Foreign-Controlled Domestic Corporations, 1992

by James R. Hobbs

For 1992, the 49,943 domestic corporations each "controlled" by a "foreign person" generated $1.2 trillion of total receipts and reported total assets amounting to $1.9 trillion. These corporations, 1.3 percent of the U.S. total, accounted for 10.1 percent of the receipts and 9.4 percent of the assets reported on U.S. corporation income tax returns. They also represented 7.0 percent of the total income tax after credits reported by all corporations.

During the 1985-1992 period, foreign-controlled domestic corporations (FCDC's) accounted for an increasingly larger percentage of the receipts reported by all corporations, and, in particular, the receipts of companies classified in three industrial groups: wholesale trade; manufacturing; and finance, insurance, and real estate (Figure A). The percentage of all companies accounted for by FCDC's in regard to total assets also significantly increased over this time period, from 5.1 percent for 1985 to a high of 9.6 percent for 1991, and then dropped to 9.4 percent for 1992, while the percentage of total returns filed by FCDC's remained relatively stable, ranging between 1.1 and 1.3 percent for each of the 8 years.

The net income (less deficit) reported by FCDC's for tax purposes under the Internal Revenue Code was a positive $5.7 billion for 1992. This was a substantial reversal of the downward trend over the previous 4 years. For 1991, FCDC net income (less deficit) was a negative $4.9 billion. FCDC net income (less deficit) for 1988, 1989, and 1990 was positive, but with decreasing amounts, $11.2, $8.3, and $4.0 billion, respectively. By comparison, the net income (less deficit) reported on all corporation income tax returns increased from $344.9 billion for 1991 to $402.0 billion for 1992. This was also a reversal of the downward trend of the previous 4 years. Total corporate net income (less deficit) was $413.0 billion for 1988, $389.0 billion for 1989, and $370.6 billion for 1990.

Profits rose to $5.7 billion for 1992, reversing the downward trend of the 4 previous years. U. S. income tax after credits was $7.1 billion, 16.6 percent more than 1991.

Of all the FCDC's, 19,304 reported (positive) net income for 1992, totaling $32.0 billion, a 25.0 percent increase over the $25.6 billion of net income for 1991. Furthermore, deficits by FCDC's decreased 13.4 percent from $30.5 billion for 1991 to $26.4 billion for 1992. The profitable companies for 1992 also reported $24.1 billion of taxable income after statutory special deductions (i.e., "income subject to tax" shown in the statistics), 19.7 percent higher than their taxable income for 1991. The tax liability (i.e., "total income tax after credits") of FCDC's was $7.1 billion, 16.6 percent greater than that for 1991.

James R. Hobbs is Acting Chief of the Foreign Statistics Branch.

Direct Foreign Investment in the United States

Direct foreign investment in the United States can take several forms, including corporations, partnerships, and even joint ventures. Under these forms of direct investment, the foreign investor has sufficient equity in the enterprise to control and participate in managing its operations [1]. In regard to corporations, a foreign investor can either gain control of an existing U.S. company, create a new company incorporated in the United States, or operate in the United States through a branch of a foreign corporation.

There are several factors involved in the decision of a foreign investor to operate in the United States through either a domestic or foreign corporation [2]. This article focuses on domestic corporations that are controlled by a foreign person. Control is generally herein defined as ownership by any foreign person (i.e., an individual, partnership, corporation, estate, or trust), directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock at the end of the tax year. (This is discussed in greater depth in the Data Sources and Limitations section. Also, a description of "foreign persons" and an explanation of the rules of attribution are given in the Explanation of Selected Terms section.) There will be a separate tabulation in *Statistics of Income—1992, Corporation Income Tax Returns* (planned for publication in the Fall of 1995), covering branch operations of foreign corporations with income "effectively connected" with a U.S. trade or business.

This article contains two basic tables that show key balance sheet, income statement, and tax items. The 1992 FCDC data are categorized by selected industrial groupings, size of total assets, and selected countries.

Foreign-Controlled Domestic Corporations

Growth of Corporations

Direct foreign investment in the United States through foreign-controlled domestic corporations grew steadily and substantially during the 1985-1992 period. Total receipts of FCDC's grew from $513.8 billion for 1985 to $1,185.0 billion for 1992, a 130.6 percent increase using current dollars. In comparison, total receipts reported on all U.S. corporation income tax returns grew from $8.4 trillion for 1985 to $11.7 trillion for 1992, a 39.3 percent increase [3]. As a result of the rapid growth rate of FCDC's, their share of the receipts reported on all corporate returns increased from 6.1 percent for 1985 to 10.1 percent for 1992. For 1991, the percentage was 10.0.

The growth of FCDC's can also be measured from the early 1970's, when a question concerning foreign ownership of companies was first placed on Form 1120, *U.S. Corporation Income Tax Return.* For 1971, these companies reported $39.2 billion of total receipts, just 2.1 percent of the $1.9 trillion reported for all corporations. By 1992, this percentage had grown substantially. In addition, FCDC's reported $1.1 billion of net income (less deficit) for 1971, 2.8 percent of their receipts. For 1992, this percentage had decreased substantially, to 0.5 percent of receipts.

The growth of FCDC's can be viewed more specifically on an industrial basis. The three most significant industrial sectors for FCDC's have been manufacturing; wholesale trade; and finance, insurance, and real estate. Using total receipts as the measure, the growth of FCDC's as a percentage of all corporations for these three sectors, and for all FCDC's, is shown in Figure A. FCDC's in all three groups made significant increases over the 1985-1992 period.

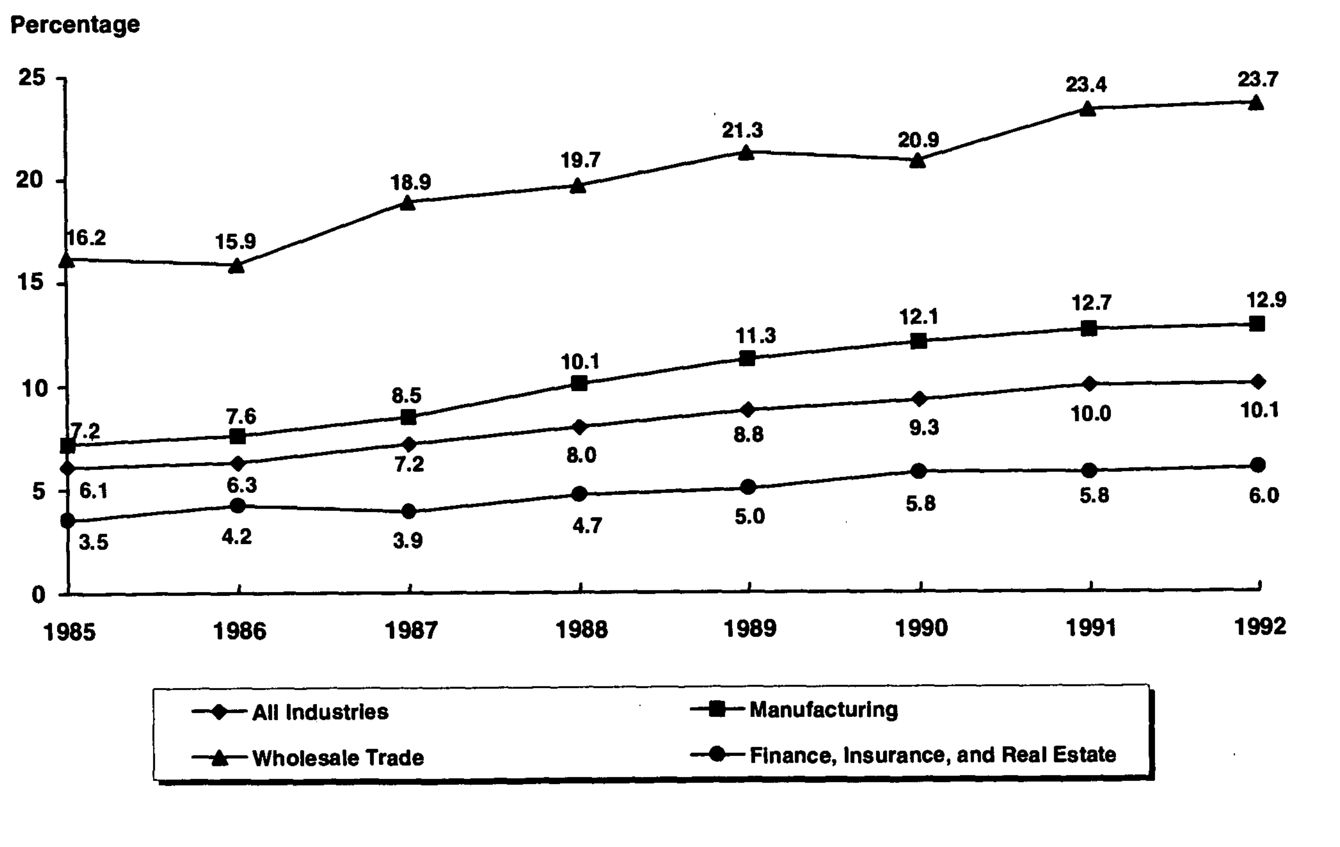
There were an estimated 49,943 returns of foreign-controlled domestic corporations for 1992, an increase over the numbers for 1991 (48,247), 1990 (44,113), 1989 (44,840), and 1988 (46,298). (FCDC's, like most other corporations, could file consolidated returns for affiliated groups of domestic corporations. To the extent that they did, the data included in this article actually represent more companies than the stated number of returns.) Returns of FCDC's comprised a rather constant percentage of all U.S. corporation income tax returns, between 1.1 and 1.3 percent for each year between 1985 and 1992. This is in contrast to the rising percentage of receipts over this period.

Industry Characteristics

Foreign-controlled domestic corporations were involved in every type of industrial activity, but, based on number of returns, were concentrated in four industrial groupings:

Figure A

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations, Based on Total Receipts, Tax Year 1985-1992



(1) finance, insurance, and real estate (14,859 returns); (2) wholesale trade (12,053 returns); (3) services (6,474 returns); and (4) manufacturing (5,573 returns). For 1992, these four groupings accounted for 78 percent of all returns filed by domestic corporations controlled by a foreign person. (In general, data are presented only for broad industrial classifications; they do not focus on more specific industrial subgroups underlying these broad classifications. The Data Sources and Limitations section discusses how returns are classified by industry.)

While the services industrial division comprised a substantial number of the total returns filed by FCDC's, these companies tend to have small amounts of receipts and assets when compared to companies in the other three groupings. For this reason, most of the remaining discussion on industry characteristics will focus on companies classified in finance, insurance, and real estate; wholesale trade; and manufacturing.

Based on assets, two industrial sectors dominated the total for FCDC's for 1992. Finance, insurance, and real estate and manufacturing accounted for $845 billion and $600 billion of total assets, respectively, or 77 percent of the $1,883 billion of assets for all FCDC's. These two sectors made up a similar portion of the total assets reported on returns of other corporations. In this respect, FCDC's closely mirrored other corporations.

Alternatively, using total receipts as the criterion, wholesale trade and manufacturing continued to be the two primary industrial categories for FCDC's for 1992. Manufacturers reported $485 billion of receipts, while wholesalers reported $393 billion. These two groups accounted for 74 percent of the $1,185 billion of total receipts for all FCDC's. This percentage was substantially higher than the comparable one for other corporations that filed U.S. corporation income tax returns.

Companies classified in different industries often have different financial characteristics. For instance, the comparative levels of total assets and total receipts of companies primarily engaged in wholesale trade activities and those primarily engaged in finance, insurance, and real estate activities differed significantly. FCDC wholesalers produced large amounts of receipts with relatively small amounts of assets, resulting in $1.87 of receipts for each dollar of assets for 1992. Companies classified in finance, insurance, and real estate reported large amounts of assets, but relatively small amounts of receipts. These FCDC's produced only $.13 of receipts for each dollar of assets. Other corporations in these two industrial categories had similar characteristics.

Even though foreign-controlled domestic corporations accounted for just one-tenth of the $11.7 trillion of total receipts reported by all companies filing U.S. income tax returns for 1992, these companies played disproportionately large roles in certain industrial groups. For instance, FCDC's comprised approximately one-quarter of the total receipts reported for mining (27.9 percent) and wholesale trade (23.7 percent). FCDC's also accounted for 12.9 percent of the receipts reported by all manufacturing companies. Conversely, FCDC involvement in the agriculture, forestry, and fishing; construction; transportation and public utilities; retail trade; services; and finance, insurance, and real estate industrial divisions was relatively low for 1992, accounting for only 1.7, 2.3, 2.4, 4.0, 5.8, and 6.0 percent, respectively, of the receipts for all companies classified in these categories.

Foreign-controlled wholesalers accounted for 24 percent of the receipts reported by all U. S. wholesaler corporations; foreign-controlled manufacturers accounted for 13 percent of the receipts of all U. S. manufacturing corporations.

While FCDC's accounted for 27.9 percent of the receipts for all mining companies for 1992, up sharply from 17.4 percent for 1991, they are not a major focus of this article. In comparison to the three industrial groupings shown in Tables 1 and 2, mining accounted for only 2.5 percent of the total FCDC returns for 1992, 2.5 percent of the total FCDC assets, and 2.7 percent of the total FCDC receipts.

Statistics classified by industry do have certain limitations, which are discussed more thoroughly in the Data Sources and Limitations section, below. However, a brief point should be mentioned here. FCDC's accounted for 23.7 percent of the receipts of all companies classified as wholesalers. This percentage may be subject to certain limitations. For example, certain U.S. companies (not foreign controlled) and their subsidiaries may have been involved in both the manufacturing and wholesaling of products and reported tax information for these activities on a single (consolidated) income tax return, which was classified under manufacturing, rather than trade. Conversely, many domestic companies controlled by foreign corporations acted as wholesalers in the United States for products manufactured overseas by their parent, or other related, companies. These domestic companies would have been classified in the wholesale trade industrial grouping.

Country Characteristics

Domestic corporations are controlled by "persons" throughout the world. However, for 1992, owners from 13 countries controlled two-thirds of the 49,943 domestic corporations classified as 50 percent-or-more controlled by a foreign person (see Table 2). (The countries represent the geographic location of the direct foreign owner's place of residence in the case of individuals, and place of incorporation, organization, creation, or administration in the case of other persons. Because holding companies located in a country different from that of the ultimate owner may directly own the stock of U.S. affiliates, the country reported on the tax return may not necessarily reflect the country of the ultimate owner. No data on the extent of this potential limitation are available.) The 32,917 corporations controlled by persons from these 13 countries accounted for more than 90 percent of the most significant financial items (such as, total assets, total receipts, and total income tax after credits) for all FCDC's.

Domestic corporations controlled by Japanese persons had assets of $521 billion and total receipts of $332 billion for 1992, amounts easily larger than those representing any other country. These assets and receipts each represented about 28 percent of the totals for all FCDC's. (Companies controlled by Japanese persons also accounted for the largest amount of assets and receipts for the 1983-1991 period.) Finance, insurance, and real estate companies accounted for $289 billion, 56 percent, of the Japanese-controlled assets. Nearly $226 billion, 68 percent, of the Japanese receipts were produced by wholesale trade companies.

Corporations controlled by a Japanese "person" comprised 28 percent of all foreign-controlled domestic corporation receipts; 68 percent of the receipts of Japanese-controlled corporations were from wholesalers.

Although Japanese-controlled domestic corporations accounted for the largest part of the assets and receipts reported by all FCDC's, they did not file the largest number of returns for 1992, nor did they report the highest amount of total income tax after credits for that year. Canadian-controlled domestic corporations filed the most returns, 9,149; Japanese-controlled domestic corporations were second with 6,431, and United Kingdom-controlled domestic corporations were third with 4,428. The U.K.-controlled companies reported the largest amount of total income taxes after credits ($2.0 billion), with Japanese-controlled companies second ($1.2 billion), and Netherlands-controlled companies third ($0.9 billion).

Domestic corporations controlled by persons in the United Kingdom accounted for the second largest amount ($194 billion) of receipts for 1992, as well as the second largest for the 1983-1991 period as a whole. These receipts represented over 16 percent of the 1992 receipts for all FCDC's. Most of the U.K. receipts, totaling $101 billion, were produced by manufacturers.

For 1992, Japanese-controlled domestic corporations reported an overall net deficit of $4.2 billion, while U.K.-controlled companies reported (positive) net income totaling $5.3 billion. There are many factors which may have caused this large difference in "profits." Although these causal factors are beyond the scope of this article, it is noteworthy to look at the reported profits and losses on a country/industry basis. In the manufacturing industrial division, there were very large differences between the two countries. Japanese-controlled corporations reported a net deficit of $1.3 billion on $58.7 billion of receipts, while U.K.-controlled companies reported net income of $3.6 billion on $101.4 billion of receipts. There was also a substantial difference between the two countries in the finance, insurance, and real estate industrial division. Japanese-controlled corporations reported a net deficit of $1.5 billion on $21.7 billion of receipts, while U.K.-controlled companies reported net income of $1.4 billion on $23.2 billion of receipts. For the wholesale trade area, both Japanese- and U.K.-controlled companies reported relatively small amounts of net deficits, but on very different levels of receipts ($226.0 billion for Japan and $40.8 billion for the United Kingdom).

Approximately 30 percent of all FCDC's reported U.S. income tax liabilities (i.e., total income tax after credits) for 1992, up from 27 percent for 1991. These tax liabilities totaled $7.1 billion, amounting to 0.6 percent of the total receipts reported by these companies. By comparison, FCDC tax liabilities totaled $6.1 billion for 1991, 0.5 percent of total receipts. For 1992, the percentage of FCDC's that had a tax liability varied considerably among countries, as well as between different industrial groups. Companies controlled by persons from the United Kingdom reported the largest tax liabilities ($2.0 billion). Based on industrial groupings, manufacturing companies had the largest tax liabilities ($3.2 billion).

Size Characteristics

Data are presented for foreign-controlled domestic corporations by size of total assets in Table 1. Fewer than 2 percent of the FCDC's had assets of $250 million or more, the largest size category shown in the table. However, these 865 corporations accounted for 84 percent of the assets of all FCDC's, as well as 72 percent of the receipts and 70 percent of the total income tax after credits of this group. Grouping returns by size of assets tends to place proportionately more corporations classified under finance, insurance, and real estate into the larger size categories than if the size groupings were based on receipts, for instance, which would place more wholesalers in the larger size categories. (Data by size of total receipts are not available for 1992.) This is because companies in finance, insurance, and real estate tend to have large amounts of assets compared to their receipts, while wholesalers tend to have just the opposite.

As shown in Table 1, a majority of the combinations of size and selected industrial groupings had negative amounts of net income (less deficit) for 1992. However, the largest size group with $250 million or more of assets reported positive amounts of net income (less deficit) for all three industrial groupings, as follows: manufacturing, $4.9 billion; finance, insurance, and real estate, $2.5 billion; and wholesale trade, $0.8 billion. The largest companies in all industries reported a combined $8.8 billion of positive profits, while all other FCDC's reported a combined loss of $3.1 billion.

84 percent of the FCDC assets and 72 percent of the receipts were reported by the 865 corporations with total assets of $250 million or more.

Regarding data by size of total assets and other balance sheet information, loans to and from stockholders of FCDC's are particularly noteworthy. The principal stockholders of FCDC's are foreign "persons," usually foreign corporations. These related companies make loans to each other. For 1992, FCDC's had $54 billion of outstanding loans from stockholders at the end of their accounting periods, and $20 billion of outstanding loans made to their stockholders. One factor in the propensity of a FCDC to make or receive loans to or from its stockholders may be the size of the company. For instance, while the 865 largest companies accounted for 84 percent of all of the assets (and, thus, of liabilities plus net worth) of FCDC's, they accounted for 89 percent of the total FCDC loans to stockholders, but only 56 percent of the loans from stockholders. The largest companies, with total assets of $250 million or more, tended to use loans from stockholders to a lesser extent in financing their assets than did the smaller companies: 1.9 percent ($30 billion of loans from stockholders compared to $1,585 billion of total assets) for the largest companies versus 7.9 percent ($24 billion of loans from stockholders compared to $298 billion of total assets) for the smaller companies.

Receipts and Deductions

A domestic corporation, whether controlled by a foreign person or not, could have business activities in foreign countries as well as in the United States. The estimates shown in this article include business activities in the United States as well as certain foreign activities as reported on tax returns of domestic corporations. Whether domestic or foreign, income includes receipts from sales and operations, as well as investment income. Income is reported in a different manner for foreign branches and foreign subsidiaries of domestic corporations. "Total receipts" shown in this article include the receipts of foreign branch operations of U.S. companies. Also included in these receipts are dividends remitted to U.S. corporations from their foreign subsidiaries. Additionally, includable income from Controlled Foreign Corporations and foreign dividend "gross-up" were constructively received for U.S. income tax purposes. In the statistics, these two items of constructive taxable income from related foreign corporations are not included in "Total receipts;" however, they are reflected in the data for "Net income (less deficit)."

The receipts and deductions shown in this article for foreign-controlled domestic corporations do not include any amounts generated by their foreign parent companies. However, FCDC's could have had business transactions with their parent companies, and FCDC receipts and deductions stemming from these transactions are included in the statistics [4].

Approximately 91 percent of the $1,185 billion of total receipts reported by domestic corporations controlled by a foreign person consisted of "business receipts," i.e., receipts from sales and operations. These same companies reported $1,180 billion of total deductions for 1992. Cost of sales and operations was 67 percent of the total [5].

It is noteworthy to look at the "gross profit margin" of FCDC's. Gross profit margin is defined as the difference between business receipts and cost of sales and operations (i.e., gross profit) as a percentage of business receipts. The manufacturing and wholesale trade industrial groupings accounted for most of the reported amounts of business receipts and cost of sales and operations. Manufacturers had substantially higher gross profit margins than did wholesalers, 31.2 percent as compared to 13.8 percent. Both of these percentages are slightly higher than comparable percentages for FCDC's for 1991 (manufacturers, 30.5 percent; and wholesalers, 13.4 percent).

Total receipts less total deductions for FCDC's amounted to a positive $5.0 billion for 1992. This is somewhat different from the $5.7 billion of net income (less deficit) reported by these companies. Total receipts less total deductions includes all of the income "actually" (as opposed to "constructively") received by corporations and reported on tax returns. As differentiated from net income (less deficit), total receipts less total deductions includes nontaxable interest on State and local Government obligations and excludes the two items of constructive taxable income from related foreign corporations described herein. For 1992, FCDC's received $0.6 billion of tax-exempt interest on State and local Government obligations and $1.2 billion of constructive taxable income.

Net Income (Less Deficit)

The previous section discussed the difference, for statistical purposes, between total receipts less total deductions and net income (less deficit). It is also important to make a distinction between (positive) net income and taxable income (i.e., "Income subject to tax" shown in the statistics). Because certain statutory special deductions, including the "net operating loss" deduction, were allowed most companies in computing their taxable income, the statistics for net income are generally larger than the amounts shown for taxable income.

Net income (less deficit) for foreign-controlled domestic corporations was a positive $5.7 billion for 1992. This was a substantial increase from the negative $4.9 billion for 1991. Net income (less deficit) reported on all corporation income tax returns also increased between 1991 and 1992, from a positive $344.9 billion to $402.0 billion.

The increase in net income (less deficit) for 1992 occurred in all three of the principal industrial groups of FCDC's. Companies whose principal business activity was in manufacturing reported $5.1 billion of positive net income (less deficit) for 1992, a large rise from the $1.9 billion of income reported for 1991. The finance, insurance, and real estate group also reported a net income ($0.4 billion) for 1992, as compared to the $1.6 billion loss they had for 1991. Wholesalers reported a somewhat similar increase between the 2 years, with net income moving to $0.5 billion for 1992, from a net loss of $1.3 billion. Among the other industrial groups, the following were the most significant changes in net income (less deficit) between 1991 and 1992: retail trade, from a net loss of $1.4 billion to (positive) net income of $0.8 billion; and services, from a net loss of $2.5 billion to a smaller net loss of $1.8 billion.

Only 38.7 percent of foreign-controlled domestic corporations reported a profit for 1992.

The $5.7 billion of net income (less deficit) was the result of 19,304 corporations reporting $32.0 billion of (positive) profits and 30,639 companies reporting $26.4 billion of deficits [6]. Thus, fewer than 4 out of every 10 (38.7 percent) domestic corporations with foreign owners reported a (positive) profit for 1992. By comparison, 53.3 percent of all corporations filing U.S. income tax returns for the same year reported a profit. The percentage of FCDC's reporting a profit for 1992 was actually somewhat less than the percentages for the 1984-1991 period as a whole, which varied between 39.0 percent and 43.3 percent.

The percentage of companies reporting (positive) profits varied among different industrial groups. About half of the FCDC's classified in manufacturing (51.1 percent) and in wholesale trade (44.6 percent) reported profits for 1992. However, fewer than 3 out of every 10 (27.8 percent) companies classified in finance, insurance, and real estate reported profits. Real estate companies primarily accounted for this low percentage, with only 2,730 of the 11,005 returns classified in this industry reporting profits (24.8 percent).

Over six out of every 10 FCDC's reported a deficit for 1992. Collectively, these companies had $26.4 billion of deficits, a decrease from the $30.5 billion of deficits reported for 1991. Deficits could be carried back or forward to other tax years, under prescribed rules, to reduce the taxable income of those years (see "net operating loss deduction" in the Explanation of Selected Terms section). When a company carried back a deficit to a previous tax year, it could file either Form 1120X, *Amended U.S. Corporation Income Tax Return,* or Form 1139, *Corporation Application for Tentative Refund.* These forms are not included in the statistics for foreign-controlled domestic corporations.

Taxes

For 1992, foreign-controlled domestic corporations reported $24.1 billion of "income subject to tax" (or taxable income, i.e., the base on which tax was computed, for purposes of the statistics), resulting in nearly $8.1 billion of "regular" tax. The $8.9 billion of total income tax before credits reported by FCDC's consisted of the regular tax plus the alternative minimum tax, the environmental tax, the Personal Holding Company tax, and the tax from recapture of investment credits. The alternative minimum tax was $0.7 billion for 1992. FCDC's were also subject to the tax from the recapture of low-income housing credits. However, none of the sampled returns for 1992 reported this tax.

The difference between the $32.0 billion of positive profits (or net income) and $24.1 billion of income subject to tax was the result of statutory special deductions. These deductions were allowed most corporations in computing their taxable income and included the deduction for "net operating losses" (NOL's) from other years. For 1992, the net operating loss deduction was $7.1 billion (up from the $4.7 billion for 1991) and accounted for over 86 percent of the total statutory special deductions (the Explanation of Selected Terms section discusses the net operating loss deduction). FCDC's reduced their

1992 net income by 22.3 percent using NOL's carried over from prior years.

Tax credits totaling $1.8 billion reduced the U.S. tax liability of foreign-controlled domestic corporations to $7.1 billion for 1992. The largest credits claimed were $1.2 billion of foreign tax credits and $0.2 billion each of general business credits, research activities credits, and U.S. possessions tax credits. Other credits included the prior-year minimum tax credit, orphan drug credit, and the nonconventional source fuel credit. The $7.1 billion of total U.S. income tax after credits represents the tax liability as originally reported by taxpayers. However, it does not include any changes made by taxpayers through amended returns or by the Internal Revenue Service as a result of examination or enforcement activities.

Summary

Direct foreign investment in the United States through FCDC's grew rather slowly for 1992. While total assets reported on all U.S. corporation income tax returns increased by 5.1 percent (using current dollars) over the previous year, assets of domestic corporations controlled by foreign persons increased by only 3.1 percent [7]. As a result, the percentage of total corporate assets accounted for by FCDC's dropped from 9.6 percent for 1991 to 9.4 percent for 1992. However, the share of total corporate receipts accounted for by FCDC's did increase between 1991 and 1992, albeit modestly, from 10.0 to 10.1 percent.

Two industrial groupings (manufacturing and wholesale trade) generated nearly three-fourths of the total receipts of all FCDC's. From a country perspective, domestic corporations controlled by persons in Japan had total receipts of $332 billion, 28 percent of the FCDC total. The United Kingdom accounted for another $194 billion of receipts, 16 percent of the total.

The collective net income (less deficit) reported by foreign-controlled domestic corporations increased to a positive $5.7 billion, as compared to a negative $4.9 billion for 1991. This reflects both an increase in (positive) net income (from $25.6 billion to $32.0 billion) and a decrease in deficits (from $30.5 to $26.4 billion). Total income tax after credits moved in the same direction as net income, increasing from $6.1 billion for 1991 to $7.1 billion for 1992. However, while net income rose 25 percent between the 2 years, total income tax after credits rose only 16 percent. This difference is in part explained by the 50 percent increase in net operating loss deductions claimed by FCDC's, from $4.7 billion to $7.1 billion. The net operating loss deduction reduced the amount of net income in deriving taxable income (i.e., income subject to tax).

Explanation of Selected Terms

The following are brief explanations of some of the terms used in this article. For more extensive definitions, see *Statistics of Income—1992, Corporation Income Tax Returns.*

Alternative Minimum Tax.—This tax was designed to ensure that no taxpayer with substantial economic income could avoid significant tax liability through a legitimate use of exclusions, deductions and credits. It is included in the statistics shown for both total income tax before (and after) credits.

Attribution Rules.—In regard to domestic corporations that are 50 percent or more owned by one foreign "person," these rules provide that an individual shall be considered as owning the stock of a corporation if it is owned, directly or indirectly, by or for his or her family. The family of an individual includes his or her spouse, brothers and sisters, ancestors, and lineal descendants. For more information on these rules, see section 267(c) of the Internal Revenue Code. However, if a corporation is owned by two or more unrelated persons, neither of which owned 50 percent or more of the corporation, then that corporation was excluded from the FCDC statistics even though, together, these persons may have met the 50-percent-or-more ownership criterion.

Business Receipts.—These receipts were, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. Some corporations reported sales and excise taxes as part of their gross receipts from sales (and deducted these taxes as part of "cost of sales and operations" or as "taxes paid"); others reported their receipts after adjustment for these taxes. Business receipts included rents reported as the principal business income by real estate operators and certain manufacturing, public utility, and service corporations. In the finance, insurance, and real estate industries, business receipts included such banking items as fees, commissions, and service charges. Interest, the principal operating income of banking and savings institutions, was excluded from business receipts and included in the statistics for "interest received." Also in the finance, insurance, and real estate industries, premium income of most insurance companies was included in business receipts.

Foreign Person.—A foreign person (or entity) is defined as a person other than a U.S. person. A U.S. person includes: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or trust). Section 7701 of the Internal Revenue Code further defines the term, U.S. person.

Net Income (or deficit).—This is the difference between taxable receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. In this article, it is also referred to as "profits." It reflects not only actual receipts, but "constructive" receipts as well, i.e., certain income from Controlled Foreign Corporations and from the foreign taxes deemed paid on foreign dividends received. Tax-exempt interest on State and local Government obligations is excluded from this item (but, it is included in "total receipts"). Because certain statutory special deductions, including the net operating loss deduction, were allowed most corporations in computing their "taxable income" (or "income subject to tax"), the statistics for net income are generally larger than the amounts shown for "U.S. income subject to tax," i.e., the base on which the regular income tax was computed. See also the discussion of the "net operating loss deduction."

Net Operating Loss Deduction (NOLD).—A statutory "net operating loss" (NOL) for a given tax year could be carried back, in general, over a 3-year period to reduce the taxable income of those years, and any amount of the NOL not offset against income during that time could be carried forward against income for a period not exceeding 15 years. The amount of the deduction included in the statistics, however, consists only of losses from prior years carried forward and actually used to reduce taxable income for the current (1992) tax year. Losses incurred after the 1992 Tax Year and carried back to that year at a later date could not be reported on the tax returns used for this article. Net operating losses on which the 1992 deduction was based include: (1) the excess of ordinary and necessary business expenses over income for previous loss years, and (2) statutory special deductions claimed for a loss year for dividends received and for dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

Total Receipts.—This item includes all of the income actually (as opposed to constructively) received by a corporation and reported on an income tax return. It includes gross taxable receipts, before the deduction of cost of sales and operations and other ordinary and necessary business expenses. It also includes tax-exempt interest received from State and local Government obligations. A domestic corporation (i.e., one incorporated in the United States), whether controlled by a foreign person or not, could have business activities in a foreign country as well as in the United States. Thus, total receipts may include those from foreign branch operations of the U.S. company. Also, the total receipts of a domestic corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries. This term, however, excludes certain taxable income from related foreign corporations that is only constructively received by the domestic corporation.

Data Sources and Limitations

Sample

The statistics for domestic corporations controlled by a foreign person are based on samples of corporation income tax returns filed primarily on Form 1120 *(U.S. Corporation Income Tax Return).* In addition, the 1992 statistics include data from the small numbers of other FCDC returns filed on Forms 1120L *(U.S. Life Insurance Company Income Tax Return),* 1120-RIC *(U.S. Income Tax Return for Regulated Investment Companies),* 1120-REIT *(U.S. Income Tax Return for Real Estate Investment Trusts),* and 1120PC *(U.S. Property and Casualty Insurance Company Income Tax Return).*

Form 1120 sampled returns were stratified based on the size of total assets and the size of "proceeds" (which was used as a measure of income and was the larger of the absolute value of net income or deficit or the absolute value of "cash flow," i.e., net income plus depreciation and depletion). Forms 1120L, 1120-RIC, 1120-REIT, and 1120PC were sampled based solely on the size of total assets.

For 1992, the achieved sampling rates for Forms 1120 alone (the overwhelming majority of the returns used for the sample) ranged from less than 1 percent to 100 percent. In general, Form 1120 returns with assets of $50 million or more, or with "proceeds" of $10 million or more, were selected for the study at the 100-percent rate. For additional information on the sampling rates, see *Statistics of Income—1992, Corporation Income Tax Returns.*

Because the data presented are estimates based on samples, they are subject to sampling error. To properly use these data, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude. CV's for selected frequencies and amounts by industry grouping are presented in Figure B. For a general discussion of CV's, see the appendix to this publication. For a more detailed discussion of the CV's applicable to the corporation statistics, see *Statistics of Income—1992, Corporation Income Tax Returns.*

Nonsampling Limitations

Most of the data in this article relate to Tax Year 1992, which covers returns with accounting periods that ended in a 12-month span beginning in July 1992 and ending in June 1993. (The sampling frame for the 1992 statistics

Figure B

Coefficients of Variation (CV) for Selected Items of Foreign-Controlled Domestic Corporations, by Selected Industrial Grouping, Tax Year 1992
[Money amounts are in millions of dollars]

Item	All returns		Manufacturing	
	Number of returns or amount	Coefficients of variation (percent)	Number of returns or amount	Coefficients of variation (percent)
	(1)	(2)	(3)	(4)
Number of returns	49,943	5.35	5,573	12.01
Total assets	1,883,194	1.02	600,338	2.34
Total receipts	1,184,954	0.95	484,561	1.44
Net income	32,048	1.25	13,943	1.91
Total income tax after credits	7,101	1.22	3,182	2.08

Item	Wholesale trade		Finance, insurance and real estate	
	Number of returns or amount	Coefficients of variation (percent)	Number of returns or amount	Coefficients of variation (percent)
	(5)	(6)	(7)	(8)
Number of returns	12,053	10.85	14,859	8.49
Total assets	210,382	2.08	845,300	1.42
Total receipts	393,246	1.96	113,743	1.43
Net income	4,705	3.27	6,749	1.73
Total income tax after credits	1,158	3.00	1,720	1.93

consisted of tax returns which posted to the IRS Business Master File between July 1992 and June 1994.) As a result of the 12-month span for ending accounting periods, the statistics shown in this article include income received or expenses incurred during a 23-month span. For Tax Year 1992, that span was from August 1991 through June 1993. Nevertheless, most of the income and expenses are, in fact, associated with Calendar Year 1992.

Due to a change in the applicable tax return forms for 1992, returns were selected for this study based on taxpayers' responses to two questions that appeared on the various types of Form 1120. The first question asked whether any "foreign person" owned, directly or indirectly, 25 percent or more of the filing corporation's voting stock at any time during the tax year. If this question was answered "yes," then a second question asked for the percentage owned [8]. If the first question was answered "yes," and the second question was answered with a percentage between 50 and 100, then the return was included in the FCDC statistics [9, 10]. Taxpayers sometimes incorrectly answered these questions, or did not answer them at all. However, prior to tabulation, corporations with large amounts of assets and with changes in foreign ownership status between 1991 and 1992 were researched and verified. These large corporations have a dominating effect on the estimates for balance sheet, income statement, and tax items.

Each return used for the statistics had an industry code reported or assigned during statistical processing. This code was used as a classifier of the returns. The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of total receipts) of the corporation filing the return. However, a given return may have been for a company engaged in several business activities or may have been a consolidated return filed for an affiliated group of corporations which conducted different business activities. To the extent that some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

There is an additional limitation related to data presented by industrial classification. Companies that sell similar products may not be classified in the same industry. For instance, FCDC's, which were primarily U.S. distributors of products made in foreign countries by their parent or other related companies, were classified as wholesalers. However, other domestic corporations that were also distributors and that were included in consolidated returns covering the manufacture and distribution of similar products may have been classified as manufacturers.

Each return used for the statistics also had a foreign country code assigned during statistical processing which identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country in which the foreign entity was incorporated, organized, created, or administered. The code was also used as a classifier of the returns. To the extent that a holding company or other affiliated entity was part of a chain between a U.S. subsidiary company and the ultimate parent, the data may not be entirely related to the foreign country under which they are shown.

Notes and References

[1] Direct investment is different from portfolio investment in that the latter exerts no control over the management of the enterprise, except to the extent, for example, of rights to vote periodically in stockholder meetings of corporations. The portfolio investor has a minimal interest in a company, and is primarily seeking dividend payments, an increase in the value of the shares of stock, or both.

[2] Sections 7701(a)(4) and (5) of the Internal Revenue Code define a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation is "one which is not domestic."

[3] Beginning with Tax Year 1988, returns of Foreign Sales Corporations and Interest-Charge Domestic International Sales Corporations were not included in the totals for all U.S. corporation income tax returns. Previously, they were. Because these returns accounted for such a small portion of the total for most financial items, this change is not considered to be significant in terms of year-to-year comparisons.

[4] For information on transactions between FCDC's and their related foreign persons, see "Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 1991," *Statistics of Income Bulletin,* Summer 1995, Volume 15, Number 1, 1995.

[5] For statistical processing purposes, certain items (such as sales and certain excise taxes, depreciation, depletion, amortization, advertising and interest expenses) reported by taxpayers in cost of sales and operations schedules were transferred to their respective and separate deduction categories.

[6] The 30,639 companies reporting a deficit may include a small number of "breakeven" companies, i.e., those whose receipts and deductions were equal.

[7] The 3.1 percent increase between 1991 and 1992 in the assets of domestic corporations controlled by foreign persons, as well as the 5.1 percent increase for all corporations, may overstate the actual "growth in investment." Assets are generally reported at book value on tax returns, i.e., at the value at the time of acquisition. The book value of newly acquired assets is generally greater than the book value of similar assets they replaced. Therefore, new corporations may tend to have a greater percentage of new assets with greater book values. To the extent that new corporations comprised a different portion of FCDC's than they did for other companies, the comparability of 3.1 percent to 5.1 percent (above) may be limited.

[8] On Form 1120, Page 3, Schedule K, the actual questions were: "(9) Did one foreign person at any time during the tax year own, directly or indirectly, at least 25% of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation?" and "(9a) If 'Yes,' see page 17 of instructions and enter percentage owned." In addition, question (9b) asked for the owner's country. This information was used for the statistics shown in Table 2.

[9] Returns for this study may exclude certain domestic companies that are effectively controlled by foreign persons, such as public companies in which "control" may be exercised with as little as 10 to 20 percent of the stock holdings.

[10] Statistics of Income also tabulated statistics for the domestic corporations with 25 to 49 percent foreign owners. If a company was classified as an FCDC, based on 50-percent-or-more foreign stock ownership, then it was not included in the 25-to-49 percent foreign ownership category, even if it had an unrelated foreign owner with 25 to 49 percent stock ownership. For 1992, there were only 4,565 returns which indicated a level of foreign ownership between 25 and 49 percent. These companies reported $75.4 billion of assets, $43.7 billion of receipts, and $0.4 billion of total income tax after credits. All of these amounts were extremely small in comparison to data for the FCDC's.

Table 1. -- Foreign-Controlled Domestic Corporations: Selected Items, by Selected Industrial Grouping and Size of Total Assets

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

Selected industrial grouping and size of total assets	Number of returns	Total assets	Loans to stockholders	Loans from stockholders	Net worth	Total receipts
	(1)	(2)	(3)	(4)	(5)	(6)
All industries [1]	**49,943**	**1,883,194**	**20,440**	**53,503**	**431,524**	**1,184,954**
Zero assets	3,446	--	--	--	--	6,079
$1 under $100,000	12,633	366	7	347	-997	1,389
$100,000 under $250,000	5,938	994	27	554	-391	2,429
$250,000 under $500,000	5,026	1,756	53	727	-51	2,692
$500,000 under $1,000,000	4,589	3,435	62	1,138	-2,138	4,832
$1,000,000 under $5,000,000	9,631	21,983	180	3,956	3,319	27,901
$5,000,000 under $10,000,000	2,625	18,658	62	2,399	3,158	24,558
$10,000,000 under $25,000,000	2,498	39,374	118	3,385	8,629	47,363
$25,000,000 under $50,000,000	1,181	41,525	285	2,698	10,740	46,528
$50,000,000 under $100,000,000	812	57,810	317	3,561	15,809	62,819
$100,000,000 under $250,000,000	700	112,018	1,095	4,780	32,270	104,231
$250,000,000 or more	865	1,585,275	18,235	29,958	361,177	854,134
Manufacturing	**5,573**	**600,338**	**1,785**	**18,438**	**205,488**	**484,561**
Zero assets	81	--	--	--	--	2,094
$1 under $100,000	1,127	27	--	22	-10	225
$100,000 under $250,000	70	15	5	--	-17	35
$250,000 under $500,000	314	103	42	16	46	144
$500,000 under $1,000,000	414	323	(2)	233	-76	481
$1,000,000 under $5,000,000	1,291	3,048	9	373	422	4,854
$5,000,000 under $10,000,000	545	4,067	(2)	436	710	6,843
$10,000,000 under $25,000,000	585	9,430	16	582	1,951	12,782
$25,000,000 under $50,000,000	375	13,300	116	459	4,207	17,002
$50,000,000 under $100,000,000	275	19,864	53	779	6,408	23,779
$100,000,000 under $250,000,000	221	34,924	131	1,283	11,860	40,718
$250,000,000 or more	274	515,237	1,413	14,253	179,986	375,603
Wholesale trade	**12,053**	**210,382**	**560**	**5,187**	**43,164**	**393,246**
Zero assets	614	--	--	--	--	2,519
$1 under $100,000	3,266	108	5	84	-38	232
$100,000 under $250,000	1,325	241	1	100	-110	1,129
$250,000 under $500,000	1,271	427	11	75	-17	1,461
$500,000 under $1,000,000	1,246	922	23	167	98	2,685
$1,000,000 under $5,000,000	2,485	6,089	47	682	937	13,547
$5,000,000 under $10,000,000	602	4,184	16	180	184	11,752
$10,000,000 under $25,000,000	621	9,607	24	490	1,447	20,078
$25,000,000 under $50,000,000	258	8,763	17	336	1,552	18,854
$50,000,000 under $100,000,000	143	9,995	2	416	1,813	25,009
$100,000,000 under $250,000,000	115	18,305	166	374	5,468	37,381
$250,000,000 or more	107	151,742	248	2,283	31,829	258,599
Finance, insurance, and real estate	**14,859**	**845,300**	**17,386**	**20,417**	**108,976**	**113,743**
Zero assets	623	--	--	--	--	448
$1 under $100,000	1,978	32	(2)	67	-728	68
$100,000 under $250,000	1,872	296	--	80	66	48
$250,000 under $500,000	2,098	768	(2)	277	168	281
$500,000 under $1,000,000	2,044	1,537	22	405	388	192
$1,000,000 under $5,000,000	3,411	7,472	65	1,714	1,869	1,522
$5,000,000 under $10,000,000	969	6,789	19	1,234	1,963	1,012
$10,000,000 under $25,000,000	764	12,124	65	1,392	3,940	2,497
$25,000,000 under $50,000,000	327	11,808	122	1,220	3,141	2,042
$50,000,000 under $100,000,000	236	16,447	224	1,700	4,490	3,138
$100,000,000 under $250,000,000	206	33,081	692	1,789	7,576	5,534
$250,000,000 or more	333	754,945	16,177	10,536	86,103	96,962

Footnotes at end of table.

Table 1. -- Foreign-Controlled Domestic Corporations: Selected Items, by Selected Industrial Grouping and Size of Total Assets -- Continued

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

Selected industrial grouping and size of total assets	Business receipts	Interest received [3]	Total deductions	Cost of sales and operations	Interest paid	Net income (less deficit)
	(7)	(8)	(9)	(10)	(11)	(12)
All industries [1]	**1,081,026**	**58,158**	**1,179,909**	**787,778**	**61,484**	**5,689**
Zero assets	5,271	150	6,292	3,986	274	-214
$1 under $100,000	1,233	31	1,681	755	44	-292
$100,000 under $250,000	2,335	10	2,555	1,470	33	-126
$250,000 under $500,000	2,571	12	2,870	1,547	39	-163
$500,000 under $1,000,000	4,554	26	5,332	3,233	126	-501
$1,000,000 under $5,000,000	26,801	246	28,825	18,712	635	-924
$5,000,000 under $10,000,000	23,733	123	25,103	17,642	503	-547
$10,000,000 under $25,000,000	44,041	339	46,716	33,111	1,111	649
$25,000,000 under $50,000,000	44,415	704	47,044	34,473	1,181	-516
$50,000,000 under $100,000,000	60,148	833	63,237	47,636	1,497	-405
$100,000,000 under $250,000,000	98,292	2,253	104,402	74,971	3,413	-101
$250,000,000 or more	767,631	53,431	845,853	550,242	52,628	8,827
Manufacturing	**461,250**	**8,071**	**480,005**	**317,499**	**19,577**	**5,105**
Zero assets	2,044	18	2,093	1,331	99	1
$1 under $100,000	222	(2)	258	164	(2)	-33
$100,000 under $250,000	16	1	31	8	1	5
$250,000 under $500,000	127	1	182	112	(2)	-38
$500,000 under $1,000,000	477	1	519	307	8	-38
$1,000,000 under $5,000,000	4,685	13	5,127	3,341	73	-273
$5,000,000 under $10,000,000	6,714	16	6,899	4,944	122	-57
$10,000,000 under $25,000,000	12,525	37	12,950	9,260	260	-167
$25,000,000 under $50,000,000	16,526	137	16,882	12,591	357	120
$50,000,000 under $100,000,000	23,129	161	23,745	17,990	521	35
$100,000,000 under $250,000,000	39,358	342	40,138	29,407	998	620
$250,000,000 or more	355,427	7,343	371,182	238,043	17,138	4,928
Wholesale trade	**382,188**	**4,069**	**393,089**	**329,486**	**6,974**	**502**
Zero assets	2,414	15	2,538	2,082	28	-19
$1 under $100,000	212	1	327	157	(2)	-95
$100,000 under $250,000	1,122	(2)	1,172	920	5	-43
$250,000 under $500,000	1,449	1	1,493	1,084	14	-33
$500,000 under $1,000,000	2,621	6	2,645	2,125	8	40
$1,000,000 under $5,000,000	13,348	31	13,678	10,752	122	-131
$5,000,000 under $10,000,000	11,620	26	11,811	10,139	93	-59
$10,000,000 under $25,000,000	19,728	56	20,002	16,184	218	76
$25,000,000 under $50,000,000	18,597	60	18,936	15,953	212	-79
$50,000,000 under $100,000,000	24,694	86	24,975	21,645	260	34
$100,000,000 under $250,000,000	36,790	179	37,334	31,278	443	48
$250,000,000 or more	249,592	3,608	258,177	217,168	5,570	764
Finance, insurance, and real estate	**58,880**	**41,511**	**112,993**	**24,388**	**27,303**	**369**
Zero assets	206	99	567	146	109	-120
$1 under $100,000	7	25	197	3	35	-129
$100,000 under $250,000	8	7	63	--	6	-15
$250,000 under $500,000	221	5	332	54	16	-35
$500,000 under $1,000,000	96	14	232	35	34	-40
$1,000,000 under $5,000,000	1,111	134	1,755	688	288	-233
$5,000,000 under $10,000,000	642	59	1,313	194	199	-303
$10,000,000 under $25,000,000	1,892	167	2,859	1,169	346	-362
$25,000,000 under $50,000,000	1,140	430	2,280	497	426	-242
$50,000,000 under $100,000,000	2,158	455	3,359	1,366	428	-207
$100,000,000 under $250,000,000	3,427	1,296	6,038	1,927	1,107	-480
$250,000,000 or more	47,971	38,820	93,998	18,310	24,308	2,535

Footnotes at end of table.

Table 1. -- Foreign-Controlled Domestic Corporations: Selected Items, by Selected Industrial Grouping and Size of Total Assets -- Continued

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

Selected industrial grouping and size of total assets	Net income	Statutory special deductions		Income subject to tax	Total income tax	
		Total	Net operating loss deduction		Before credits	After credits
	(13)	(14)	(15)	(16)	(17)	(18)
All industries [1]	**32,048**	**8,262**	**7,137**	**24,093**	**8,895**	**7,101**
Zero assets	366	266	257	102	38	36
$1 under $100,000	115	49	49	66	18	18
$100,000 under $250,000	73	46	46	28	6	6
$250,000 under $500,000	73	16	14	59	14	9
$500,000 under $1,000,000	270	83	83	186	56	56
$1,000,000 under $5,000,000	838	272	266	571	186	181
$5,000,000 under $10,000,000	612	177	165	442	151	147
$10,000,000 under $25,000,000	2,720	1,789	1,764	932	361	343
$25,000,000 under $50,000,000	1,420	339	313	1,086	380	350
$50,000,000 under $100,000,000	1,620	489	449	1,136	419	382
$100,000,000 under $250,000,000	2,762	609	559	2,166	785	632
$250,000,000 or more	21,180	4,128	3,171	17,318	6,481	4,943
Manufacturing	**13,943**	**2,883**	**2,228**	**11,167**	**4,034**	**3,182**
Zero assets	56	14	10	45	18	17
$1 under $100,000	1	1	1	(2)	(2)	(2)
$100,000 under $250,000	17	9	9	8	3	3
$250,000 under $500,000	8	--	--	8	1	1
$500,000 under $1,000,000	28	15	15	13	3	3
$1,000,000 under $5,000,000	198	76	73	125	42	39
$5,000,000 under $10,000,000	227	70	64	162	57	54
$10,000,000 under $25,000,000	440	130	129	309	112	101
$25,000,000 under $50,000,000	722	174	163	551	190	172
$50,000,000 under $100,000,000	738	206	190	533	200	181
$100,000,000 under $250,000,000	1,476	278	269	1,201	428	318
$250,000,000 or more	10,033	1,909	1,305	8,210	2,980	2,291
Wholesale trade	**4,705**	**879**	**819**	**3,855**	**1,496**	**1,158**
Zero assets	58	41	41	17	6	5
$1 under $100,000	2	--	--	2	(2)	(2)
$100,000 under $250,000	4	--	--	4	1	1
$250,000 under $500,000	21	8	8	13	2	2
$500,000 under $1,000,000	117	27	27	90	28	28
$1,000,000 under $5,000,000	226	54	54	172	52	52
$5,000,000 under $10,000,000	174	56	55	119	40	40
$10,000,000 under $25,000,000	455	134	131	321	111	108
$25,000,000 under $50,000,000	336	67	63	270	93	88
$50,000,000 under $100,000,000	350	100	99	250	88	84
$100,000,000 under $250,000,000	461	118	101	345	123	108
$250,000,000 or more	2,501	274	240	2,252	952	641
Finance, insurance, and real estate	**6,749**	**1,782**	**1,422**	**5,130**	**1,857**	**1,720**
Zero assets	101	65	60	37	13	13
$1 under $100,000	27	7	7	20	7	7
$100,000 under $250,000	29	20	20	9	2	2
$250,000 under $500,000	22	4	4	18	6	1
$500,000 under $1,000,000	46	8	8	38	11	11
$1,000,000 under $5,000,000	121	61	60	61	18	18
$5,000,000 under $10,000,000	105	23	21	82	28	28
$10,000,000 under $25,000,000	122	52	35	71	27	26
$25,000,000 under $50,000,000	155	61	54	95	35	33
$50,000,000 under $100,000,000	309	102	80	210	75	66
$100,000,000 under $250,000,000	322	66	52	263	93	77
$250,000,000 or more	5,389	1,314	1,022	4,225	1,543	1,440

[1] Includes industrial groups not specifically listed below.
[2] Less than $500,000.
[3] Excludes interest received from tax-exempt State or local Government obligations.
NOTES: In general, the "zero assets" size grouping includes final returns of liquidating or dissolving corporations which had disposed of all assets, final returns of merging corporations whose assets were reported in the returns of the acquiring corporations, and part-year returns of corporations (except initial returns of newly incorporated businesses). Detail may not add to totals because of rounding.

Table 2. -- Foreign-Controlled Domestic Corporations: Selected Items, by Selected Industrial Grouping and Selected Country

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

Selected industrial grouping and selected country	Number of returns: Total	Number of returns: With net income	Number of returns: With total income tax after credits	Total assets	Loans to stockholders	Loans from stockholders
	(1)	(2)	(3)	(4)	(5)	(6)
All industries [1,2]	**49,943**	**19,304**	**15,124**	**1,883,194**	**20,440**	**53,503**
Australia	478	277	253	58,427	122	711
Belgium	559	104	56	19,357	*(3)	*74
Bermuda	129	91	91	10,866	*53	*454
Canada	9,149	3,542	3,074	172,183	810	6,086
France	2,275	1,219	1,140	97,494	4,114	2,634
Germany	3,979	1,487	1,199	128,331	222	1,955
Japan	6,431	1,965	1,719	520,816	682	15,203
Netherlands	1,994	739	511	300,314	1,921	4,560
Netherlands Antilles	825	175	144	11,564	*7	514
South Korea	257	118	87	7,695	--	*42
Sweden	803	115	95	21,664	2,081	590
Switzerland	1,610	456	370	88,871	107	2,636
United Kingdom	4,428	2,309	1,842	301,960	7,719	11,869
Manufacturing [2]	**5,573**	**2,850**	**2,476**	**600,338**	**1,785**	**18,438**
Australia	64	44	47	44,599	*17	*457
Belgium	*16	*13	*14	*7,669	--	*43
Bermuda	*19	*16	*16	*6,889	--	*35
Canada	1,025	677	635	53,618	390	2,131
France	221	121	119	44,990	*319	1,730
Germany	512	316	305	48,208	*141	647
Japan	912	351	349	56,273	15	1,272
Netherlands	195	73	76	132,837	*339	1,230
Netherlands Antilles	63	*25	*24	1,472	--	*41
South Korea	72	*22	*3	891	--	*5
Sweden	86	45	45	9,766	*57	*409
Switzerland	275	162	131	40,571	*11	1,982
United Kingdom	785	487	463	120,153	479	6,931
Wholesale trade [2]	**12,053**	**5,378**	**4,405**	**210,382**	**560**	**5,187**
Australia	*30	*28	*28	*1,349	*44	*13
Belgium	68	*66	*17	592	--	--
Bermuda	*27	*24	*24	*776	--	*2
Canada	1,754	537	517	4,810	*55	127
France	851	468	461	5,197	*37	*150
Germany	939	363	300	22,103	*23	899
Japan	1,684	843	711	123,112	219	1,495
Netherlands	879	244	244	10,497	*20	354
Netherlands Antilles	*29	*18	*18	*367	--	--
South Korea	136	69	58	5,520	--	*38
Sweden	69	33	35	3,522	--	*98
Switzerland	404	163	134	2,960	*95	219
United Kingdom	775	405	345	14,021	*6	1,157
Finance, insurance, and real estate [2]	**14,859**	**4,129**	**3,044**	**845,300**	**17,386**	**20,417**
Australia	288	169	160	4,127	*37	*41
Belgium	28	*11	*11	4,822	--	*12
Bermuda	70	45	45	1,513	*(3)	*18
Canada	3,167	826	635	90,209	241	2,607
France	394	106	57	33,775	*3,670	372
Germany	1,354	566	501	44,920	*6	168
Japan	1,890	511	397	289,434	426	9,995
Netherlands	510	123	94	129,167	*1,537	1,821
Netherlands Antilles	687	95	64	5,694	*4	441
South Korea	*14	*10	*9	*1,166	--	--
Sweden	120	*26	*3	7,280	*2,024	*59
Switzerland	219	35	34	41,513	*(3)	*100
United Kingdom	970	172	154	118,730	7,136	1,871

Footnotes at end of table.

Table 2. – Foreign-Controlled Domestic Corporations: Selected Items, by Selected Industrial Grouping and Selected Country – Continued

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

Selected industrial grouping and selected country	Net worth	Total receipts	Business receipts	Total deductions	Cost of sales and operations	Net income (less deficit)
	(7)	(8)	(9)	(10)	(11)	(12)
All industries [1,2]	**431,524**	**1,184,954**	**1,081,026**	**1,179,909**	**787,778**	**5,689**
Australia	25,823	20,207	18,079	19,846	12,566	373
Belgium	6,657	16,196	15,401	15,747	11,603	461
Bermuda	1,941	10,700	10,177	10,965	7,301	-264
Canada	37,720	91,834	79,045	89,905	51,054	1,958
France	24,899	58,248	53,939	58,557	39,172	-208
Germany	37,953	107,282	100,348	105,470	71,638	1,801
Japan	83,548	331,991	305,191	336,216	253,565	-4,185
Netherlands	93,888	155,880	137,817	154,331	97,537	1,850
Netherlands Antilles	3,444	7,101	6,460	7,151	3,693	-47
South Korea	-195	9,922	9,575	10,085	8,639	-164
Sweden	5,722	22,333	20,929	22,199	15,291	210
Switzerland	15,776	52,249	48,521	51,588	25,832	652
United Kingdom	69,775	193,733	176,408	188,514	112,744	5,323
Manufacturing [2]	**205,488**	**484,561**	**461,250**	**480,005**	**317,499**	**5,105**
Australia	20,134	14,031	12,580	13,979	8,958	57
Belgium	*2,450	*5,006	*4,805	*5,189	*3,634	*-182
Bermuda	*759	*6,241	*5,877	*6,258	*3,903	*-15
Canada	21,071	45,126	43,082	44,514	31,289	704
France	14,867	35,798	34,198	35,590	24,106	288
Germany	19,428	48,158	45,956	47,342	31,216	893
Japan	17,202	58,740	57,140	60,064	45,996	-1,285
Netherlands	65,289	86,165	81,678	85,751	60,374	503
Netherlands Antilles	433	1,461	1,414	1,411	847	52
South Korea	-242	1,637	1,625	1,727	1,498	-90
Sweden	3,628	12,701	12,364	12,574	8,926	193
Switzerland	8,509	35,828	34,251	35,051	16,511	777
United Kingdom	24,136	101,448	95,481	97,919	57,364	3,624
Wholesale trade [2]	**43,164**	**393,246**	**382,188**	**393,089**	**329,486**	**502**
Australia	*774	*1,443	*1,426	*1,450	*1,181	*-7
Belgium	382	1,314	*1,275	1,285	*1,203	29
Bermuda	*257	*1,912	*1,896	*1,900	*1,437	*11
Canada	1,308	7,563	7,386	7,565	5,989	-870
France	1,886	9,055	8,834	8,949	7,309	110
Germany	5,762	31,327	29,722	31,226	24,108	109
Japan	23,993	225,964	220,005	226,271	191,835	-296
Netherlands	1,732	20,965	19,943	20,455	16,602	815
Netherlands Antilles	*113	*506	*495	*520	*391	*-14
South Korea	-14	7,761	7,510	7,804	6,814	-44
Sweden	837	5,994	5,618	5,982	4,353	26
Switzerland	663	6,455	6,301	6,392	5,067	62
United Kingdom	3,145	40,801	40,218	40,811	35,871	-6
Finance, insurance, and real estate [2]	**108,976**	**113,743**	**58,880**	**112,993**	**24,388**	**369**
Australia	423	436	*125	436	*77	-2
Belgium	281	196	*25	212	*6	-16
Bermuda	512	217	*141	240	*104	-24
Canada	11,598	16,104	8,822	16,090	3,043	-47
France	2,702	4,111	2,635	4,060	2,228	45
Germany	9,085	8,899	6,449	8,313	3,163	490
Japan	26,744	21,683	4,744	23,112	1,565	-1,469
Netherlands	19,012	22,435	12,109	21,636	4,961	696
Netherlands Antilles	1,635	551	264	624	*70	-72
South Korea	*123	*112	*35	*119	--	*-7
Sweden	1,054	1,886	1,328	1,908	*897	-27
Switzerland	6,297	5,824	4,079	5,814	*2,191	1
United Kingdom	19,463	23,244	14,643	21,755	4,676	1,442

Footnotes at end of table.

Table 2. -- Foreign-Controlled Domestic Corporations: Selected Items, by Selected Industrial Grouping and Selected Country -- Continued

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

Selected industrial grouping and selected country	Net income	Statutory special deductions: Total	Statutory special deductions: Net operating loss deduction	Income subject to tax	Total income tax: Before credits	Total income tax: After credits
	(13)	(14)	(15)	(16)	(17)	(18)
All industries [1,2]	**32,048**	**8,262**	**7,137**	**24,093**	**8,895**	**7,101**
Australia	702	222	220	481	182	98
Belgium	709	39	*27	670	239	113
Bermuda	174	47	45	128	46	20
Canada	4,576	2,341	2,029	2,257	850	715
France	1,471	386	314	1,145	427	307
Germany	3,002	869	785	2,156	841	692
Japan	4,061	847	763	3,259	1,304	1,201
Netherlands	4,595	904	666	3,736	1,356	892
Netherlands Antilles	237	64	64	172	60	54
South Korea	72	12	9	60	20	20
Sweden	546	84	71	468	174	86
Switzerland	1,460	242	190	1,283	462	409
United Kingdom	8,094	1,541	1,332	6,585	2,337	2,045
Manufacturing [2]	**13,943**	**2,883**	**2,228**	**11,167**	**4,034**	**3,182**
Australia	175	38	36	*139	56	50
Belgium	*3	*3	*2	*(3)	*7	*7
Bermuda	*109	*19	*19	*90	*32	*6
Canada	1,599	415	174	1,192	427	310
France	843	206	147	693	261	181
Germany	1,679	530	463	1,171	424	318
Japan	1,029	266	248	775	279	250
Netherlands	1,710	515	395	1,201	458	309
Netherlands Antilles	*103	*1	*1	*102	*35	*30
South Korea	*6	*6	*6	--	*(3)	*(3)
Sweden	345	54	48	294	109	37
Switzerland	1,197	92	79	1,107	395	343
United Kingdom	4,515	536	412	3,977	1,392	1,209
Wholesale trade [2]	**4,705**	**879**	**819**	**3,855**	**1,496**	**1,158**
Australia	*19	*3	*3	*15	*5	*5
Belgium	*31	*23	*14	*8	*3	*3
Bermuda	*29	*2	*2	*27	*9	*9
Canada	142	33	33	109	36	36
France	200	31	26	170	58	51
Germany	373	115	114	258	139	134
Japan	1,622	321	301	1,325	579	558
Netherlands	1,128	84	71	1,045	357	87
Netherlands Antilles	*10	*1	*1	*8	*3	*3
South Korea	41	*6	*3	35	12	11
Sweden	94	*5	*2	90	36	21
Switzerland	131	50	49	81	28	28
United Kingdom	400	53	51	349	121	114
Finance, insurance, and real estate [2]	**6,749**	**1,782**	**1,422**	**5,130**	**1,857**	**1,720**
Australia	68	*9	*9	*59	20	20
Belgium	*9	*2	*2	*7	*2	*2
Bermuda	18	*9	*8	*9	4	4
Canada	757	291	229	479	176	165
France	206	65	60	144	50	18
Germany	542	215	200	328	134	109
Japan	1,082	204	159	888	341	303
Netherlands	1,290	163	70	1,165	410	404
Netherlands Antilles	57	4	*4	53	18	17
South Korea	*4	*1	*1	*4	*1	*1
Sweden	*59	*22	*18	*41	*14	*14
Switzerland	102	78	*40	88	32	31
United Kingdom	2,099	623	550	1,505	533	527

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

[1] Includes industrial groups not specifically listed below.

[2] Includes countries not specifically listed below.

[3] Less than $500,000.

NOTE: This table presents separate data for the 13 largest countries, based on total receipts (column 8) for 1992, at the all industries level. Country information is based on the location of the owner's country of residence, incorporation, organization, creation, or administration, as reported on returns of foreign-controlled domestic corporations.