase in the foreign tax credit. The increase in the foreign tax credit was sufficient to offset the continued decline in the general business credit that was due to the repeal under TRA of the investment tax credit, the main component of the general business credit.

Total income tax (after credits) increased $8.9 billion to $95.9 billion. This was caused by giant companies which accounted for a growing proportion of income tax after credits, while all other companies' share of income tax after credits shrunk. The alternative minimum tax was also a factor, increasing $1.1 billion to $3.4 billion.

DATA SOURCES AND LIMITATIONS

The data for Income Year 1988 cited in this article are based on a sample of corporation income tax returns with accounting periods ending July 1988 through June 1989. The returns represented domestic corporations filing Form 1120 or Form 1120-A (short form); foreign corporations with income "effectively connected" with a U.S. business filing Form 1120F; life insurance companies filing Form 1120L; mutual or stock property and casualty insurance companies filing Form 1120PC; S Corporations filing Form 1120S; regulated investment companies filing Form 1120RIC; and real estate investment trusts filing Form 1120REIT. Forms IC-DISC filed by certain Domestic International Sales Corporations and 1120-FSC filed by Foreign Sales Corporations were not included for 1988. The revisions to the Standard Industrial Classification (SIC) for 1987 are not reflected in the statistics.

The statistics were estimated based on a stratified probability sample of approximately 77,700 active corporation income tax returns selected after administrative processing and before audit examination. The returns were stratified based on combinations of net income and total assets at rates ranging from 0.3 to 100 percent.

Because the data are based on a sample, they are subject to sampling error. In order to use these statistics properly, the magnitude of the sampling error, measured by the coefficient of variation (CV), should be taken into account (Figure L). The CV's for frequency estimates are intended only as a general indication of the reliability of the data. For numbers of returns other than those shown, the corresponding CV's can be estimated by interpolation.

Figure L.--Coefficients of Variation for Frequency Estimates, Income Year 1988

Estimated number of returns	Approximate coefficient of variation
1,400,000	1.65
600,000	2.52
375,000	3.18
200,000	4.36
50,000	8.72
25,000	12.33
10,000	19.50
5,000	27.57

NOTES AND REFERENCES

[1] For more information on part-year filing, see, for example, Commerce Clearing House, Inc., *1989 U.S. Master Tax Guide,* November 1988, p. 394, and Internal Revenue Code Regulation 1.442-1(b)(1).

[2] Personal service corporations are companies in which the principal business activity is performing personal services, if the services are substantially performed by employee-owners. No data are available on these companies for Income Years before 1988.

[3] For more information on tax rates, see Department of the Treasury, Internal Revenue Service, *Explanation of the Tax Reform Act of 1986 for Business,* Publication 921, August 1987.

[4] S Corporations are generally small corporations with no more than 35 shareholders, all of whom are individuals or their estates.

[5] This percentage was based on the number of returns that converted to S status in 1987 and the number of S Corporations that filed two returns for Income Year 1987, one a part-year return and the other for the calendar year.

[6] Other machinery, except electrical, includes corporations whose principal activity was manufacturing one or more of the following: automatic vending machines; commercial laundry, dry cleaning, and pressing machines; industrial vacuum cleaners; complete air conditioning and warm air heating equipment and commercial and industrial refrigeration equipment; measuring and dispensing pumps; steam engines, steam, gas, and hydraulic turbines and turbine generator set units; carburetors, pistons, rings, and valves; fluid power cylinders and actuators; fluid power pumps and motors; scales nd balances, except laboratory; service industry machinery, not elsewhere classified; certain internal combustion engines (including diesel and semi-diesel engines); as well as certain other machinery and parts, except electrical.

[7] Due to the "passive" activity limitations enacted by the Tax Reform Act of 1986, income and expenses of rental activities and portfolio or investment income and related expenses were reported separately from amounts related to the trade or business activity of S Corporations. For Income Years 1987 and 1988, these rental and portfolio amounts were not included in the statistics and are not represented in the net income figures for S Corporations. Including the separately reported amounts would have increased net income by $4.0 billion for 1987 and by $6.3 billion for 1988. Net income reported by S Corporations in 1987 amounted to $24.1 billion.

[8] Form 5471, "Information Return with Respect to a Foreign Corporation," is filed by a U.S. shareholder who owns at least 10 percent of a foreign corporation that is more than 50 percent owned by U.S. shareholders. In addition, Form 5471 is filed by certain U.S. taxpayers of non-controlled foreign corporations. The data presented are from unpublished Statistics of Income tabulations.

[9] Department of the Treasury, Internal Revenue Service, *Explanation of the Tax Reform Act of 1986 for Business,* p. 21.

[10] Other electrical equipment includes corporations whose principal activity was manufacturing one or more of the following: electric lamps and bulbs; current and non-current carrying wiring devices; residential, commercial, industrial, and institutional lighting fixtures; vehicular lighting equipment; power, distribution, and specialty transformers; switchgear and switchboard apparatus; motors and generators; industrial controls; electric welding apparatus; carbon and graphite products; storage batteries; dry and wet primary batteries; radiographic, fluoroscopic, therapeutic, and other X-ray apparatus and tubes; electrical equipment for internal combustion engines; relays and industrial controls; magnetic and optical recording media; and certain other electrical machinery, equipment and supplies.

[11] *Statistics of Income - 1987, Corporation Income Tax Returns,* Publication 16, December 1990, p. 98.

[12] For more detail on the bad debt deduction, see *Statistics of Income Bulletin*, Volume 10, Number 2, Fall 1990, p. 87.

[13] Candilis, Wray O., "Commercial Banking," *1989 U.S. Industrial Outlook,* U.S. Department of Commerce, International Trade Administration, January 1989, p. 46-1.

[14] *Mergers and Acquisitions,* 1989 Almanac and Index, May/June 1989, Volume 23, Number 6.

[15] For most years, "income subject to tax" (the corporate tax base) exceeds "net income less deficit" chiefly because of the deficits reported on returns without net income. Moreover, it is the sum of the several tax bases applicable over time to different classes of corporations, not all of which were directly related to net income.

[16] The net operating loss deduction must first be carried back for a period of three years; only then can the remainder be carried forward from previous years. It is not possible to show the carrybacks, as this occurs after revenue processing.

[17] Total income tax before credits is the sum of regular tax, personal holding company tax, tax from recapture of investment credit, alternative minimum tax, and environmental tax.

Table 1.–Selected Balance Sheet, Income Statement, and Tax Items by Asset Size 1/

[All figures are estimates based on samples–money amounts are in thousands of dollars]

Item	Total	Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	3,562,789	210,248	1,795,643	612,426	361,296	242,809	251,870	36,387	24,157	10,511	7,022	5,326	5,094
Total assets	16,568,467,823	–	59,419,658	98,815,330	127,924,546	171,357,088	523,523,599	251,522,895	375,970,770	384,179,230	496,617,609	848,780,276	13,230,356,822
Cash	784,815,919	–	13,043,591	16,973,753	18,279,991	21,153,165	48,793,315	19,441,311	27,870,803	24,613,554	29,423,039	39,821,101	525,402,296
Notes and accounts receivable	4,099,147,501	–	6,892,104	15,511,368	22,827,231	33,760,384	114,687,843	56,638,975	94,414,470	106,155,891	138,250,086	202,422,720	3,307,586,429
Less: Allowance for bad debts	96,744,285	–	249,581	124,735	265,518	398,902	1,849,988	1,190,571	2,048,974	2,587,854	3,330,758	5,595,556	79,101,848
Inventories	845,783,685	–	6,879,949	15,068,270	21,105,841	32,087,458	116,335,083	53,268,094	58,877,278	39,154,666	37,409,684	53,604,296	411,993,064
Investment in government obligations	1,094,749,402	–	46,575	138,346	334,943	715,418	3,522,670	3,944,744	20,033,535	35,107,111	54,867,378	80,139,773	895,898,910
Other current assets	912,145,245	–	2,809,333	5,072,612	6,695,247	8,459,914	28,358,437	14,357,906	21,367,881	20,177,497	24,204,266	37,784,970	742,857,182
Loans to stockholders	79,855,312	–	4,248,335	5,004,497	4,889,621	4,069,373	7,564,453	2,626,225	2,206,024	1,892,632	1,717,675	5,622,933	40,013,544
Mortgage and real estate loans	1,604,896,498	–	429,552	1,212,594	1,875,265	1,833,870	5,851,822	2,795,759	7,805,527	20,112,064	43,077,274	107,329,983	1,412,572,789
Other investments	3,614,438,470	–	1,448,399	4,103,591	6,294,718	9,079,202	32,380,417	20,115,730	40,782,583	49,736,455	74,675,893	154,321,641	3,221,499,840
Depreciable assets	3,820,961,787	–	55,288,686	65,428,668	79,772,708	95,026,204	240,904,570	108,081,691	133,074,261	101,619,699	102,878,377	166,294,458	2,672,592,466
Less: Accumulated depreciation	1,593,226,079	–	37,667,512	40,443,360	47,867,781	54,274,943	124,683,817	51,033,139	59,915,989	42,420,263	42,005,516	63,724,139	1,029,189,621
Depletable assets	124,421,968	–	165,974	313,548	369,567	578,949	2,099,007	818,714	2,309,057	3,148,849	3,364,281	5,117,909	106,136,113
Less: Accumulated depletion	50,921,656	–	113,758	133,738	181,442	213,087	1,102,944	253,102	888,429	1,572,415	1,374,656	1,627,442	43,460,644
Land	177,037,541	–	1,789,098	4,666,361	7,383,943	12,037,967	28,661,420	10,691,160	12,427,061	8,616,830	7,957,632	11,205,643	71,600,425
Intangible assets	329,484,622	–	2,384,385	2,729,792	2,734,664	3,135,857	8,674,130	4,754,670	7,343,298	8,696,332	10,914,565	24,154,552	253,962,376
Less: Accumulated amortization	67,703,687	–	1,257,385	1,125,531	1,148,784	1,217,025	2,803,636	1,575,993	1,842,130	1,859,808	1,825,437	4,192,534	48,855,426
Other assets	889,325,583	–	3,281,914	4,419,292	4,824,334	5,523,284	16,130,815	8,040,723	12,154,516	13,587,985	16,413,826	36,099,967	768,848,927
Total liabilities	16,568,467,823	–	59,419,658	98,815,330	127,924,546	171,357,088	523,523,599	251,522,895	375,970,770	384,179,230	496,617,609	848,780,276	13,230,356,822
Accounts payable	1,022,810,938	–	9,052,304	13,170,736	17,507,768	26,024,917	81,317,116	34,892,426	43,575,433	32,289,494	30,363,786	44,163,749	690,453,208
Mortgages, notes, and bonds payable in less than 1 year	1,431,308,911	–	9,690,134	9,673,712	14,305,003	20,067,170	87,124,695	43,563,426	48,125,940	35,821,554	33,576,500	48,883,447	1,080,477,332
Other current liabilities	5,092,190,043	–	6,802,931	8,583,482	9,679,706	13,089,255	47,762,481	29,973,143	77,039,614	128,804,733	206,537,968	331,555,137	4,232,361,593
Loans from stockholders	243,230,029	–	21,050,829	16,985,983	15,735,651	14,044,451	29,621,669	8,399,649	8,208,520	5,250,107	4,766,783	9,532,007	109,634,379
Mortgages, notes, and bonds payable in 1 year or more	2,352,107,056	–	15,938,036	20,331,288	28,115,209	36,219,753	104,935,954	49,686,418	69,994,982	61,001,781	65,767,159	118,912,662	1,781,203,812
Other liabilities	2,219,993,412	–	3,161,531	3,147,376	4,132,255	4,996,977	19,775,767	10,529,004	18,827,793	21,446,305	26,934,708	55,353,906	2,051,687,789
Capital stock	1,429,486,841	–	14,179,704	11,670,808	12,823,639	14,656,876	35,168,141	16,250,342	22,204,972	20,906,955	27,956,675	59,200,624	1,194,468,106
Paid-in or capital surplus	2,154,243,458	–	9,387,713	8,231,795	10,141,824	12,946,109	41,977,725	24,367,690	42,663,276	50,479,618	73,340,612	139,028,000	1,741,679,097
Retained earnings, appropriated	77,508,595	–	153,119	168,107	419,610	541,117	1,144,589	385,587	558,175	869,222	1,278,695	2,888,806	69,101,569
Retained earnings, unappropriated	1,313,070,807	–	-13,923,427	12,597,217	17,924,512	27,343,352	53,607,559	16,843,596	24,716,088	19,930,705	25,790,514	51,870,140	1,076,370,551
Other retained earnings (Form 1120S)	102,816,168	–	-13,468,493	-2,420,801	1,150,878	6,250,092	33,605,433	20,857,300	24,904,087	12,346,583	9,109,715	6,806,656	3,674,719
Less: Cost of treasury stock	870,298,430	–	2,604,723	3,324,372	4,011,507	4,822,982	12,517,529	4,225,686	4,848,109	4,967,826	8,805,505	19,414,860	800,755,332
Total receipts	10,264,867,461	187,881,514	317,869,252	309,919,984	314,925,483	375,360,375	1,123,631,339	480,307,941	533,605,908	368,702,491	348,750,703	528,828,571	5,375,083,901
Business receipts	8,949,846,244	120,422,381	310,316,427	298,990,232	306,166,608	364,938,056	1,090,893,208	464,119,131	507,428,249	340,013,706	310,512,330	464,665,025	4,371,380,891
Interest	772,316,565	53,811,267	600,954	1,069,820	1,420,586	1,623,487	5,347,458	2,782,842	8,145,585	13,462,771	21,593,829	37,474,774	624,983,192
Interest on government obligations	32,308,213	164,470	3,110	6,853	18,076	17,830	134,897	112,321	378,578	730,079	1,304,564	2,163,699	27,273,735
Rents	92,309,807	1,393,092	742,309	1,119,374	1,432,646	1,891,724	4,951,658	2,366,455	3,075,474	2,500,969	2,364,666	3,876,166	66,595,273
Royalties	23,942,535	159,177	151,672	86,524	69,329	122,824	390,956	194,674	252,421	417,857	486,229	959,433	20,651,439
Net short-term capital gain less net long-term capital loss	5,574,907	67,548	*8,594	40,053	54,218	33,041	152,802	68,887	106,536	299,736	174,796	368,627	4,200,069
Net long-term capital gain less net short-term capital loss	56,684,288	2,133,317	484,427	552,922	584,024	689,628	2,131,224	1,227,676	1,711,239	1,574,441	1,694,183	2,803,026	41,098,180
Net gain, noncapital assets	36,522,792	2,200,920	658,832	626,684	657,701	673,158	1,833,537	777,419	1,305,211	848,173	1,239,746	1,451,094	24,250,315
Dividends, domestic corporations	15,165,056	408,255	101,691	44,960	95,507	126,725	385,104	231,307	358,682	471,928	362,201	796,359	11,782,337
Dividends, foreign corporations	42,281,099	524,206	*3,368	*70	*7,717	861	26,576	34,352	216,944	166,746	303,388	954,724	40,042,146
Other receipts	237,915,957	6,596,881	4,797,866	7,382,491	4,419,070	5,243,041	17,383,919	8,392,876	10,626,989	8,216,086	8,714,770	13,315,644	142,826,323

Footnotes at end of table.

Table 1.–Selected Balance Sheet, Income Statement, and Tax Items by Asset Size 1/–Continued

[All figures are estimates based on samples–money amounts are in thousands of dollars]

Item	Total	Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total deductions	9,853,420,138	183,397,352	317,795,486	307,313,445	311,869,056	370,581,533	1,108,037,602	471,342,917	521,788,600	358,757,149	336,423,392	506,539,927	5,059,573,679
Cost of sales and operations	5,944,935,455	79,906,847	141,902,717	168,280,796	181,769,070	237,108,191	797,433,787	351,319,896	378,463,579	251,741,325	225,017,899	328,602,853	2,803,388,495
Compensation of officers	203,220,587	3,478,359	35,236,627	25,593,242	21,798,032	19,305,684	36,088,710	10,749,347	9,657,309	5,177,826	4,378,432	5,073,977	26,683,041
Repairs	86,236,215	817,845	2,615,351	2,342,672	2,703,768	2,747,859	5,541,097	1,938,606	2,284,103	1,611,302	1,628,669	2,762,576	59,242,369
Bad debts	58,644,690	1,564,754	560,503	731,531	964,473	1,117,513	3,273,640	1,255,830	2,052,100	1,877,523	2,129,734	2,852,068	40,265,021
Rent paid on business property	161,141,584	2,579,275	13,821,406	9,805,002	8,612,408	8,314,192	15,570,586	5,491,138	6,232,740	4,205,940	4,671,616	7,026,928	74,810,353
Taxes paid	222,323,028	3,097,013	9,552,220	8,183,269	8,384,648	9,055,366	20,705,116	7,884,830	8,949,087	6,248,331	6,177,677	9,785,794	124,299,676
Interest paid	672,447,709	49,855,077	2,740,833	3,358,624	4,323,194	5,328,126	17,553,027	8,081,314	12,652,124	14,394,112	19,095,082	32,535,802	502,530,394
Contributions or gifts	4,893,019	48,380	47,161	58,782	80,801	91,500	221,753	101,243	138,331	133,532	169,559	249,378	3,552,599
Amortization	20,325,799	310,888	313,235	355,855	296,111	315,875	990,762	547,222	800,256	831,926	864,249	1,539,670	13,159,750
Depreciation	327,516,917	3,147,046	6,401,551	6,967,037	8,016,337	8,970,059	21,538,688	9,166,554	11,633,054	8,542,864	9,115,018	14,655,433	219,363,277
Depletion	8,716,602	118,961	30,114	41,169	35,721	35,625	163,891	76,279	170,409	203,690	251,423	438,801	7,150,519
Advertising	114,408,994	1,615,297	4,703,554	2,860,539	2,936,050	3,871,077	9,308,542	4,413,842	4,741,628	3,696,430	3,945,320	5,557,659	66,759,055
Pension, profit sharing, stock bonus, and annuity plans	45,183,078	516,033	2,120,817	1,611,980	1,565,253	1,816,952	3,943,313	1,423,162	1,587,130	1,084,335	1,093,921	2,021,828	26,398,353
Employee benefit programs	94,322,487	1,039,300	1,675,108	1,522,634	1,809,876	2,129,077	6,161,705	2,854,779	3,455,876	2,700,922	2,802,129	5,129,871	63,041,212
Net loss, noncapital assets	14,094,202	1,309,960	293,625	159,667	175,050	175,327	545,645	254,334	1,075,214	652,966	588,787	847,167	8,016,460
Other deductions	1,875,009,779	33,992,317	95,780,666	75,440,645	68,398,266	70,199,109	168,997,343	65,784,542	77,895,662	55,654,126	54,493,878	87,460,120	1,020,913,105
Total receipts less total deductions	411,447,323	4,484,162	73,766	2,606,559	3,056,426	4,778,842	15,593,737	8,965,024	11,817,308	9,945,342	12,327,311	22,288,644	315,510,222
Constructive taxable income from related foreign corporations	33,977,330	220,370	*1,434	*1,002	*2,055	*39	*46,283	10,862	99,762	152,046	235,826	742,562	32,465,090
Net income (less deficit)	412,982,753	4,540,004	47,632	2,591,177	3,033,800	4,749,263	15,451,599	8,856,456	11,530,001	9,361,444	11,258,349	20,863,431	320,699,597
Net income, total	555,850,912	12,254,616	12,072,766	9,964,624	10,017,324	11,766,882	33,071,925	16,067,002	21,367,991	16,174,548	17,943,517	29,988,424	365,161,293
Deficit, total	142,868,159	7,714,612	12,025,134	7,373,447	6,983,524	7,017,620	17,620,326	7,210,546	9,837,990	6,813,104	6,685,168	9,124,993	44,461,695
Net income (less deficit) Form 1120-A	-125,045	-3,341	-151,270	30,351	*-786	–	–	–	–	–	–	–	–
Net income (less deficit) Form 1120S 2/	33,403,456	509,857	1,920,709	1,388,297	1,180,387	1,891,221	8,075,334	4,985,464	6,014,762	2,838,574	2,405,764	1,389,290	803,797
Net income (less deficit) Form 1120F	2,627	126,437	*82	*-776	* -157	*86	*5,616	*4,226	*63,419	*-4,234	5,149	6,894	-204,114
Statutory special deductions, total	117,452,980	4,231,534	2,349,110	1,654,038	1,590,756	1,580,198	3,653,919	1,840,269	3,001,310	2,669,209	4,123,736	8,874,946	81,883,953
Net operating loss deduction	51,418,150	2,845,400	2,256,835	1,621,674	1,521,142	1,483,195	3,215,562	1,438,585	2,124,369	1,610,098	2,168,670	3,661,067	27,471,553
Dividends received deduction	12,888,162	302,720	92,276	32,076	68,303	91,947	284,186	181,896	312,334	407,713	337,386	723,537	10,053,789
Public utility dividend paid deduction	84,221	–	–	–	–	–	–	–	*36	**	44	205	63,935
Income subject to tax, total	383,201,978	6,390,145	2,888,369	4,272,419	4,766,924	5,745,648	15,472,379	7,452,154	10,619,867	9,979,228	11,117,180	19,571,657	284,926,007
Income tax before credits, total	131,367,397	2,175,328	481,969	728,115	907,248	1,292,950	4,762,067	2,554,654	3,708,516	3,515,872	3,903,953	6,900,954	100,435,772
Regular tax	126,899,211	2,084,062	476,606	722,285	895,991	1,273,384	4,617,359	2,493,257	3,592,919	3,391,280	3,776,264	6,656,049	96,919,757
Personal holding company tax	17,729	*273	*948	*441	*449	*349	8,151	*524	1,142	*312	321	904	3,915
Recapture of investment credit	552,398	19,260	1,763	1,457	3,629	4,358	17,082	7,776	14,241	9,128	14,096	16,466	443,140
Alternative minimum tax	3,352,845	45,311	2,584	3,920	6,731	11,958	115,128	50,954	87,765	102,830	98,239	193,593	2,633,833
Environmental tax	487,926	7,798	*16	*12	*26	*10	1,082	1,012	5,192	8,004	10,478	23,449	430,845
Foreign tax credit	27,068,104	289,412	*2,197	*815	*2,685	*1,305	32,503	20,651	81,177	95,187	175,013	477,121	25,890,036
U.S. possessions tax credit	2,318,021	36,537	232	29	402	2,116	26,386	29,478	115,361	190,201	302,951	374,385	1,239,943
Orphan drug credit	8,053	–	–	–	–	–	–	–	–	–	–	–	8,053
Nonconventional source fuel credit	49,517	87	–	–	–	–	*40	*862	*466	*1,050	134	1,528	45,349
General business credit	5,559,174	60,955	30,884	36,107	42,149	50,035	138,210	61,945	91,698	75,948	84,457	168,149	4,718,637
Prior year minimum tax credit	468,767	4,420	–	*27	*466	4,136	15,690	16,232	9,369	12,787	9,740	21,251	374,650

1/ Excludes Foreign Sales Corporations (Form 1120-FSC) and Interest-Charge Domestic International Sales Corporations (Form 1120 IC-DISC).

2/ Net income of S Corporations was taxed (with few exceptions) through their shareholders. Therefore, the net income of these corporations was excluded from income subject to tax.

*Estimate should be used with caution because of the small number of sample returns on which it was based.

**Amount is less than $500.

Note: Detail may not add to totals due to rounding.

Table 2.–Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division and Asset Size 1/–Continued

[All figures are estimates based on samples–money amounts are in thousands of dollars]

Item, industrial division	Total	Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
TRANSPORTATION AND PUBLIC UTILITIES													
Number of returns	149,248	7,282	75,103	26,348	14,923	11,580	10,469	1,573	920	343	195	171	341
Total assets	1,411,201,395	–	2,703,619	4,231,462	5,294,657	8,091,738	21,249,714	10,844,066	13,677,451	18,723,592	13,436,117	28,646,682	1,284,302,298
Total receipts	838,753,393	6,203,913	14,725,269	16,609,228	15,274,655	20,095,859	41,760,489	14,652,506	17,486,807	18,029,360	12,463,737	22,261,826	639,189,744
Business receipts	779,584,504	5,664,910	14,431,975	16,000,646	14,887,594	19,545,900	40,452,925	14,080,410	16,567,388	16,103,180	11,402,228	20,901,383	589,545,966
Interest paid	50,934,990	284,872	179,942	200,099	266,125	296,922	859,475	395,049	563,129	963,547	607,055	1,459,045	44,859,730
Net income (less deficit)	46,943,801	-94,107	-38,498	101,054	169,996	-26,858	384,159	411,453	275,371	294,877	358,205	425,490	44,682,658
Income tax, total	17,762,410	45,058	12,837	31,212	43,654	53,181	244,997	153,996	170,305	195,923	174,632	387,185	16,249,431
Income tax (after credits)	15,429,291	44,673	11,562	27,769	39,436	46,705	227,595	147,511	164,222	187,436	164,406	371,520	13,996,461
Net worth	519,388,496	–	-88,665	753,622	1,135,608	1,828,336	4,682,082	2,965,113	3,160,509	3,032,245	3,372,613	5,874,186	492,672,842
WHOLESALE AND RETAIL TRADE													
Number of returns	984,553	48,550	429,037	199,183	121,187	81,231	86,037	10,893	5,398	1,540	687	447	364
Total assets	1,295,819,375	–	17,087,270	32,013,129	42,746,356	57,276,444	178,581,233	74,334,084	81,014,554	52,854,456	47,318,050	70,917,058	641,676,739
Total receipts	2,977,982,750	47,646,445	90,124,763	119,803,828	139,393,515	174,390,418	587,849,973	247,575,735	233,016,391	141,783,051	117,288,188	161,377,674	917,732,771
Business receipts	2,891,336,187	45,720,662	88,502,747	118,198,955	137,285,420	171,864,582	577,803,039	242,952,598	227,487,368	138,813,822	114,236,932	156,698,876	871,771,187
Interest paid	53,360,602	749,385	727,288	1,076,578	1,379,817	1,759,982	5,927,418	2,643,213	2,707,515	1,763,126	1,721,570	2,687,214	30,217,496
Net income (less deficit)	42,844,883	137,373	-672,606	405,129	902,553	1,849,377	6,562,373	3,240,320	4,177,924	2,299,738	1,780,471	2,982,588	19,179,642
Income tax, total	14,116,720	208,422	104,516	205,305	263,770	437,885	1,531,377	697,310	870,022	715,581	582,175	1,127,705	7,372,651
Income tax (after credits)	12,733,094	190,463	96,678	196,143	252,632	427,894	1,492,911	676,624	840,511	681,436	553,857	1,067,629	6,256,318
Net worth	331,968,322	–	-4,211,696	7,765,336	12,960,011	19,480,666	54,372,302	18,984,646	23,519,565	14,084,063	13,026,826	21,024,302	150,962,298
FINANCE, INSURANCE, AND REAL ESTATE													
Number of returns	572,418	46,915	251,484	94,365	62,134	40,350	45,111	7,941	7,977	5,286	4,360	3,405	3,091
Total assets	9,411,547,140	–	7,856,397	15,120,950	22,111,912	28,318,236	93,811,675	55,366,150	130,047,835	189,848,682	307,737,884	532,438,627	8,028,888,792
Total receipts	1,714,352,381	68,640,824	24,556,478	15,560,643	16,739,493	15,018,571	40,472,420	19,619,475	35,924,844	37,340,432	54,376,493	98,155,944	1,287,946,765
Business receipts	860,415,865	9,868,627	22,956,795	12,994,281	14,230,587	11,915,561	31,886,236	14,713,115	24,636,722	20,809,737	28,450,638	52,944,869	615,008,695
Interest paid	415,952,696	46,837,533	296,427	400,250	712,231	831,545	3,254,157	1,744,914	4,857,748	7,695,677	12,616,655	21,000,905	315,704,653
Net income (less deficit)	91,892,954	1,675,344	176,834	143,800	33,044	725,475	901,244	539,349	983,856	952,544	2,646,258	6,882,370	76,232,837
Income tax, total	20,899,804	849,243	66,231	87,593	117,003	159,277	490,058	290,874	516,297	645,648	930,154	1,526,139	15,221,287
Income tax (after credits)	17,858,549	808,402	62,078	85,015	115,547	156,493	478,549	285,086	506,364	621,020	894,552	1,462,448	12,382,995
Net worth	1,779,467,330	–	141,582	4,745,469	7,249,203	9,348,500	25,680,893	15,853,575	31,687,412	39,834,904	65,385,238	136,635,447	1,442,905,105
SERVICES													
Number of returns	995,425	61,291	653,940	148,574	64,880	32,492	27,527	3,359	1,914	647	372	259	171
Total assets	530,326,395	–	18,944,606	23,706,807	22,554,151	22,666,067	56,460,154	23,194,487	29,259,751	28,151,316	26,386,915	41,070,063	237,932,077
Total receipts	695,265,170	12,283,521	113,840,295	77,150,257	58,616,655	48,784,191	96,595,115	34,486,828	34,509,393	26,292,252	27,605,408	36,631,785	128,469,469
Business receipts	643,748,105	10,648,931	111,327,288	72,414,203	56,705,728	47,186,816	91,822,784	32,352,608	31,558,674	23,759,969	24,861,571	32,856,257	108,253,277
Interest paid	23,077,104	517,484	748,655	789,727	789,683	815,253	2,241,519	859,265	1,070,202	1,063,762	1,118,324	1,816,233	11,246,997
Net income (less deficit)	9,276,631	31,795	596,417	907,429	906,923	656,138	618,853	166,680	-387,315	665,846	434,302	493,934	4,185,630
Income tax, total	5,049,797	106,479	177,963	185,333	186,561	176,375	467,867	216,715	289,109	274,708	284,715	466,674	2,217,298
Income tax (after credits)	4,112,219	98,550	168,079	179,280	174,691	166,176	438,476	200,869	258,308	254,095	223,490	402,062	1,548,144
Net worth	128,119,335	–	782,720	6,975,973	6,433,350	6,520,161	11,787,773	5,481,957	7,138,116	6,457,457	6,316,049	9,054,580	61,171,201

1/ Excludes Foreign Sales Corporations (Form 1120-FSC) and Interest Charge Domestic International Sales Corporations (Form 1120 IC-DISC).
2/ Includes "Nature of business not allocable" which is not shown separately.

Table 2.–Selected Balance Sheet, Income Statement, and Tax Items, by Industrial Division and Asset Size 1/

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Item, industrial division	Total	Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
ALL INDUSTRIES 2/													
Number of returns	3,562,789	210,248	1,795,643	612,426	361,296	242,809	251,870	36,387	24,157	10,511	7,022	5,326	5,094
Total assets	16,568,467,823	–	59,419,658	98,815,330	127,924,546	171,357,088	523,523,599	251,522,895	375,970,770	384,179,230	496,617,609	848,780,276	13,230,356,822
Total receipts	10,264,867,461	187,881,514	317,869,252	309,919,984	314,925,483	375,360,375	1,123,631,339	480,307,941	533,605,908	368,702,491	348,750,703	528,828,571	5,375,083,901
Business receipts	8,949,846,244	120,422,381	310,316,427	298,990,232	306,166,608	364,938,056	1,090,893,208	464,119,131	507,428,249	340,013,706	310,512,330	464,665,025	4,371,380,891
Interest paid	672,447,709	49,855,077	2,740,833	3,358,624	4,323,194	5,328,126	17,553,027	8,081,314	12,652,124	14,394,112	19,095,082	32,535,802	502,530,394
Net income (less deficit)	412,982,753	4,540,004	47,632	2,591,177	3,033,800	4,749,263	15,451,599	8,856,456	11,530,001	9,361,444	11,258,349	20,863,431	320,699,597
Income tax, total	131,367,397	2,175,328	481,969	728,115	907,248	1,292,950	4,762,067	2,554,654	3,708,516	3,515,872	3,903,953	6,900,954	100,435,772
Income tax (after credits)	95,895,759	1,783,917	448,656	691,137	861,546	1,235,358	4,549,238	2,425,486	3,410,445	3,140,699	3,331,658	5,858,520	68,159,104
Net worth	4,206,827,439	–	-6,276,107	26,922,754	38,448,956	56,914,564	152,985,918	74,478,829	110,198,489	99,565,257	128,670,706	240,379,366	3,284,538,710
AGRICULTURE, FORESTRY, AND FISHING													
Number of returns	119,902	5,014	48,700	23,114	19,011	14,134	8,846	638	275	94	44	25	7
Total assets	60,491,780	–	1,757,716	3,851,034	6,763,768	10,174,280	16,165,669	4,430,536	4,251,741	3,206,836	2,984,272	3,916,052	2,989,875
Total receipts	86,258,094	1,072,148	6,244,918	10,919,098	9,992,855	9,821,860	18,603,740	5,115,007	5,071,220	4,566,774	4,601,844	6,516,297	3,732,334
Business receipts	80,520,140	886,862	5,783,798	10,433,122	9,228,443	8,916,980	17,132,932	4,831,237	4,745,663	4,367,511	4,328,753	6,301,578	3,563,260
Interest paid	2,497,991	57,312	115,088	207,045	263,378	408,112	691,933	176,003	164,354	91,168	118,240	140,635	64,722
Net income (less deficit)	1,615,921	120,120	122,529	134,233	178,785	279,727	235,771	15,288	44,132	72,164	75,601	154,351	183,219
Income tax, total	554,457	23,365	18,914	21,098	33,255	50,795	101,337	45,550	28,415	53,778	44,851	68,785	64,314
Income tax (after credits)	500,206	17,409	15,800	18,849	30,618	45,404	96,120	44,620	27,453	49,036	43,797	64,904	46,198
Net worth	20,271,852	–	-55,636	846,562	2,129,754	4,491,317	5,432,414	1,300,997	1,120,859	1,049,200	931,538	1,487,040	1,537,807
MINING													
Number of returns	41,080	2,904	20,951	5,462	4,362	3,266	2,792	462	432	168	115	87	79
Total assets	225,639,336	–	658,114	808,532	1,600,200	2,313,035	5,880,152	3,290,689	6,464,783	5,965,955	9,871,728	22,611,586	166,174,561
Total receipts	100,426,996	2,016,467	1,883,627	1,528,573	2,837,794	2,969,670	5,300,644	2,694,887	4,579,613	4,072,824	6,154,169	14,494,392	51,894,338
Business receipts	87,350,933	1,679,093	1,735,684	1,383,872	2,659,872	2,744,858	4,683,673	2,255,665	4,072,525	3,438,868	5,359,591	13,059,827	44,277,406
Interest paid	5,916,281	115,793	33,923	34,086	45,893	66,404	248,830	62,866	187,052	192,808	248,511	623,252	4,056,864
Net income (less deficit)	4,111,855	19,318	-54,025	-59,170	-16,271	-32,048	-189,663	93,468	-52,698	80,555	180,176	944,349	3,197,864
Income tax, total	1,815,670	54,087	*6,694	*4,962	8,583	18,592	40,872	30,229	69,849	61,830	109,636	169,306	1,241,028
Income tax (after credits)	1,072,855	13,904	*6,694	4,642	8,214	17,380	35,749	28,711	67,835	58,391	79,779	144,652	606,898
Net worth	111,829,193	–	-1,058,120	-16,316	13,724	675,546	1,504,775	1,475,610	2,293,418	2,424,243	3,783,239	8,307,303	92,425,771
CONSTRUCTION													
Number of returns	381,499	17,303	197,591	63,422	40,135	28,406	28,989	3,429	1,579	375	166	64	40
Total assets	241,395,405	–	6,344,221	10,419,374	14,258,574	20,261,514	59,502,756	23,546,433	23,014,999	12,831,983	12,271,288	9,442,181	49,502,082
Total receipts	499,690,338	8,089,011	46,249,491	41,281,258	39,978,574	50,662,014	130,779,046	47,058,166	43,008,169	21,849,858	17,950,196	14,794,167	37,990,387
Business receipts	485,711,849	7,663,052	45,827,439	40,812,814	39,523,981	50,041,644	128,490,490	46,062,662	41,826,302	21,175,798	17,213,415	14,204,512	32,869,739
Interest paid	6,926,137	93,834	395,150	354,156	413,016	455,116	1,331,203	401,663	414,633	234,052	300,888	267,828	2,264,598
Net income (less deficit)	11,343,920	366,146	375,192	734,304	665,293	644,004	2,926,476	1,480,587	1,310,102	604,902	471,030	169,564	1,596,321
Income tax, total	2,497,276	59,381	52,515	100,873	141,409	179,674	644,430	320,051	281,926	170,227	144,077	74,049	328,662
Income tax (after credits)	2,274,530	49,624	50,432	94,047	134,953	173,536	615,478	298,741	269,848	161,363	141,889	71,531	213,086
Net worth	62,524,744	–	-557,233	3,444,471	4,792,626	6,615,492	15,839,179	6,139,280	5,407,799	3,584,427	3,065,677	1,953,175	12,239,853
MANUFACTURING													
Number of returns	299,538	16,193	107,078	50,369	34,177	31,048	41,963	8,054	5,648	2,057	1,083	868	1,001
Total assets	3,390,433,557	–	3,814,647	8,415,381	12,428,010	22,051,854	91,695,507	56,209,466	87,982,502	72,596,410	76,611,356	139,738,027	2,818,890,397
Total receipts	3,348,965,911	41,864,371	18,793,197	26,859,802	31,743,709	53,431,345	201,951,035	108,737,867	159,781,395	114,767,940	108,310,669	174,596,487	2,308,128,095
Business receipts	3,118,059,530	38,230,623	18,317,487	26,557,028	31,298,354	52,539,410	198,304,682	106,509,877	156,308,962	111,544,821	104,659,201	167,697,722	2,106,091,361
Interest paid	113,699,987	1,198,690	193,686	289,083	449,187	692,917	2,995,510	1,789,626	2,681,453	2,389,972	2,363,840	4,540,691	94,115,332
Net income (less deficit)	205,083,651	2,327,328	-386,139	221,980	200,498	685,136	4,008,124	2,891,801	5,179,589	4,390,817	5,312,306	8,810,784	171,441,427
Income tax, total	68,661,707	828,324	40,873	90,246	112,746	216,341	1,240,460	796,443	1,482,172	1,398,178	1,633,712	3,081,112	57,741,100
Income tax (after credits)	41,905,884	559,921	35,936	83,900	105,189	200,941	1,163,704	740,222	1,275,480	1,127,927	1,229,886	2,273,775	33,109,006
Net worth	1,253,269,531	–	-1,168,622	2,349,108	3,731,049	7,975,336	33,688,451	22,362,655	35,776,143	29,098,719	32,789,523	56,043,332	1,030,623,835

Footnotes at end of table.