

Corporate Foreign Tax Credit, Tax Years 2007–2016

by Nuria McGrath and Chloe Gagin

The corporate foreign tax credit is designed to alleviate the unintended double taxation on the foreign-source income of U.S. corporations. Double taxation occurs when an item of income is taxed both by the United States, as the corporation's country of residence, as well as by the country where the income was generated. Tax provisions in effect from Tax Year (TY) 2007 to TY 2016 allowed U.S. businesses to credit their foreign taxes paid, accrued, or deemed paid against their U.S. income tax liability, up to the amount of U.S. taxes owed on foreign-source income. Corporations are required to calculate this credit separately for different income categories to prevent taxpayers from combining income that is traditionally taxed at low rates, such as dividend or interest income, with income that is typically taxed at higher rates, such as active business income. Unused credits can be carried back 1 year and carried forward for 10 years. The corporate foreign tax credit is reported on Form 1118, *Foreign Tax Credit—Corporations*.¹

Corporations claiming a foreign tax credit have endured economic fluctuations from TY 2007 to TY 2016 including an 18-month recession from December 2007 to June 2009 (the longest recession since World War II²), and the subsequent expansion period (the longest in U.S. history³). As well, these corporations may have been further impacted due to the anticipation of the 2017 tax reform plan known as the House *Tax Cuts and Jobs Act* (TCJA). This article will give a brief synopsis of the foreign tax credit for TY 2016 followed by a time-series analysis of both industry and geographic data associated with corporations that claimed a foreign tax credit.

For TY 2016, the total worldwide taxable income (income subject to U.S. tax) of the 7,065 returns claiming a foreign tax credit was \$911.9 billion and the foreign-source taxable income was \$360.1 billion (11-percent and 18-percent decreases from TY 2015, respectively). These corporations had an overall tax liability before credits on both foreign-source and U.S.-source incomes of \$320.6 billion. The overall \$89 billion foreign tax credit (a 20-percent decrease from TY 2015^{4,5}) lowered their regular U.S. tax liability (U.S. income tax before credits) by 27.8 percent. Other credits, including the general business credit, reduced their U.S. tax liability by an additional 9.4 percent to \$201.3 billion. The total foreign taxes available for credit⁶ followed a similar downward trend, decreasing 14.8 percent to \$188.4 billion.

Statistics

Taxable Income Items

Taxable foreign-source income as a percentage of total worldwide taxable income of returns with a foreign tax credit increased steadily from TY 2007 to TY 2009 and then decreased steadily from TY 2009 to TY 2016 (Figure A). On average, the taxable foreign-source income of returns with a foreign tax credit comprised about 50 percent of total worldwide taxable income for these taxpayers; the maximum percentage was 64.9 percent (TY 2009), and the minimum percentage was 39.5 percent (TY 2016).

On average, the total worldwide taxable income of returns with a foreign tax credit was \$891.6 billion between TY 2007 through TY 2016 with a minimum amount of \$718.4 billion in TY 2009 and a maximum of \$1.05 trillion in TY 2014. In TY 2007, the total worldwide taxable income of returns with a foreign tax credit was \$965.3 billion. This tax item did not rise above \$900 billion again until TY 2013 (\$966.4 billion). From there, it rose steadily until TY 2016 when it dropped by 11.5 percent from \$1.02 trillion to \$911 billion. The total worldwide taxable income of returns with a foreign tax credit follows a

Highlights

- The average number of corporations⁷ that filed a foreign tax credit was 6,905 over the 10-year period TYs 2007–2016.
- The average foreign tax credit over the same time was \$111.7 billion with a high of \$130 billion for TY 2010 and a low of \$89.1 billion for TY 2016.
- Corporations in the manufacturing industry had an average foreign tax credit of \$70.2 billion, which reduced their U.S. tax liability by about 50 percent on average.
- Taxable foreign-source income from countries in the European Union averaged \$145 billion with a peak of \$184 billion (TY 2009). Current-year foreign taxes paid and deemed paid averaged \$41 billion over the 10-year period.
- While encompassing only 0.12 percent of all corporate returns,⁸ the corporate income tax before credits of these corporations made up, on average, 61.8 percent of all corporate income tax before credits.

¹ See the "Data Sources and Limitations" section for important information about data that are not included in this analysis.

² From "The Great Recession" by Robert Rich, Federal Reserve Bank of Cleveland, 2013: <https://www.federalreservehistory.org/essays/great-recession-of-200709>.

³ From "An Update to the Economic Outlook: 2020 to 2030," Congressional Budget Office, 2020.

⁴ Anticipation of the tax law changes related to foreign dividends in the TCJA may have been a factor in the decline of the foreign tax credit. Foreign dividend income (excluding deemed dividends) dropped 12 percent and the associated taxes deemed paid decreased by 20 percent.

⁵ For comparability across time, dollar amounts in this article have been adjusted for inflation to 2016 constant dollars using the consumer price index (CPI) derived from the Bureau of Labor Statistics (BLS). See the "Data Sources and Limitations" section for additional information about how the inflation adjustment was computed.

⁶ This amount includes \$88.4 billion in taxes paid, accrued, or deemed paid to foreign governments and carryover of foreign taxes from prior years, less any applicable reductions.

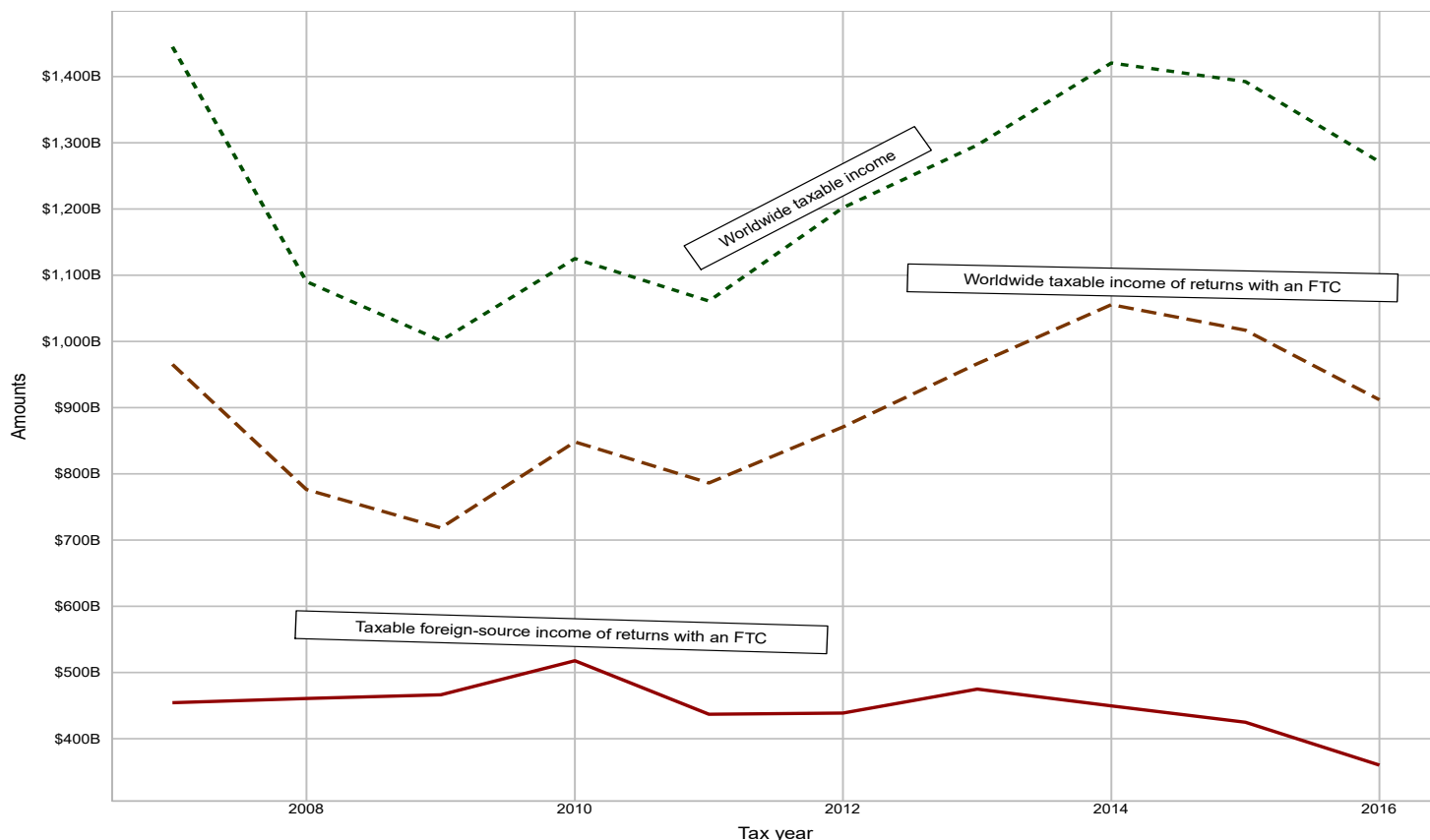
⁷ Corporations in this industry group were more likely to include Cost of Goods Sold in their calculation of deductions. This could account for the large values in deductions relative to income.

⁸ These are returns included in the Statistics of Income corporate sample, regardless of the presence of a foreign tax credit. From Table 1. Returns of Active Corporations, Corporation Complete Report: <https://www.irs.gov/statistics/soi-tax-stats-corporation-income-tax-returns-complete-report-publication-16>.



Figure A

Total Amounts of Selected Taxable Income Items Designated by All Corporations and Corporations with a Foreign Tax Credit (FTC), Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Statistics and Corporate Foreign Tax Credit Statistics, April 2022.

similar trendline to the worldwide taxable income of all corporate returns (Figure A).

The taxable foreign-source income of returns with a foreign tax credit rose steadily from TY 2007 to TY 2010, reaching its 10-year high of \$517 billion; significant changes including a 10-percent increase from TY 2009 to TY 2010 (\$466.3 billion to \$517.8 billion) and an 18.5-percent decrease from TY 2010 to TY 2011 (\$517.8 billion to \$436.9 billion), and following the total worldwide taxable income trend, an 18-percent decrease from TY 2015 to TY 2016 (\$424.8 billion to \$316.1 billion). The average taxable foreign-source income over this 10-year period was \$448.4 billion with a high of \$517.8 billion (TY 2010) and a low of \$316.1 billion (TY 2016). For a table of values associated with Figure A, see Appendix A.

Income Tax Items

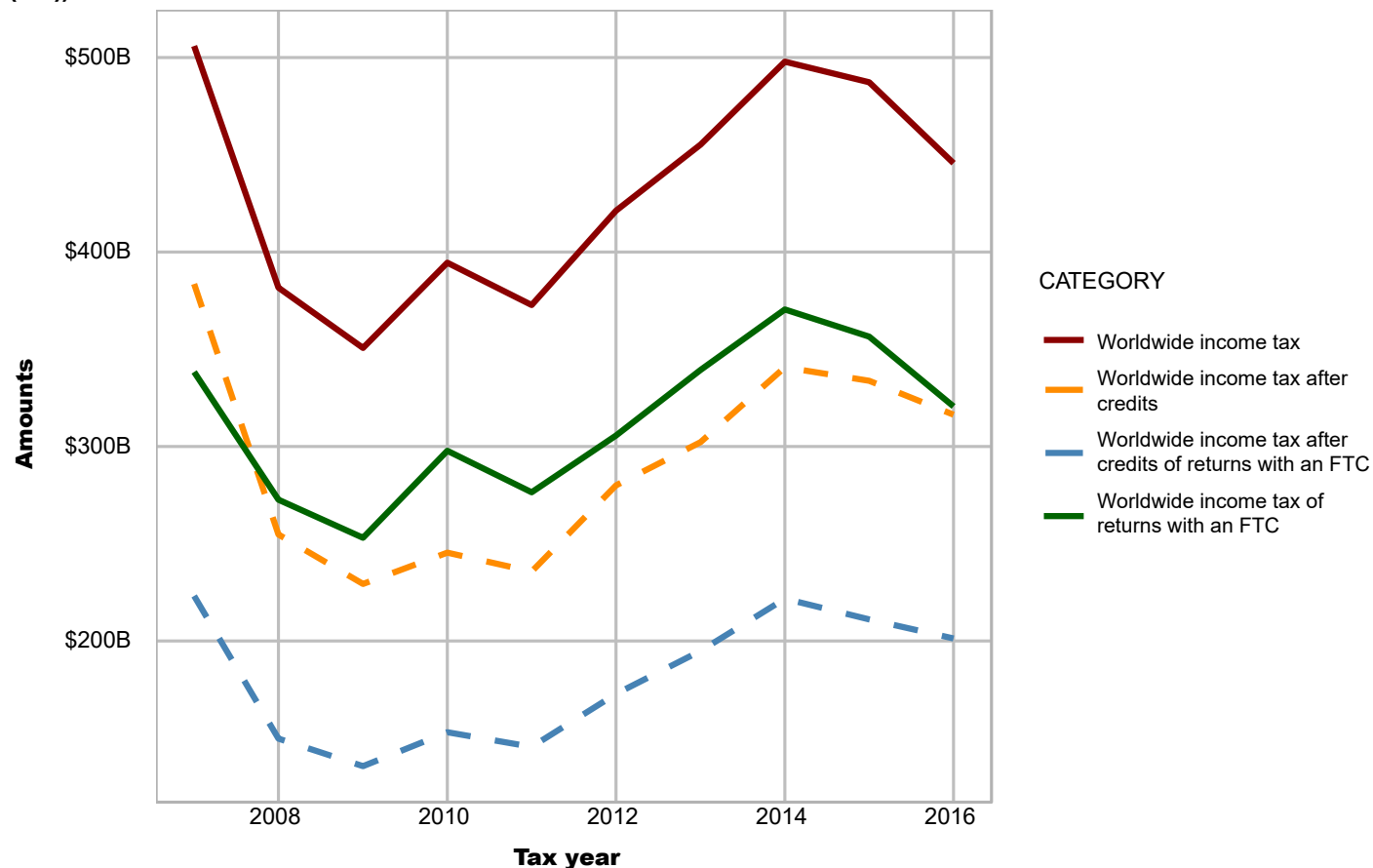
The corporate U.S. income tax before credits of returns with a foreign tax credit was \$313.1 billion on average for the 10-year period TY 2007 to TY 2016, with the largest income tax of \$370.5 billion in TY 2014 and the smallest income tax of \$253.1 billion in TY 2009 (Figure B). The largest change in income tax was from TY 2007 to TY 2008, when the income tax dropped

24.1 percent from \$338.3 billion to \$272.6 billion. From TY 2008 to TY 2011, the income tax did not rise above \$300 billion, but then from TY 2012 to TY 2016 it remained above \$300 billion, reaching its highest level in TY 2014 (\$370.5 billion) before falling again in TY 2015 (\$356.5 billion) and TY 2016 (\$320.6 billion).

The corporate U.S. income tax after credits for returns with a foreign tax credit was \$180.9 billion on average over the 10-year period TY 2007 to TY 2016, with the largest income tax after credits of \$223.2 billion in TY 2007 and the smallest income tax after credits of \$135.6 billion 2 years later. The largest change in income tax after credits was from TY 2007 to TY 2008, when the income tax dropped 48.9 percent from \$223.2 billion to \$149.8 billion. From TY 2008 to TY 2013, the income tax did not rise above \$200 billion. It reached \$221.7 billion in TY 2014 before falling again in TY 2015 to \$211.1 billion and once again in TY 2016 to \$201.3 billion. On average, these corporations lowered their regular U.S. tax liability (U.S. income tax before credits) by 36.2 percent over the period TY 2007 to TY 2016, with a maximum reduction of 43.6 percent (TY 2010) and minimum reduction of 27.8 percent (TY 2016). For a table of values associated with Figure B, see Appendix B.

Figure B

Total Amounts of Selected Worldwide Income Tax Items Designated by All Corporations and Corporations with a Foreign Tax Credit (FTC), Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Statistics and Corporate Foreign Tax Credit Statistics, April 2022.

Industry Data

Gross Income and Deductions

The total gross foreign-source income of returns with a foreign tax credit was \$843 billion on average for the period TY 2007 to TY 2016, with the largest gross income of \$920.3 billion being reported in TY 2007 and the smallest gross income of \$728.1 billion reported in TY 2016. Total deductions were, on average, \$394.6 billion, with a maximum of \$465.9 billion (TY 2007) and a minimum of \$355.9 billion (TY 2015). The average taxable foreign-source income of these corporations was \$448.4 billion, with a maximum achieved in TY 2010 of \$517.8 billion and a minimum of \$360.1 billion in TY 2016.

Figure C displays data for selected major industries for this time series. Corporations in the manufacturing industry comprised the largest shares of gross income and deductions related to the foreign tax credit. The total gross foreign-source income of manufacturing corporations made up, on average, 49.9 percent of all total gross income over the 10-year period, with a high of 52.1 percent in TY 2008 and a low of 47 percent in TY 2014. The average total gross foreign-source income of these corporations was \$420.1 billion, with a maximum amount of

\$462.4 billion (TY 2008) and a minimum of \$367.6 billion (TY 2016). Changes in the gross income of these corporations ranged from a decrease of 10.6 percent (TY 2010 to TY 2011) to an increase of 5.43 percent (TY 2011 to TY 2012). Relative to gross income, foreign-related deductions of manufacturing corporations accounted for, on average, about 46.8 percent of the total gross foreign-source income. The largest foreign-related deduction amount over the 10-year period was \$172.4 billion (TY 2007). After that, their deductions dropped to \$130.1 billion by TY 2009, made a rebound in TY 2012 to \$169 billion, and finally ended in TY 2016 at \$164.7 billion.

Corporations in the transportation and warehousing industry saw high foreign-related deductions (85.3 percent on average) relative to their total gross foreign-source income over time.⁹ Relative to gross income, foreign-related deductions of manufacturing corporations made up, on average, about 37.6 percent of their gross foreign-source income. The ratio of foreign-related deduction to foreign gross income of corporations in the information, services, and wholesale and retail trade industries ranged on average from about 50 to 60 percent during the TY 2007 to TY 2016 period.

⁹ Corporations in this industry group were more likely to include Cost of Goods Sold in their calculation of deductions. This could account for the large values in deductions relative to income.

The foreign-related deductions of corporations in the wholesale and retail trade industry increased consistently from TY 2007 to TY 2016, beginning at \$17.7 billion and ending at \$32.2 billion (total gross foreign-source income increased as well). In stark contrast, the foreign-related deductions of corporations in the services industry declined from TY 2007 to TY 2016, beginning at \$114.3 billion and ending at \$66.1 billion (total gross foreign-source income followed a similar downward trend). For a table of values associated with Figure C, see Appendix C.

Tax Credit and Tax Paid

The foreign tax credit and total foreign taxes paid, accrued, or deemed paid initially increased and then declined for corporations in the manufacturing industry sector during the period TY 2007 to TY 2016. In TY 2007 the foreign tax credit for these firms was \$66.2 billion, increasing to \$87.8 billion by TY 2010 and declining to \$50.0 billion by TY 2016, an overall decrease of 24.5 percent. Likewise, the taxes paid, accrued, or deemed paid for these corporations was \$70.7 billion in TY 2007,

increased to \$96.4 billion in TY 2008, and ended at \$48.1 billion by TY 2016, an overall decrease of 31.9 percent. The U.S. tax before credits of these firms decreased by 22.4 percent over the same time period.

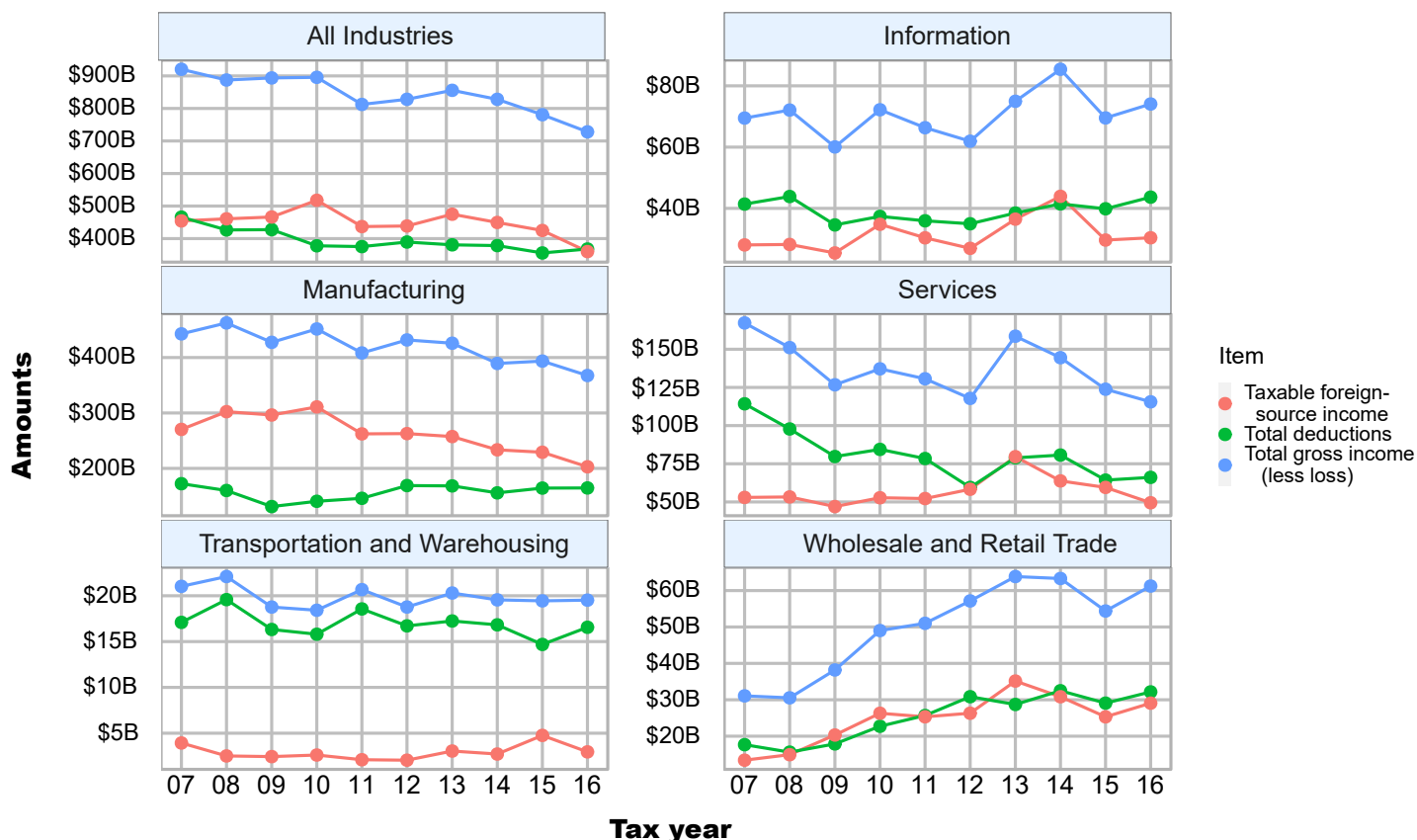
Corporations in the services industry saw an increase in all categories of tax items (Figure D). For example, for returns in the services industry with a foreign tax credit, the total foreign taxes available for credit increased steadily from TY 2007 to TY 2016, beginning with \$16.7 billion in TY 2007, hitting a high of \$59.1 billion in TY 2013, and ending at \$46.9 billion in TY 2016. Likewise, the U.S. tax before credits of these corporations started at \$39.0 billion in TY 2007, decreased to \$26.7 billion in TY 2008, increased to \$66.3 billion by TY 2014 and ended the 10-year period at \$58.6 billion in TY 2016. For a table of values associated with Figure D, see Appendix D.

Geographic Spotlight

For TY 2007–2016, a substantial amount of the foreign-source taxable income was concentrated among a relatively small

Figure C

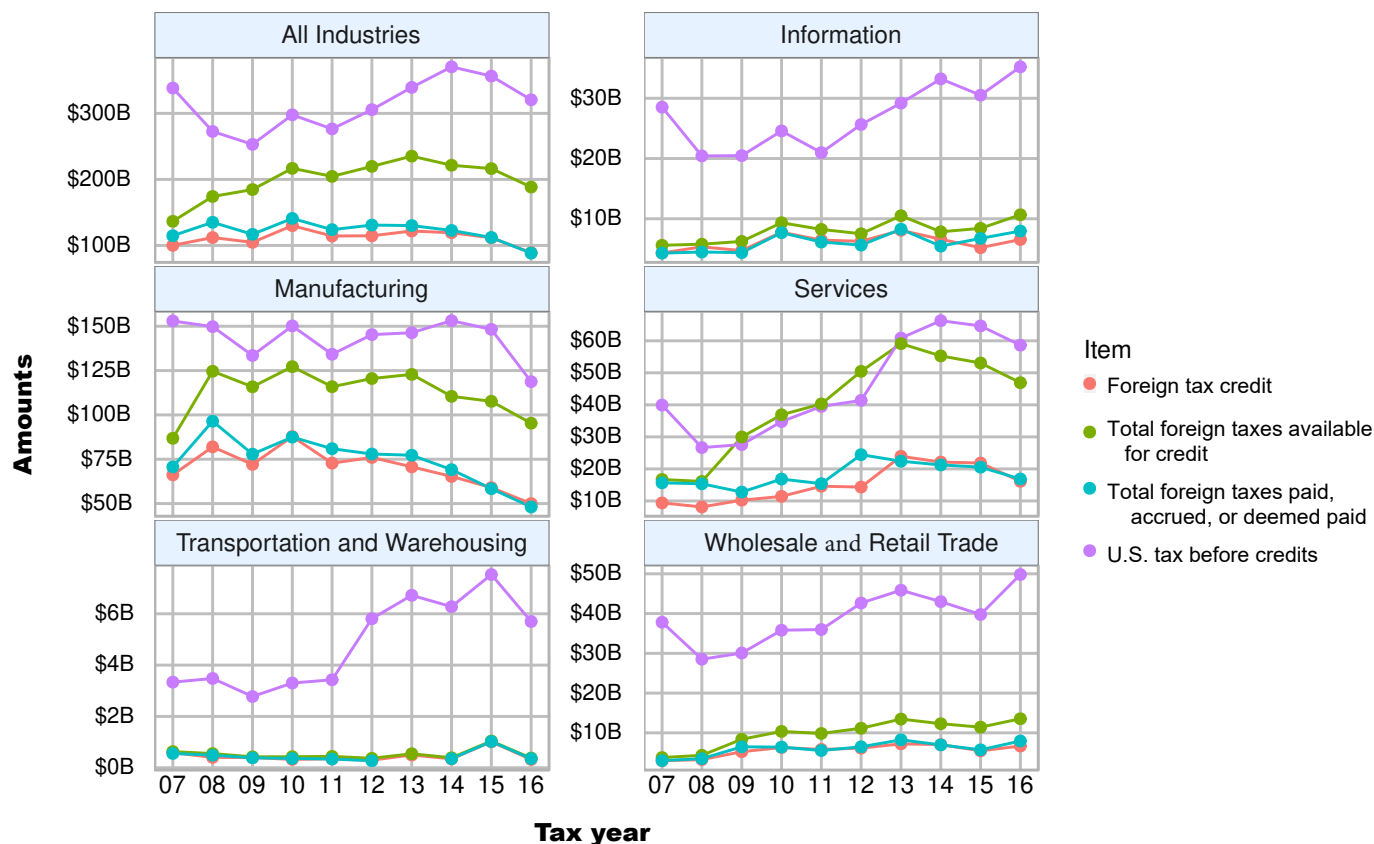
Total Gross Income, Deductions, and Taxable Foreign-Source Income of Corporations with a Foreign Tax Credit by Selected Major Industry, Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Figure D

Income Tax Items of Corporations with a Foreign Tax Credit by Selected Major Industry, Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

number of countries. Five country designations¹⁰ combined to account for nearly a third (around 33 percent) of taxable income reported by corporations claiming a foreign tax credit across the TY 2007–2016 period (Figure E).

Figure F shows five leading country designations in terms of taxable foreign-source income and taxes paid and deemed paid.

Looking at taxable foreign-source income for selected regions for TY 2007–2016, the European Union (EU) was the most significant geographic region, with three EU members among the top five countries for taxable foreign-source income (Figure G). Over the 10-year period, the European Union region had an average taxable income of \$145 billion, with a peak of \$184 billion (TY 2009). Even though taxable foreign-source income dropped dramatically for the EU in TY 2011, it was still almost triple that of the next closest region, Eastern Asia. For a map of selected European Union countries for TY 2007–2016, see Appendix E.

An overview of a world map shows the total amount of taxable foreign-source income for selected geographic regions for

the period TY 2007–TY 2016 (Figure H).¹¹ Above all other SOI-delineated regions, the European Union region had the most taxable foreign-source income during the 10-year period with a total of \$1.5 trillion (dark blue area). The Central America region had the least taxable foreign-source income for the time period, at a total of \$12.0 billion.

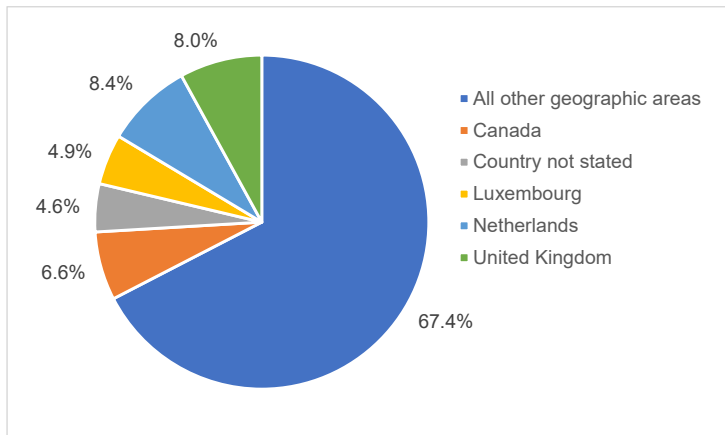
Examining amounts of foreign taxes paid, accrued, and deemed paid for selected geographic regions for TY 2007–2016 shows the domination of the European Union (Figure I) over four other regions. The EU taxes paid and deemed paid amount peaked at \$52 billion in TY 2010 and had an average of \$41 billion over the 10-year period.

The European Union also dominated worldwide when foreign taxes paid, accrued, and deemed paid were totaled for all tax years, 2007–2016, and compared to other selected geographic regions (Figure J). Corporations with a foreign tax credit reported a sum of \$409.5 billion in taxes paid and deemed paid in the European Union region over the 10-year period.

¹⁰ “Country not stated” includes country codes that were not attributed to a specific country. “Country not stated” does not include Section 863, which provides special rules for determining sources of income as a single filer.

¹¹ Country data were mapped in Tableau software using the onboard maps from Tableau. Data reported for “country not specified” and 863(b) income were not mapped. The SOI-delineated region boundaries were generated using ArcGIS software based on historical designations from the Corporate Foreign Tax Credit Table 2 for the selected Tax Years 2007–2016.

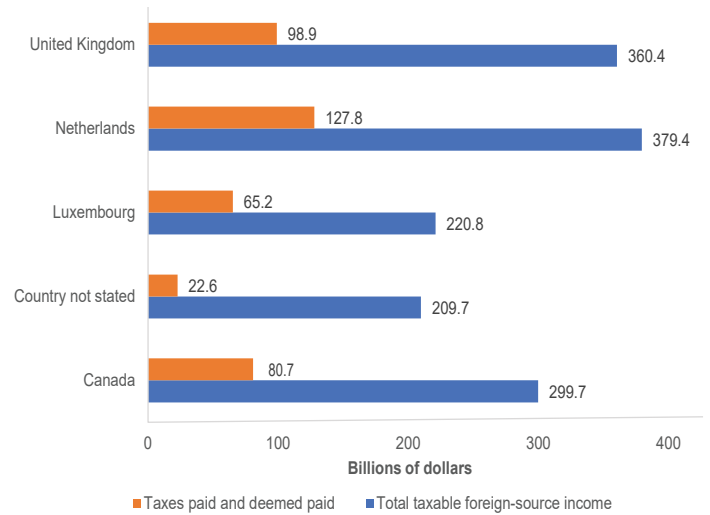
Figure E
Percentage of Taxable Foreign-Source Income, by Selected Geographic Area, Sum of Tax Years 2007–2016



NOTE: Detail may not add to 100 percent due to rounding.

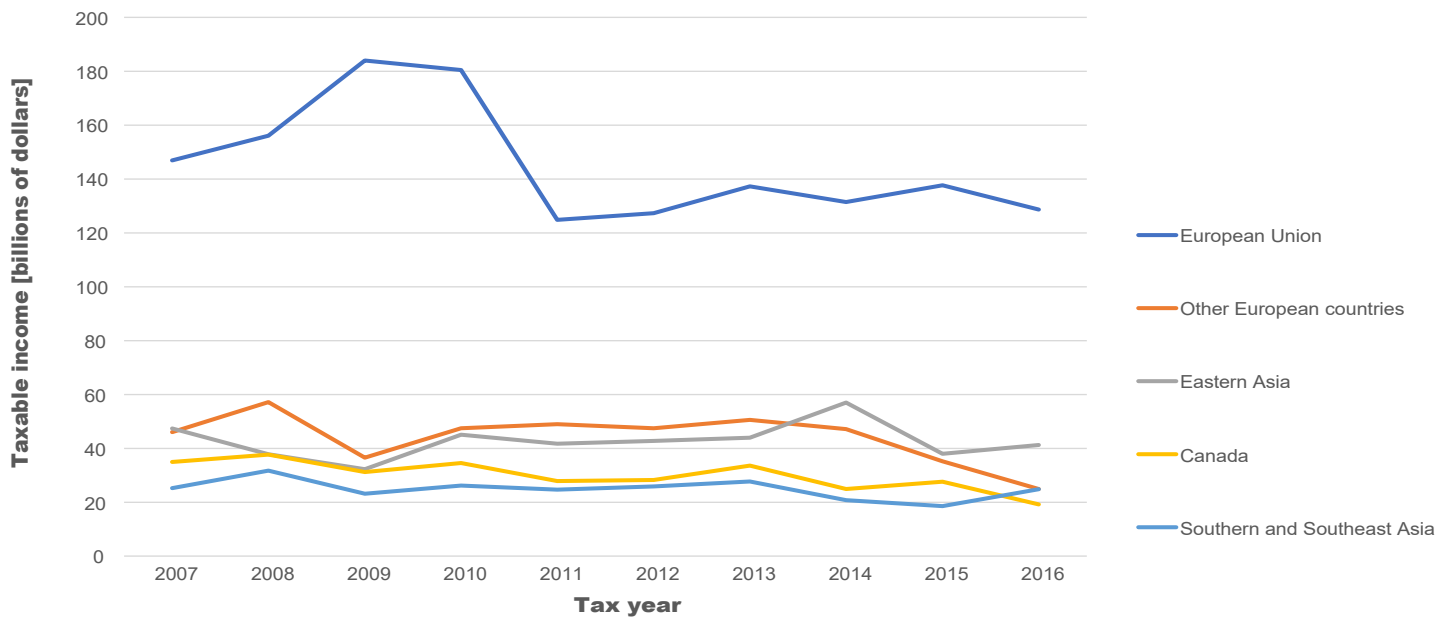
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Figure F
Total Taxable Foreign-Source Income and Taxes Paid and Deemed Paid, by Selected Country, Sum of Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

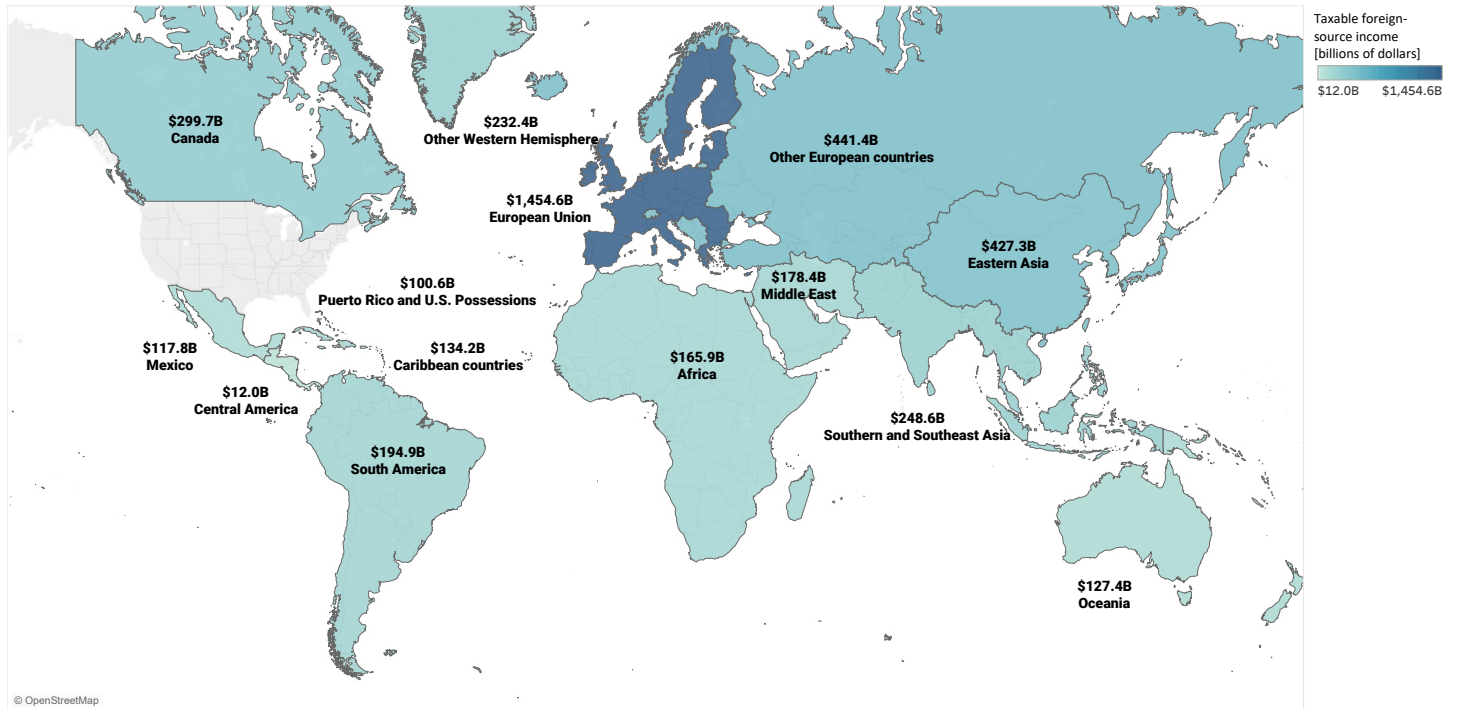
Figure G
Taxable Foreign-Source Income, by Selected Geographic Region, Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Figure H

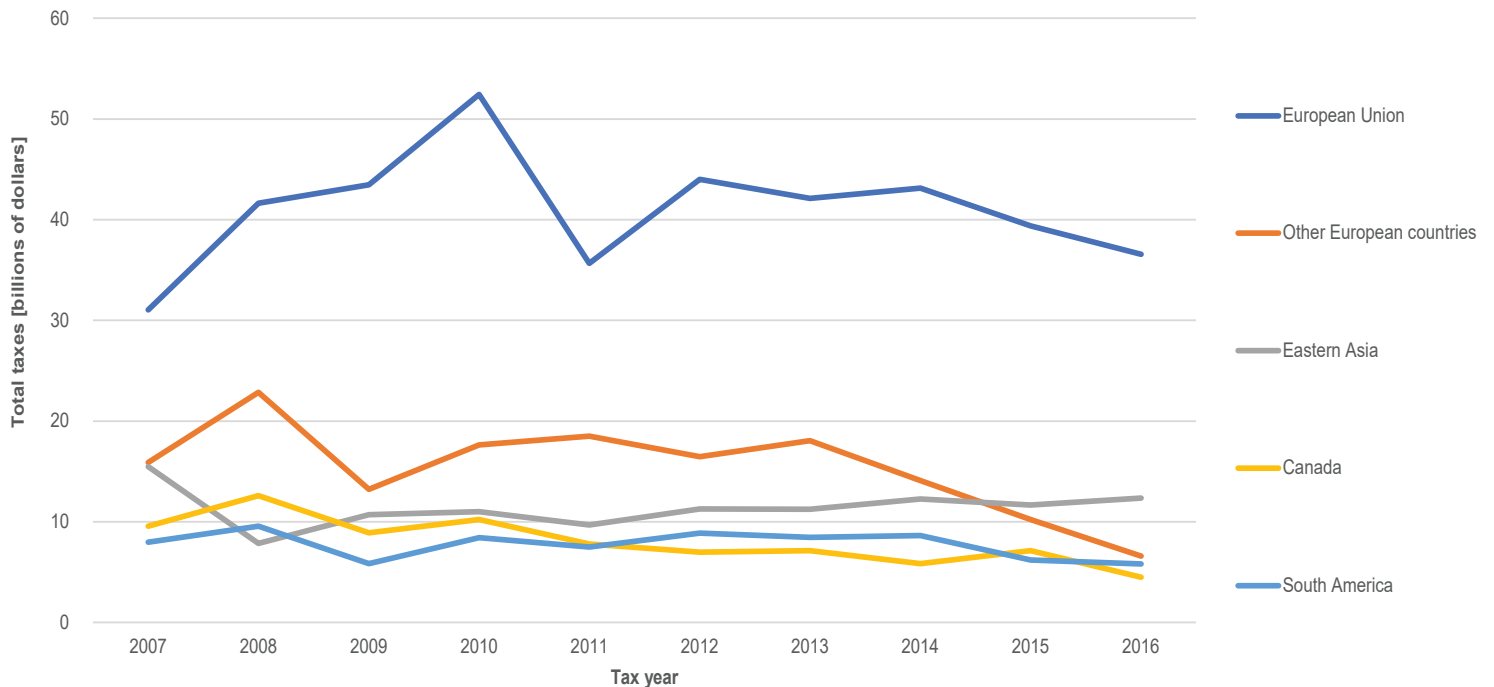
Taxable Foreign-Source Income, by Selected Geographic Region, Sum of Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Figure I

Taxes Paid and Deemed Paid, by Selected Geographic Region, Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Over the span of TYs 2007–2016, corporations claiming a foreign tax credit had roughly three-and-a-half times as much in taxable foreign-source income in the European Union as they did in the remainder of Europe, and they reported more than twice as much in taxes paid and deemed paid to governments in the European Union as to the remainder of Europe (Figure K). Corporations claiming a foreign tax credit had more foreign-source income from non-EU European countries than they had from all of Eastern Asia. For a map of selected Eastern Asian countries for TY 2007–2016, see Appendix F.

For TY 2016, the European Union region had \$128.7 billion of all taxable foreign-source income (36.6 percent when excluding country not stated and section 863b income) (Figure L).

Summary

The average number of corporations that filed a foreign tax credit was 6,905 over the 10-year period TYs 2007–2016. These corporations had an average U.S. income tax before credits of \$313.1 billion and an average foreign tax credit of \$111.7 billion. Total worldwide taxable income for these returns was, on average, \$891.6 billion, and the average taxable foreign-source income over this same period was \$448.4 billion. Corporations in the manufacturing industry had an average foreign tax credit

of \$70.2 billion (which reduced their U.S. tax liability by about 50 percent on average). Countries in the European Union averaged taxable foreign-source income of \$145 billion and reported an average of \$41 billion in current-year foreign taxes paid and deemed paid over those 10 years.

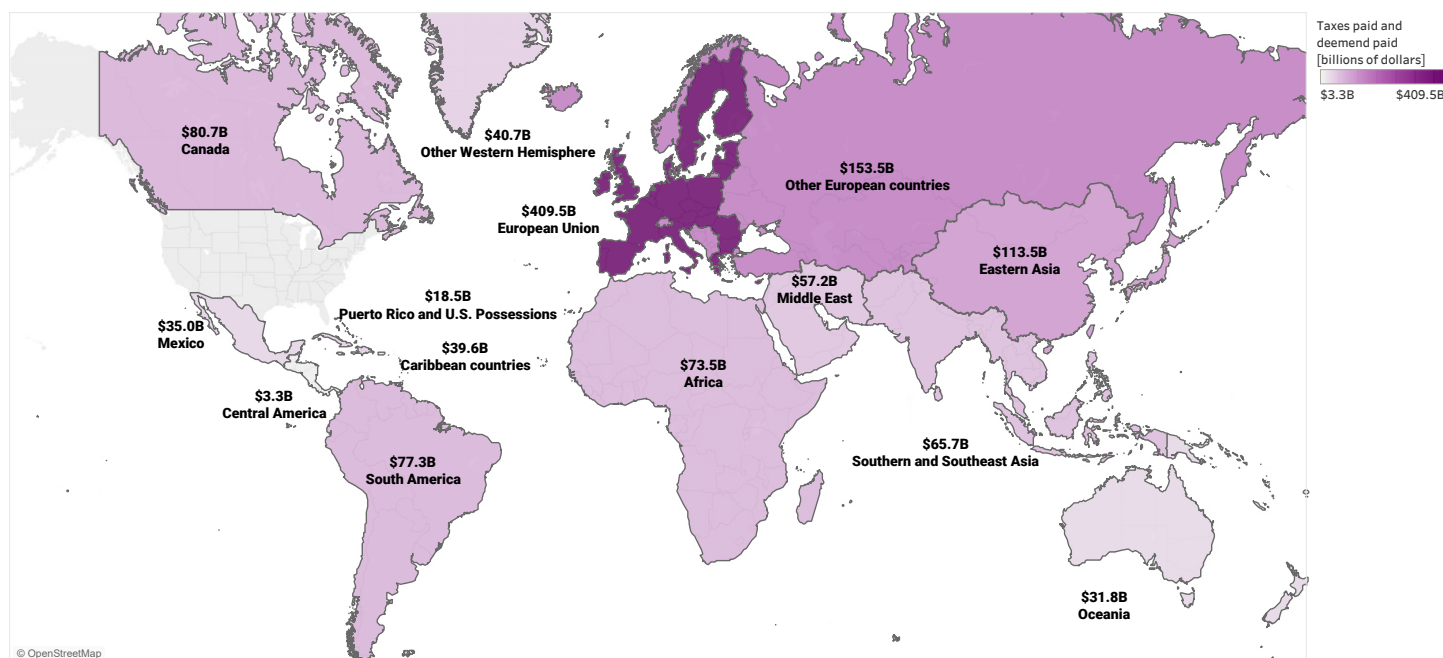
Data Sources and Limitations

The data used in this article are derived from previously published Foreign Tax Credit study data tables. The industry data used in this article are derived from the Corporate Foreign Tax Credit Table 1. The annual Table 1 data for TY 2007–2016 are available at irs.gov/statistics/soi-tax-stats-corporate-foreign-tax-credit-table-1. The country data used in this article are derived from the Corporate Foreign Tax Credit Table 2. The annual Table 2 data for TY 2007–2016 are available at irs.gov/statistics/soi-tax-stats-corporate-foreign-tax-credit-table-2.

To increase comparability across time, dollar amounts in this article have been adjusted for inflation to 2016 constant dollars using the consumer price index (CPI) produced by the Bureau of Labor Statistics (BLS). We adjusted each year of published data (TY 2007–TY 2015) from each December of those years to December 2016. The values were taken from BLS' inflation calculator at www.bls.gov/data/. However, no adjustment was

Figure J

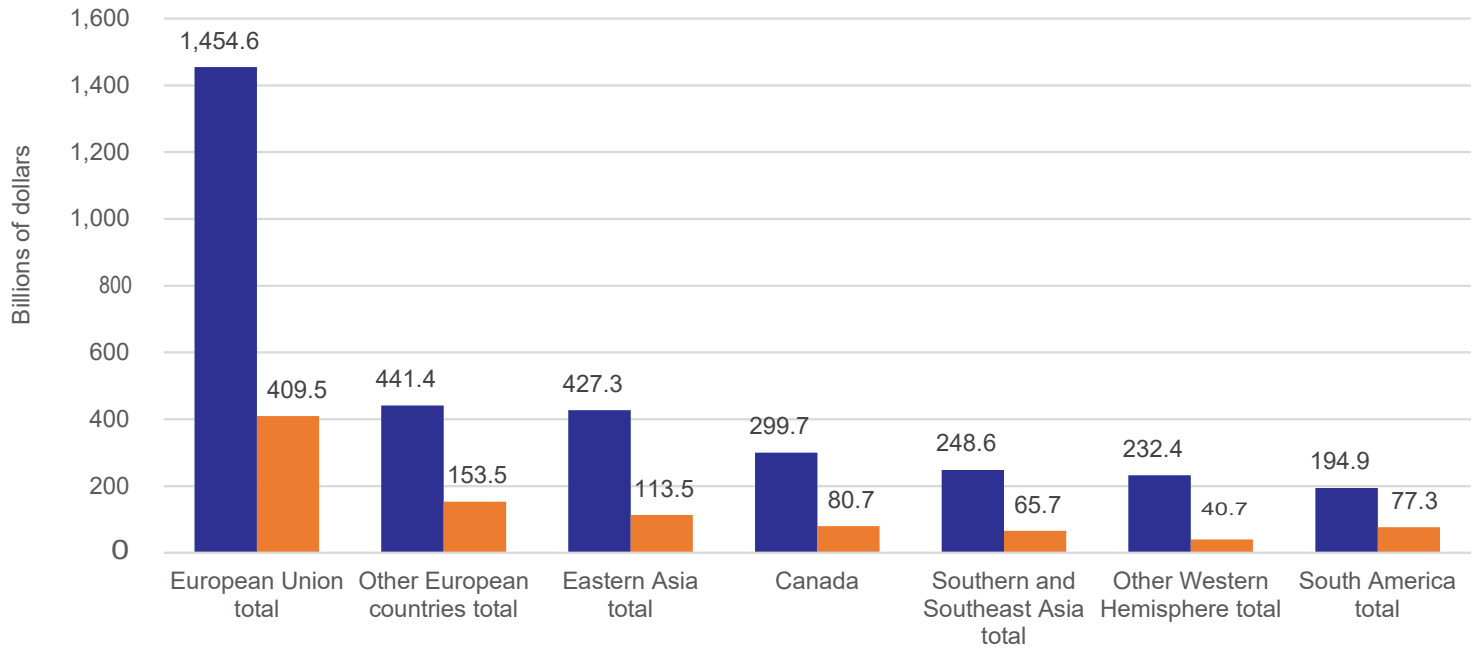
Taxes Paid and Deemed Paid, by Selected Geographic Region, Sum of Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Figure K

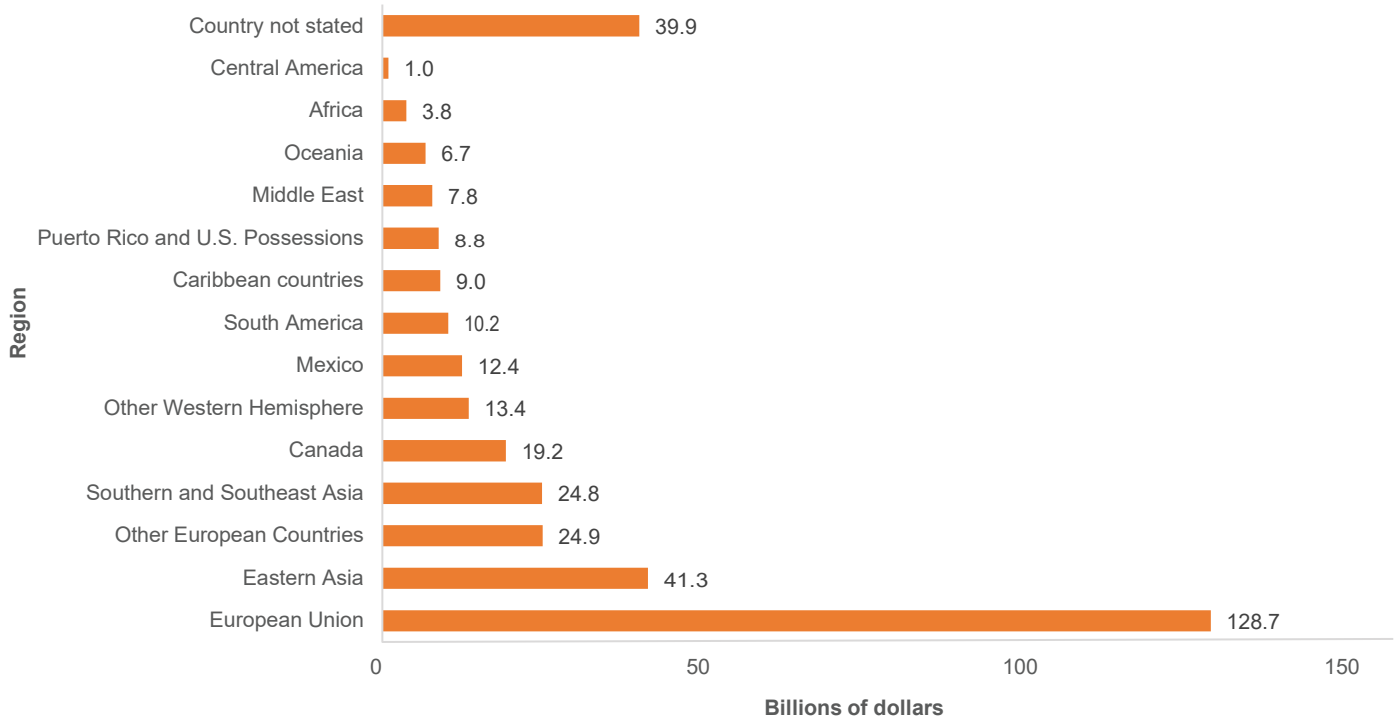
Taxable Foreign-Source Income and Taxes Paid and Deemed Paid, Selected Regions, Sum of All Tax Years 2007–2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Figure L

Taxable Foreign-Source Income, by Region, Tax Year 2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

made to account for fluctuations in foreign exchanges rates or for price level changes that occurred in other countries.

Some minor alterations were made to the published SOI-delineated regions as they are reported historically in Table 2 in order to harmonize geographic data over a 10-year period. Note that in Table 2, the country of Curacao was referred to as Netherlands Antilles prior to TY 2014. Additionally, note that Croatia has been kept in Table 2 as a non-European Union country, although Croatia joined the EU in 2013.

Internal Revenue Code sections 901 to 909 specify the provisions for the foreign tax credit. Corporations report the foreign income and taxes related to the credit on Form 1118, *Foreign Tax Credit—Corporations*, and file it together with their corporation income tax return. The statistics in this article are based on information reported on Form 1118 and related corporate tax forms for those corporation income tax returns with a foreign tax credit that were included in the 2007 through 2016 Statistics of Income (SOI) samples of corporate returns with accounting periods ending from July of each year to June of the next year. These returns were selected after administrative processing, but prior to any amendments or audit examination. The TY 2007 through TY 2016 corporation income tax return samples included Forms 1120, 1120-F, 1120-L, 1120-PC, and 1120-REIT. However, the statistics in this data release do not include any foreign tax credit data filed specifically for the computation of the alternative minimum tax (AMT), even if the corporation reported both the regular and AMT foreign tax credits.

There are small discrepancies between the more complete foreign tax credit data presented in this data release and those published elsewhere by SOI. Some of the differences can be attributed to returns selected for the SOI sample that were received too late to be included in the corporation income tax statistics. Also, for the foreign tax credit statistics presented here, additional data were requested from some corporations that submitted preliminary data on their original returns because they lacked complete information on their foreign operations at the time of filing.

Foreign income and taxes available for credit are understated to the extent that they were not reported on Form 1118 filed with the associated Form 1120. This study includes credits that were carried forward from prior years and were used in each tax year. However, because amended returns are not included, these statistics do not contain foreign taxes carried back to each year from subsequent tax years or credits for foreign taxes from each year that were carried back to earlier years. In addition, corporations that have foreign income and taxes but could not claim a foreign tax credit because they did not have a U.S. tax liability are not included. Finally, some corporations may have deducted their foreign taxes from their gross income rather than claim a foreign tax credit. These deductions are not included in the Foreign Tax Credit study. Because of the multi-tiered structure of firm ownership and the multi-country location of firms and their subsidiaries, foreign-source income and deductions that are reported on Form 1118 as earned in one country can include income and deductions that originate in another country.

In addition, deductions that are not definitely allocable are usually not reported by country. For this study, these deductions are prorated across all countries on the basis of the gross income reported for each.

Because the estimates are based on a sample, they are subject to sampling error. For more information, see “SOI Sampling Methodology and Data Limitations” on the Tax Stats portion of the IRS website at <https://www.irs.gov/statistics/soi-tax-stats-statistical-methodology>.

Explanation of Selected Terms

Adjustments to taxable income—Foreign-source taxable income is adjusted, when applicable, by the allocation of current-year foreign losses, recharacterization of income due to prior-year loss allocations, adjustments related to overall foreign losses, including recapture of prior overall foreign losses, and allocations of current-year U.S. losses. See Table 1, column 38, and Table 2, column 23.

Carryover of foreign taxes—Corporations with tax years beginning prior to October 22, 2006, were able to carry back taxes paid, in excess of the limitation, up to 2 years and forward up to 5 years. The *American Jobs Creation Act of 2004* extended the carryover period to 10 years and reduced the carryback period to 1 year. The 2007 statistics in this data release include only foreign taxes carried forward from prior years.

Deemed dividends—Certain types of income earned by controlled foreign corporations (CFCs) are recognized under Subpart F of the Internal Revenue Service Code as current-year income of the U.S. corporation, even if no income is actually received from the CFC in the current tax year. In such cases, the U.S. corporation is deemed to have received a pro-rata share of this income and required to report it as a “deemed dividend” on Form 1118, Schedule A. See Internal Revenue Code section 951(a) for a more detailed description of income reported as deemed dividends.

Dividend gross-up—U.S. corporations that satisfy ownership and other requirements are permitted to take an indirect foreign tax credit for taxes paid on profits from which dividends were distributed. Under Internal Revenue Code section 78, these taxes are “deemed paid” by U.S. corporations under Internal Revenue Code sections 902 and 960(a). Consequently, the dividend income is “grossed up” by the amount of taxes deemed paid on the income from which the dividend was paid.

Foreign taxes available for credit—Total taxes available for credit is the sum of total taxes paid or accrued, taxes deemed paid, and carryover of foreign taxes from prior years, less any applicable reductions.

General limitation income—This separate limitation category or basket comprises foreign income not included in any other separate limitation category.

Income resourced by bilateral tax treaty—This separate limitation category includes certain U.S.-source income that has been subject to tax in another country pursuant to a bilateral income tax treaty. In order to appropriately relieve double taxation, these items of income are reclassified by a treaty provision

as arising from foreign sources. A separate foreign tax credit limitation must be computed for each amount resourced by a tax treaty.

Internal Revenue Code section 863—This section provides special rules for determining taxable income from sources outside the United States with respect to gross income derived partly from within and partly from outside the United States.

Limitation—This is the maximum amount that can be credited for each separate limitation income category. It is the U.S. income tax before credits multiplied by the ratio of the taxable foreign-source income after adjustments to the worldwide taxable income. The foreign tax credit is the lesser of the limitation or the foreign taxes paid.

Passive income—This separate limitation category includes dividends, interest, rents, royalties, annuities, and net capital gains, as well as commodity transactions not connected with the active conduct of a trade or business (except income subject to a high withholding tax—see above). Passive income subject to a foreign tax credit rate that exceeds the highest applicable U.S. tax rate is excluded from this separate limitation category and included in the general limitation category.

Section 901(j) income—This separate limitation category includes income and taxes paid to countries sanctioned by the United States. Internal Revenue Code 901(j) denies credit for taxes paid or accrued to these countries. For 2006, countries subject to these restrictions were Cuba, Iran, North Korea, Sudan, and Syria. Income and deductions from section 901(j) countries are reported on Form 1118, even though these taxes are not creditable. A separate limitation credit is computed for informational purposes and is not included in the foreign tax credit of the corporation.

Tax deemed paid—See dividend gross-up.

Taxable foreign-source income—Foreign-source taxable income is equal to gross income (less loss) less deductions from sources outside the United States, including U.S. possessions, and is included in the taxable income of U.S. corporations.

This article was written by Nuria McGrath, Chief, International Returns Analysis Section, and Chloe Gagin, economist, International Returns Analysis Section, under the direction of Melanie Patrick, Chief, Corporation, Partnership, and International Branch.

Appendix A. Total Amounts of Selected Taxable Income Items, Designated by All Corporations and Corporations with a Foreign Tax Credit, Tax Years 2007–2016

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

Tax year	Worldwide taxable income	Worldwide taxable income of returns with an FTC	Taxable foreign-source income of returns with an FTC
	(1)	(2)	(3)
2007	1,444,942,403	965,300,442	454,370,057
2008	1,090,386,482	776,314,549	460,735,559
2009	1,001,087,575	718,362,537	466,313,744
2010	1,125,074,154	848,254,495	517,761,011
2011	1,061,004,981	786,255,282	436,935,654
2012	1,201,947,985	870,841,898	438,716,252
2013	1,296,568,257	966,364,016	474,898,088
2014	1,420,534,969	1,055,512,433	449,544,943
2015	1,392,427,841	1,016,950,957	424,863,753
2016	1,271,220,581	911,908,859	360,115,000

SOURCE: IRS, Statistics of Income Division, Corporate Statistics and Corporate Foreign Tax Credit Statistics, April 2022.

Appendix B. Total Amounts of Selected Worldwide Income Tax Items, Designated by All Corporations and Corporations with a Foreign Tax Credit, Tax Years 2007–2016

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

Tax year	Worldwide income tax	Worldwide income tax of returns with an FTC	Worldwide income tax after credits	Worldwide income tax after credits of returns with an FTC
	(1)	(2)	(3)	(4)
2007	505,934,168	338,333,038	383,579,721	223,170,666
2008	381,665,868	272,640,539	254,743,595	149,791,608
2009	350,679,205	253,062,791	229,332,862	135,638,600
2010	394,494,828	297,798,958	245,414,200	153,083,705
2011	372,749,633	276,460,450	235,691,372	145,571,083
2012	421,238,712	305,628,880	280,002,380	172,792,166
2013	455,221,229	339,357,535	302,235,184	194,897,648
2014	497,871,738	370,464,803	340,722,094	221,725,212
2015	487,284,714	356,482,801	333,780,637	211,095,702
2016	445,686,079	320,616,185	316,359,191	201,301,295

SOURCE: IRS, Statistics of Income Division, Corporate Statistics and Corporate Foreign Tax Credit Statistics, April 2022.

Appendix C. Total Gross Income, Deductions, and Foreign-Source Income of Corporations with a Foreign Tax Credit by Selected Major Industry, Tax Years 2007–2016

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

Tax year	Taxable foreign-source income					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	454,370,057	28,072,672	270,337,390	52,963,798	3,931,061	13,406,434
2008	460,735,559	28,220,205	302,336,304	53,282,222	2,517,884	14,920,288
2009	466,313,744	25,452,214	296,305,741	46,979,149	2,445,917	20,317,012
2010	517,761,011	34,807,580	310,915,471	52,751,897	2,617,809	26,294,657
2011	436,935,654	30,388,757	262,273,460	52,222,111	2,106,040	25,321,831
2012	438,716,252	26,947,335	262,782,779	58,303,077	2,055,719	26,306,957
2013	474,898,088	36,481,868	257,426,659	79,655,681	3,052,254	35,144,232
2014	449,544,943	43,930,000	233,516,176	63,781,316	2,726,676	30,832,570
2015	424,863,753	29,659,020	229,136,775	59,519,413	4,758,896	25,311,769
2016	360,115,000	30,403,073	202,874,654	49,473,937	2,962,079	29,074,102

Tax year	Total deductions					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	465,915,816	41,401,352	172,373,544	114,274,787	17,096,571	17,665,039
2008	426,624,121	43,872,187	160,105,660	97,800,971	19,580,318	15,615,224
2009	427,479,287	34,597,621	131,130,540	79,733,990	16,320,336	17,872,932
2010	377,888,624	37,381,479	140,642,689	84,421,537	15,802,815	22,721,730
2011	375,419,228	35,943,330	146,013,379	78,432,437	18,564,003	25,681,938
2012	389,416,404	34,972,861	168,975,786	59,501,353	16,714,159	30,845,931
2013	380,810,218	38,475,105	168,408,368	78,880,723	17,247,264	28,708,283
2014	378,500,559	41,463,273	155,835,146	80,696,947	16,826,897	32,481,457
2015	355,893,101	39,868,334	164,455,520	64,308,438	14,686,325	29,075,137
2016	367,966,195	43,662,545	164,705,400	66,088,983	16,561,493	32,163,429

Tax year	Total gross income (less loss)					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	920,285,874	69,474,024	442,710,934	167,238,587	21,027,632	31,071,474
2008	887,359,680	72,092,392	462,441,963	151,083,193	22,098,200	30,535,512
2009	893,793,031	60,049,836	427,436,280	126,713,139	18,766,255	38,189,944
2010	895,649,637	72,189,059	451,558,161	137,173,434	18,420,624	49,016,386
2011	812,354,881	66,332,087	408,286,839	130,654,548	20,670,043	51,003,768
2012	828,132,657	61,920,196	431,758,565	117,804,430	18,769,878	57,152,888
2013	855,708,306	74,956,973	425,835,026	158,536,404	20,299,518	63,852,516
2014	828,045,503	85,393,273	389,351,322	144,478,262	19,553,574	63,314,027
2015	780,756,853	69,527,354	393,592,294	123,827,851	19,445,221	54,386,906
2016	728,081,195	74,065,618	367,580,054	115,562,920	19,523,572	61,237,531

SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Appendix D. Tax Amounts of Selected Income Tax Items of Corporations with a Foreign Tax Credit by Selected Major Industry, Tax Years 2007–2016

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

Tax year	Foreign tax credit					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	100,155,683	4,327,539	66,185,824	9,385,553	589,232	2,978,671
2008	111,966,681	5,337,815	81,968,896	8,134,913	403,163	3,272,050
2009	104,664,276	4,712,540	72,076,450	10,236,273	396,812	5,255,324
2010	129,964,178	7,769,925	87,771,937	11,418,530	324,817	6,306,844
2011	114,296,184	6,455,980	72,804,891	14,598,534	350,187	5,834,679
2012	114,611,752	6,256,469	75,987,150	14,333,988	295,815	6,148,345
2013	121,864,986	8,080,966	70,704,865	23,935,554	497,107	7,236,141
2014	119,200,614	6,598,757	65,304,328	22,141,787	345,433	7,034,814
2015	111,600,709	5,201,139	58,987,267	21,827,717	1,013,463	5,478,628
2016	89,053,363	6,554,763	49,998,410	16,136,543	323,302	6,685,841

Tax year	Total foreign taxes available for credit					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	136,543,125	5,598,261	86,791,106	16,707,725	630,600	3,788,856
2008	174,150,328	5,777,024	124,622,264	16,086,333	551,904	4,351,455
2009	184,653,129	6,238,156	124,622,264	29,965,828	425,283	8,385,946
2010	216,790,474	9,341,608	127,201,003	36,897,398	429,916	10,361,694
2011	204,554,376	8,231,965	115,900,186	40,285,005	442,936	9,846,913
2012	219,731,448	7,511,071	120,527,120	50,465,558	368,063	11,151,153
2013	235,210,905	10,502,701	122,845,739	59,114,737	545,856	13,464,856
2014	221,431,015	7,839,272	110,479,317	55,283,742	388,824	12,297,890
2015	216,391,962	8,408,947	107,663,584	53,069,224	1,040,648	11,428,009
2016	188,440,667	10,663,119	95,314,890	46,907,225	378,115	13,539,803

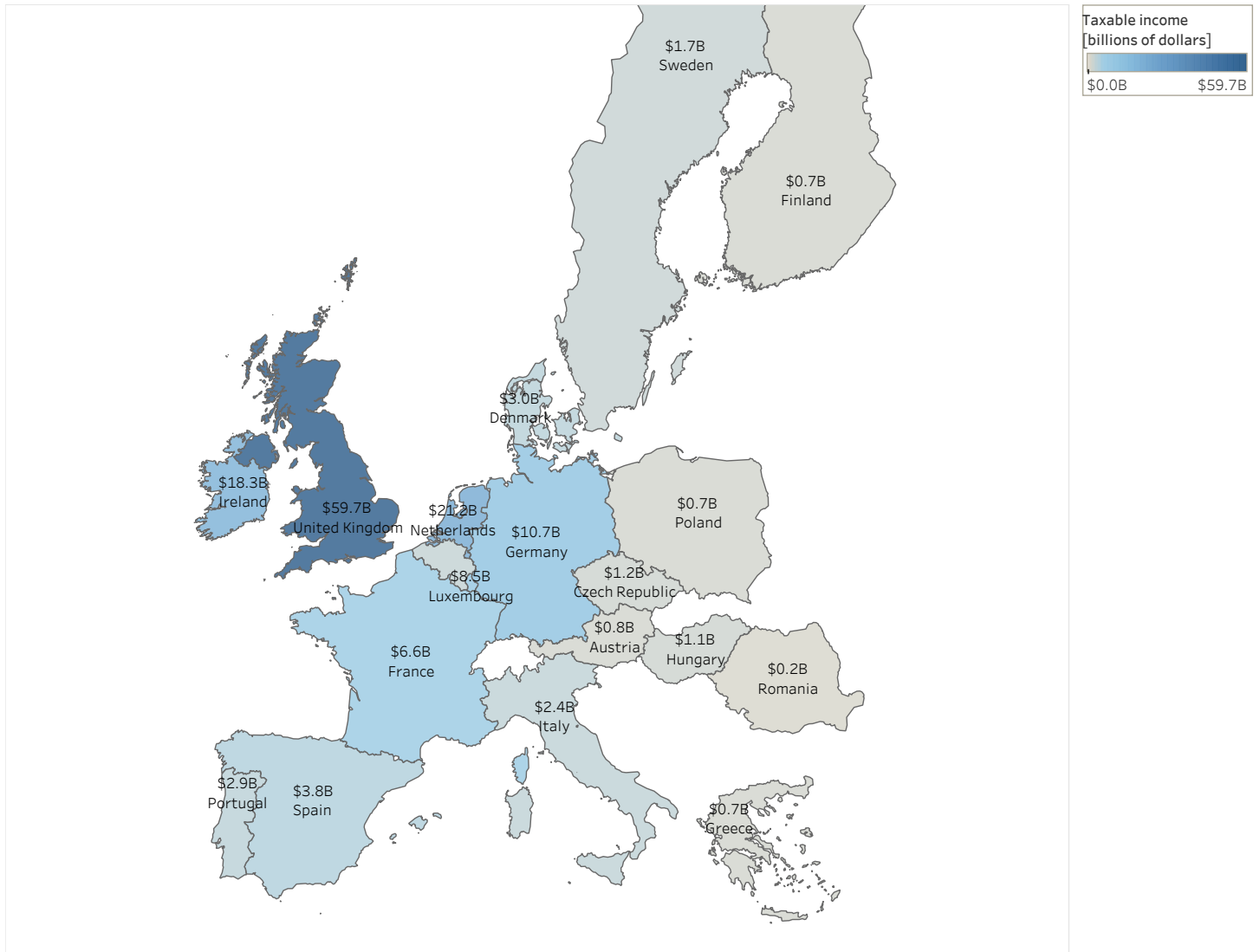
Tax year	Total foreign taxes paid, accrued, or deemed paid					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	114,715,924	4,304,160	70,654,000	15,663,298	557,607	3,021,100
2008	135,059,752	4,476,575	96,444,961	15,351,736	490,622	3,505,253
2009	116,800,457	4,381,693	77,876,492	12,773,633	387,558	6,480,478
2010	140,900,649	7,688,979	87,481,500	16,826,353	363,727	6,416,156
2011	123,887,523	6,131,115	80,938,239	15,397,821	339,970	5,549,326
2012	130,853,905	5,632,038	77,942,517	24,448,249	272,354	6,487,010
2013	130,063,366	8,264,665	77,260,407	22,404,630	d	8,242,314
2014	122,735,025	5,455,932	69,120,202	21,244,584	353,733	6,975,924
2015	112,074,020	6,742,315	58,378,129	20,552,120	1,022,861	5,734,245
2016	88,437,874	7,961,164	48,104,617	16,851,717	357,709	7,945,326

Tax year	U.S. tax before credits					
	All industries	Information	Manufacturing	Services	Transportation and warehousing	Wholesale and retail trade
	(1)	(2)	(3)	(4)	(5)	(6)
2007	338,333,038	28,530,258	152,973,741	39,929,743	3,336,055	37,824,707
2008	272,640,539	20,432,280	149,775,195	26,660,775	3,480,478	28,529,337
2009	253,062,791	20,479,153	133,517,919	27,588,891	2,776,860	30,064,566
2010	297,798,958	24,580,410	150,200,208	34,772,060	3,301,960	35,813,289
2011	276,460,450	20,982,079	134,192,967	39,506,830	3,428,637	35,983,684
2012	305,628,880	25,648,345	145,261,022	41,387,571	5,810,117	42,657,725
2013	339,357,535	29,194,941	146,358,587	60,846,317	6,720,284	45,874,257
2014	370,464,803	33,220,134	153,137,700	66,277,506	6,276,550	43,001,162
2015	356,482,801	30,512,187	148,248,544	64,641,228	7,529,973	39,767,836
2016	320,616,185	35,218,496	118,754,780	58,627,141	5,699,622	49,820,008

d. Not shown to avoid disclosure of information about specific taxpayers. However, the data are included in the appropriate totals.
 SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

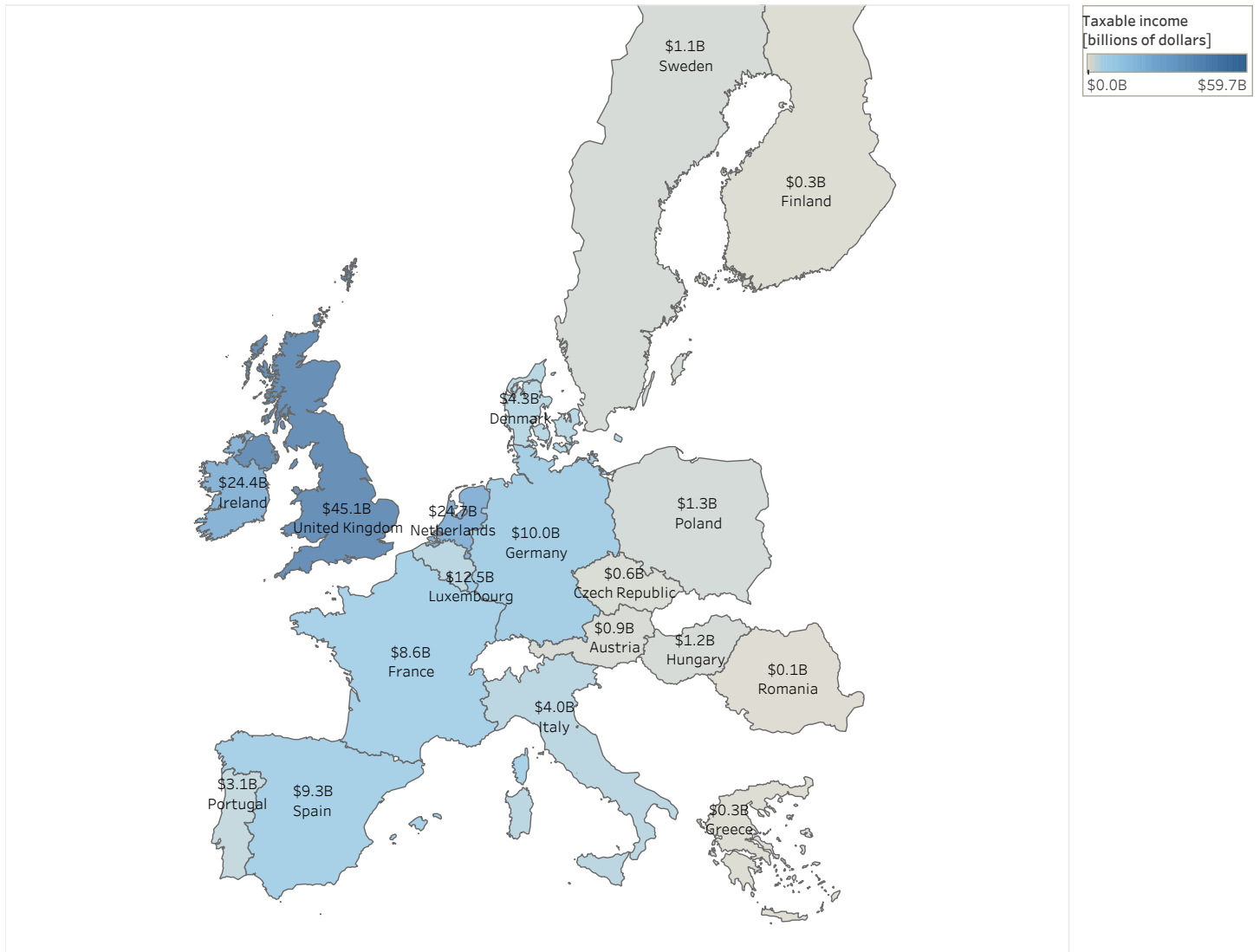
Appendix E. Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Years 2007–2016

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2007



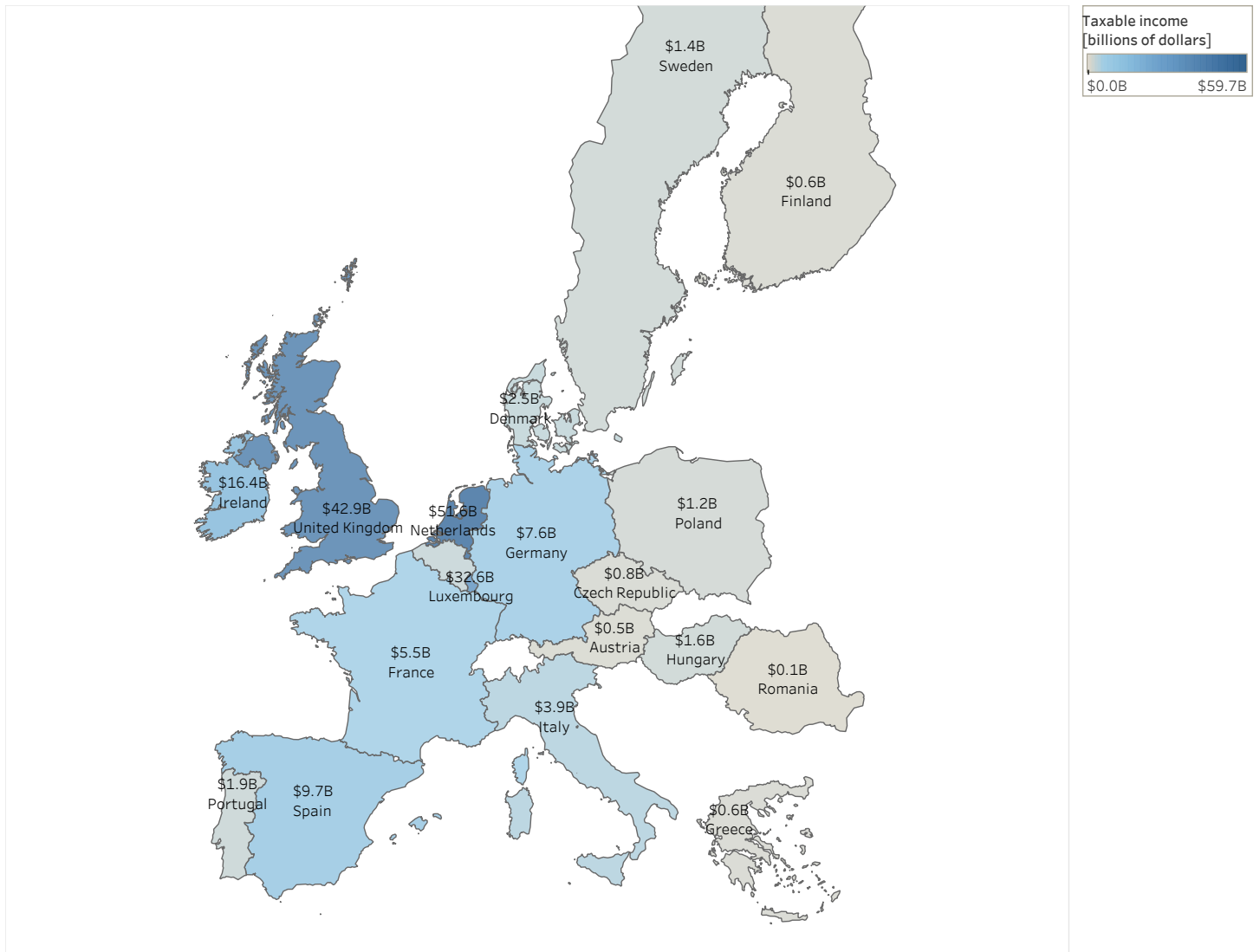
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2008



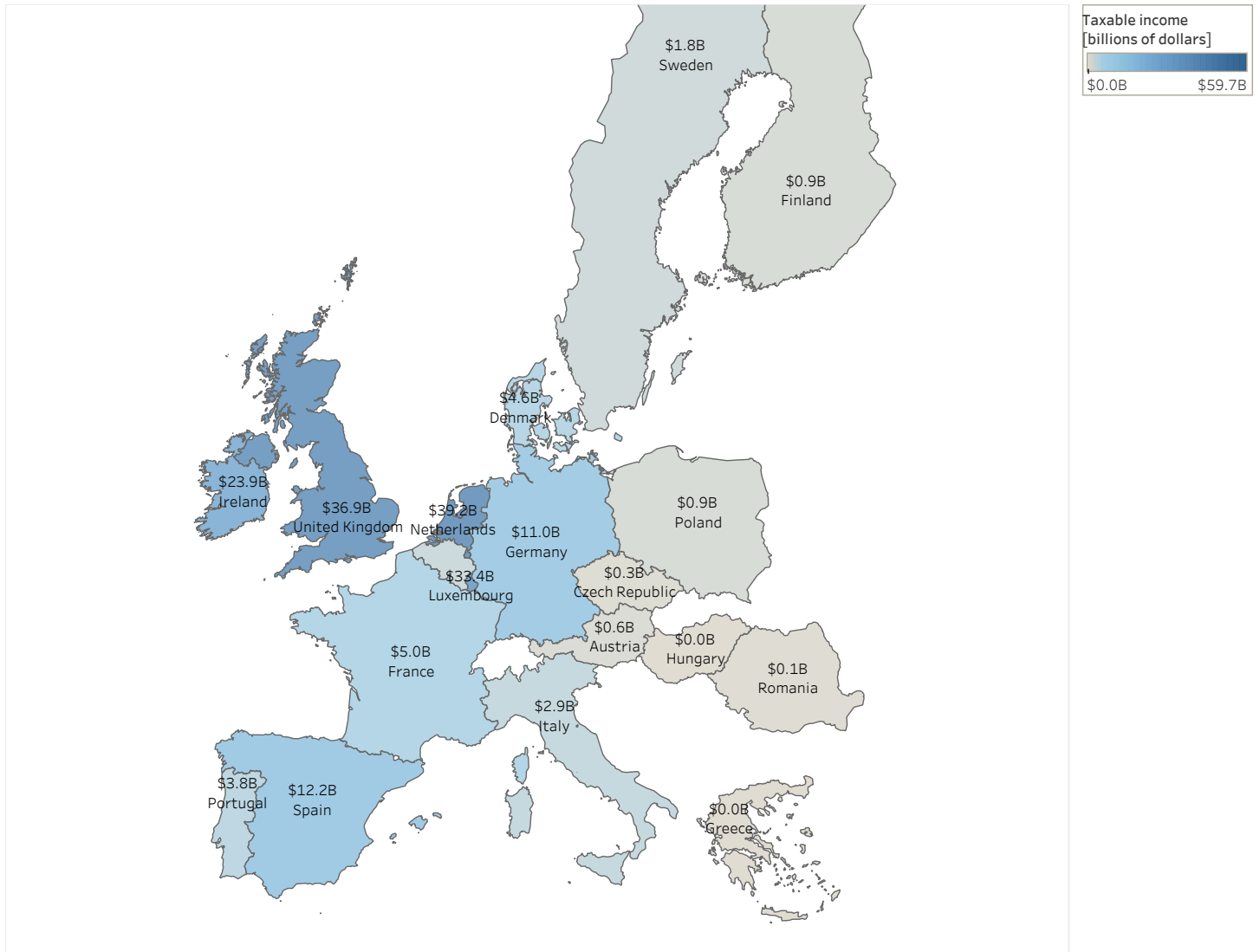
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2009



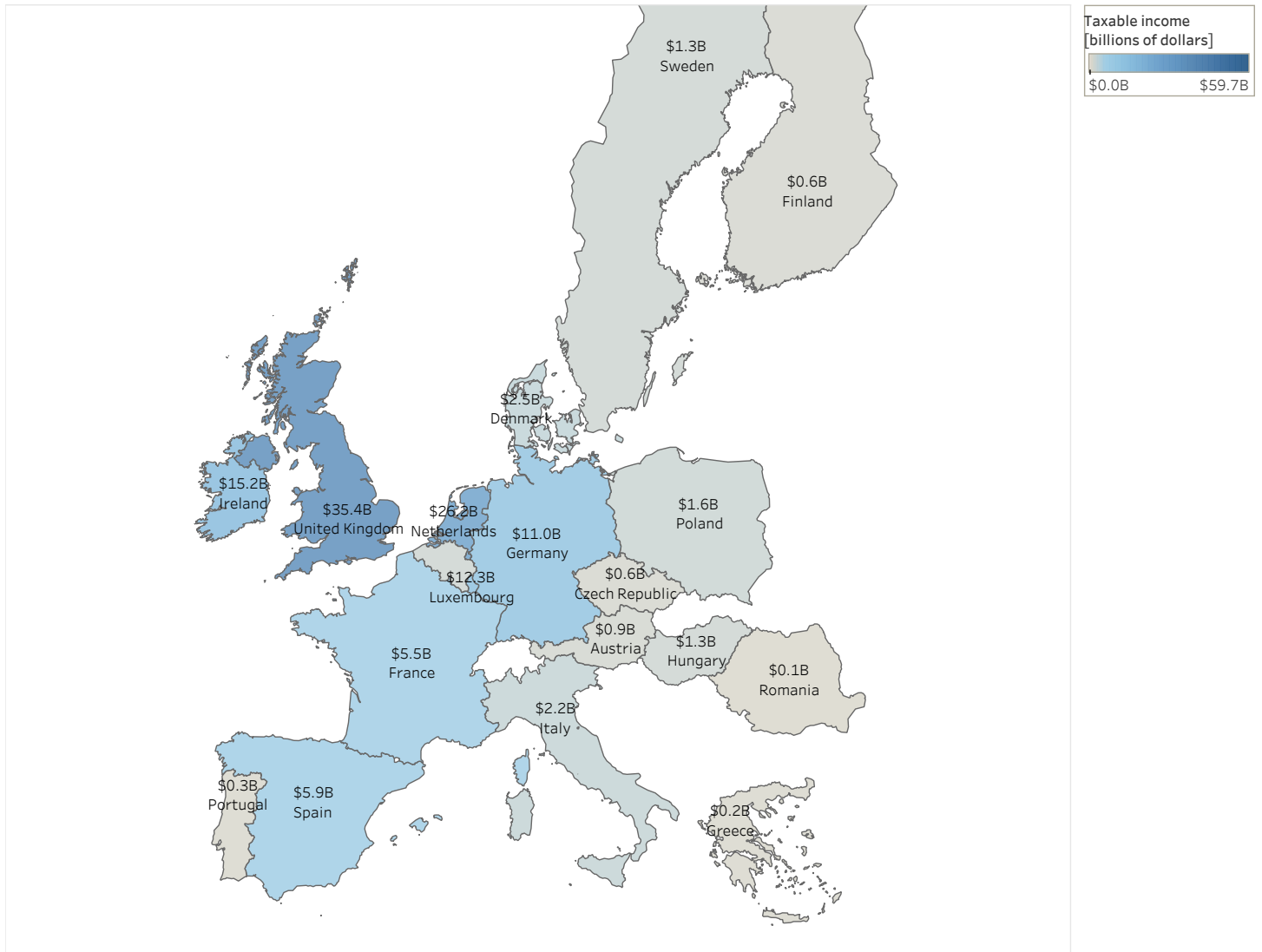
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2010



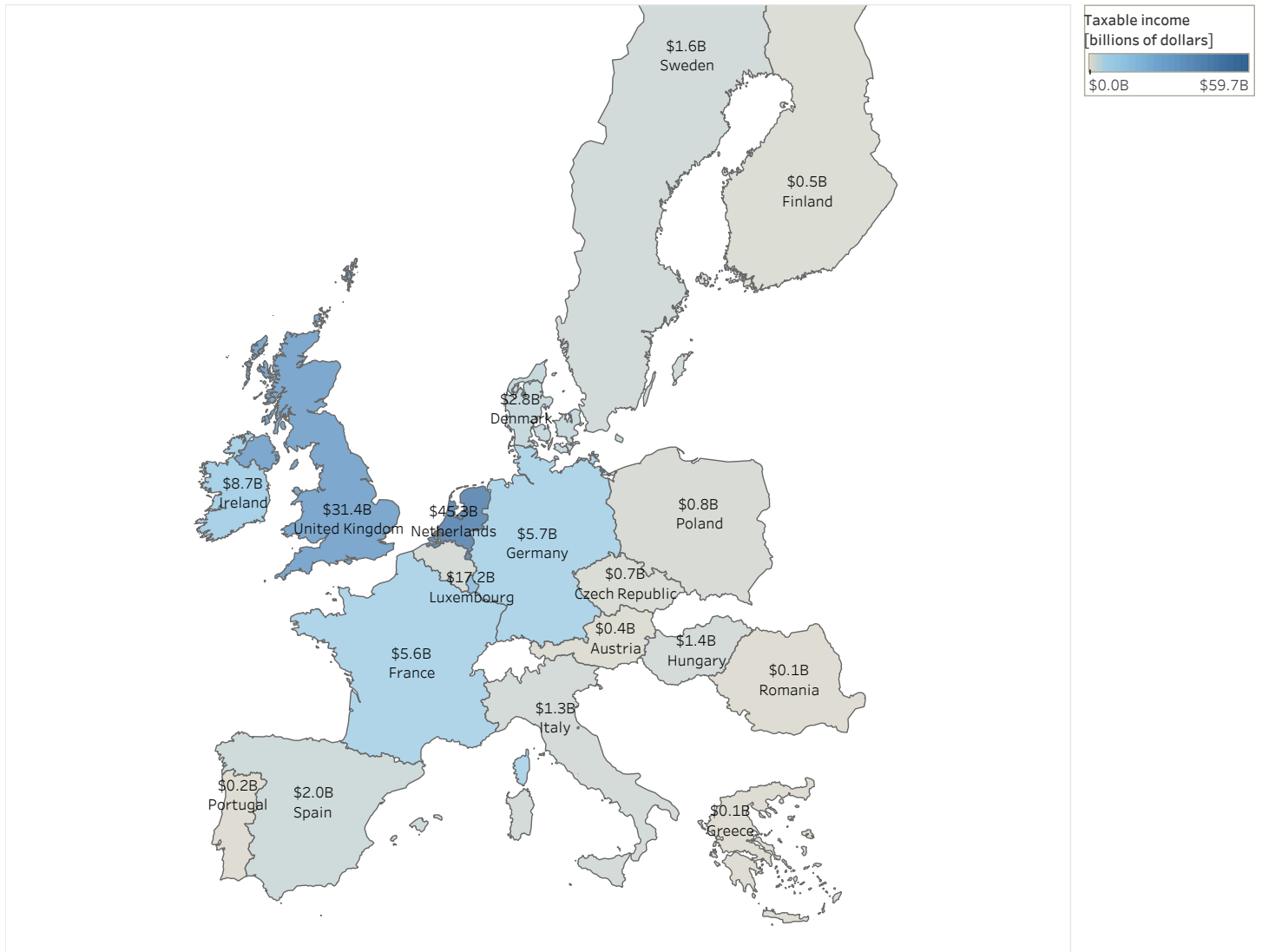
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2011



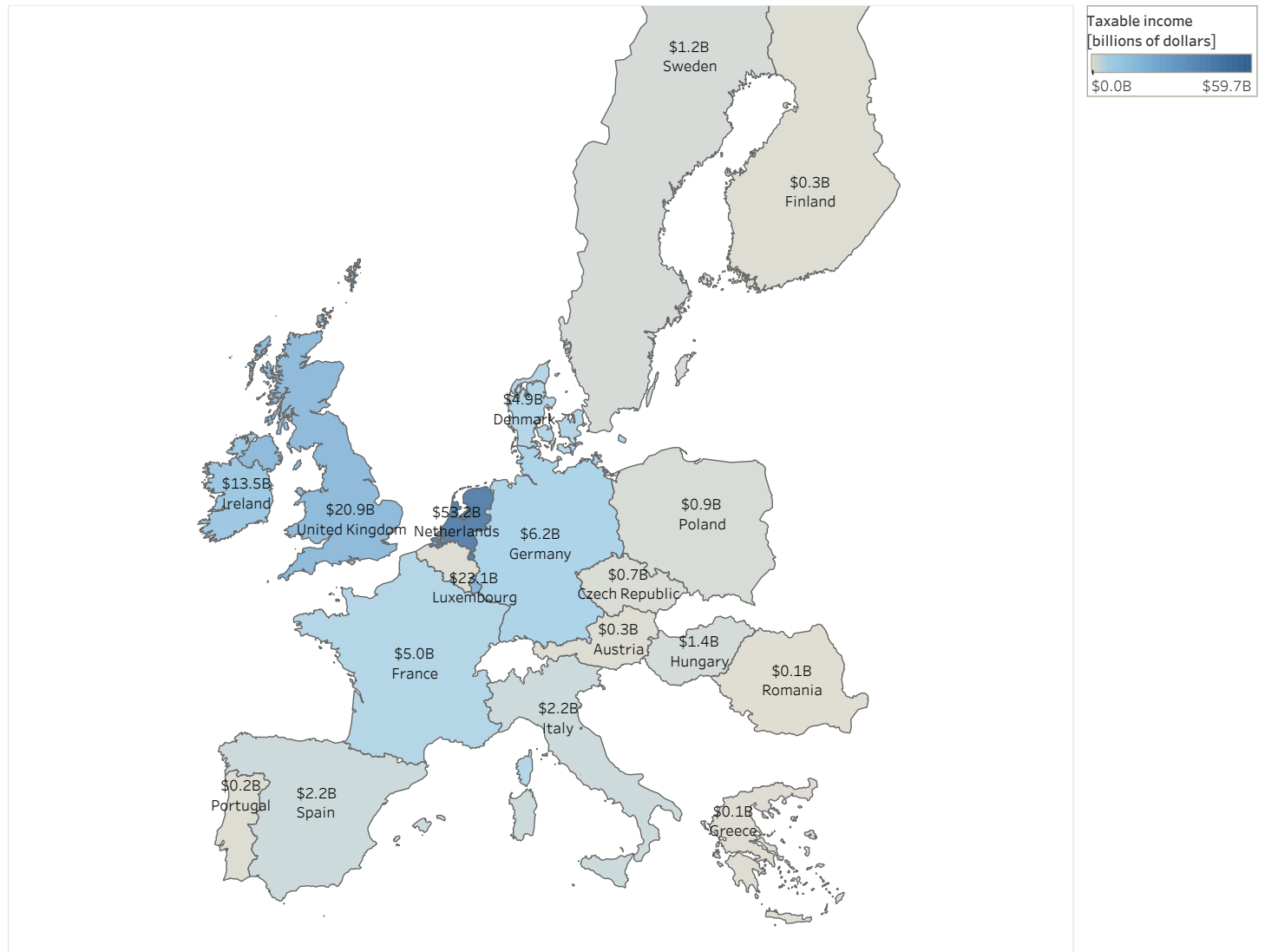
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2012



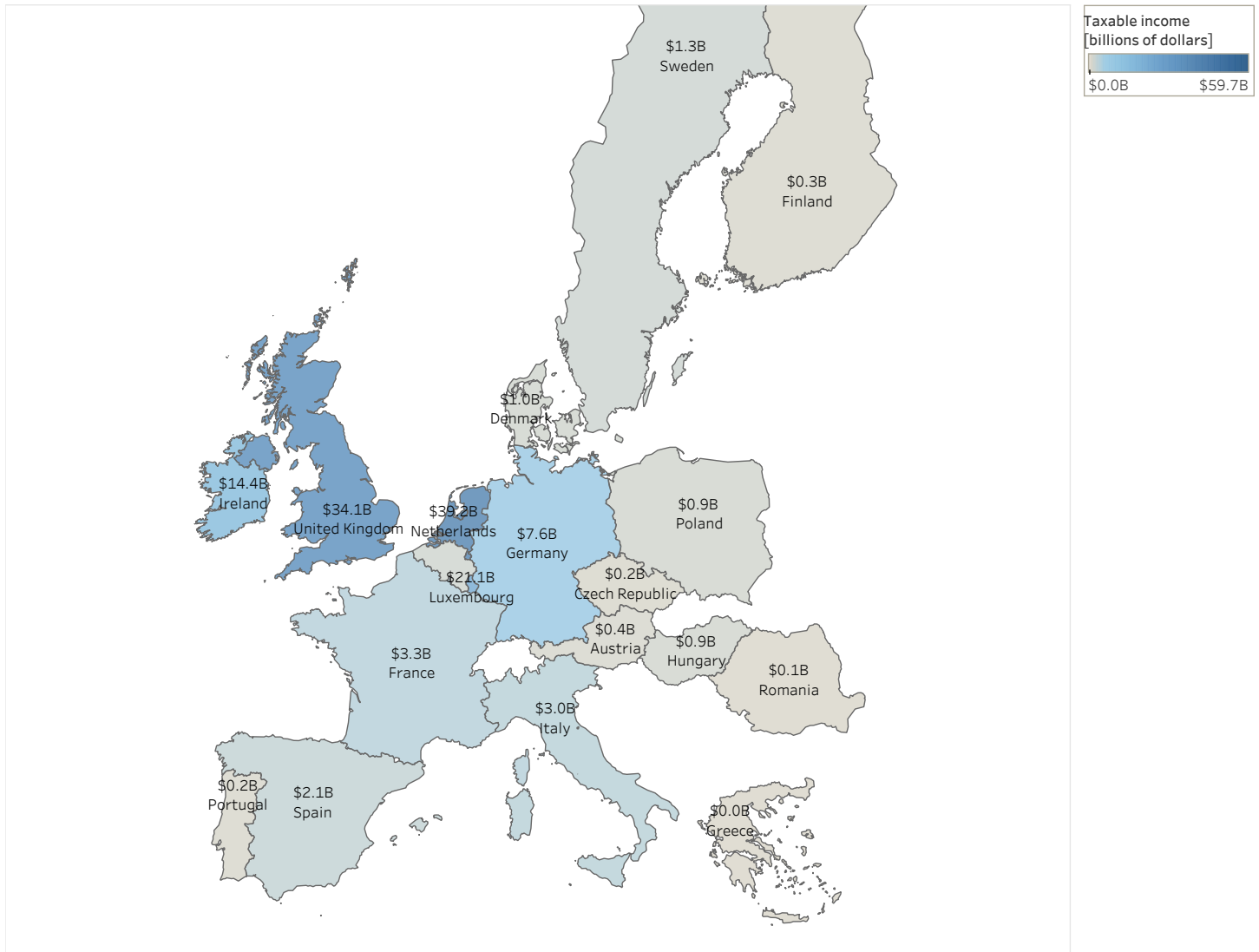
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2013



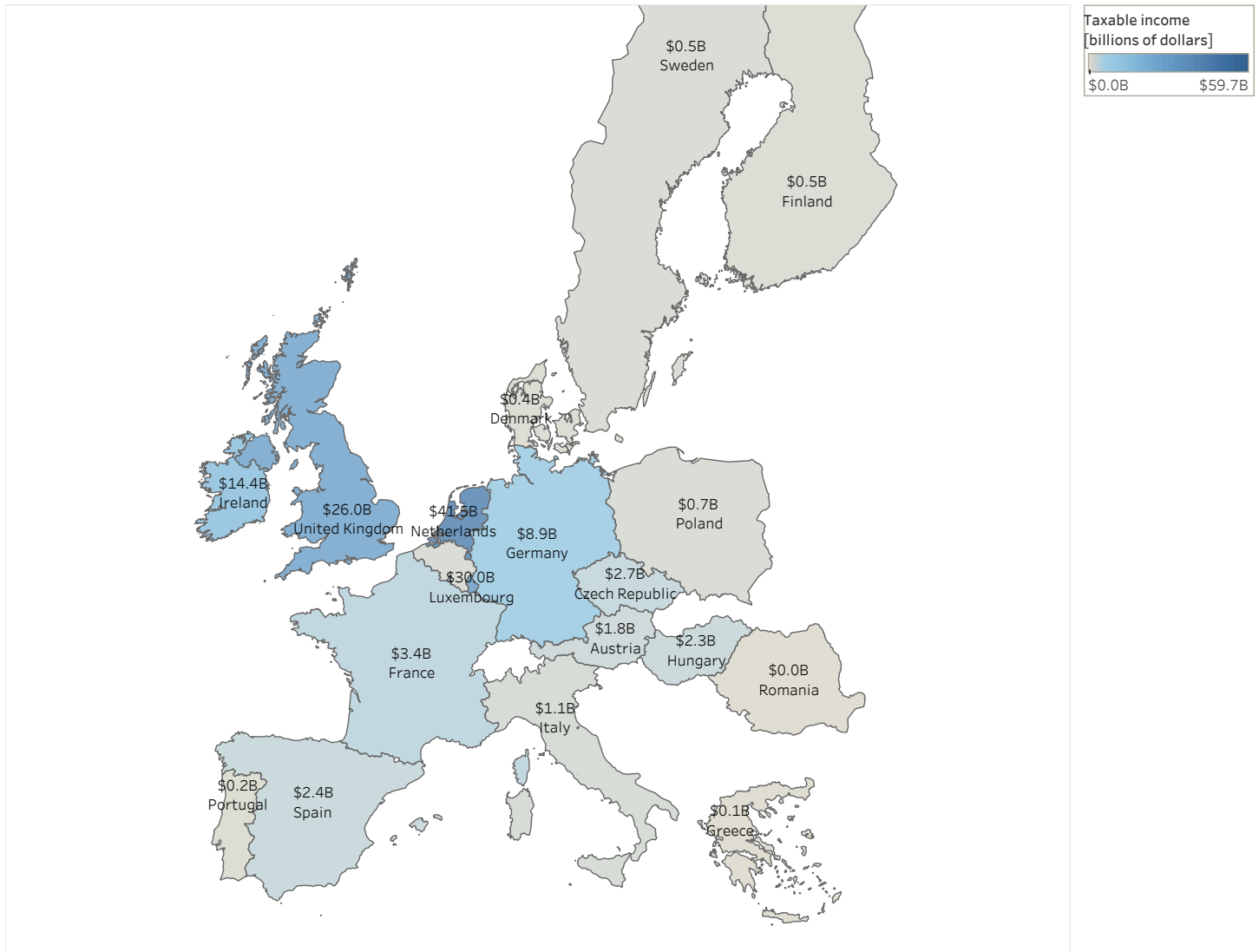
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2014



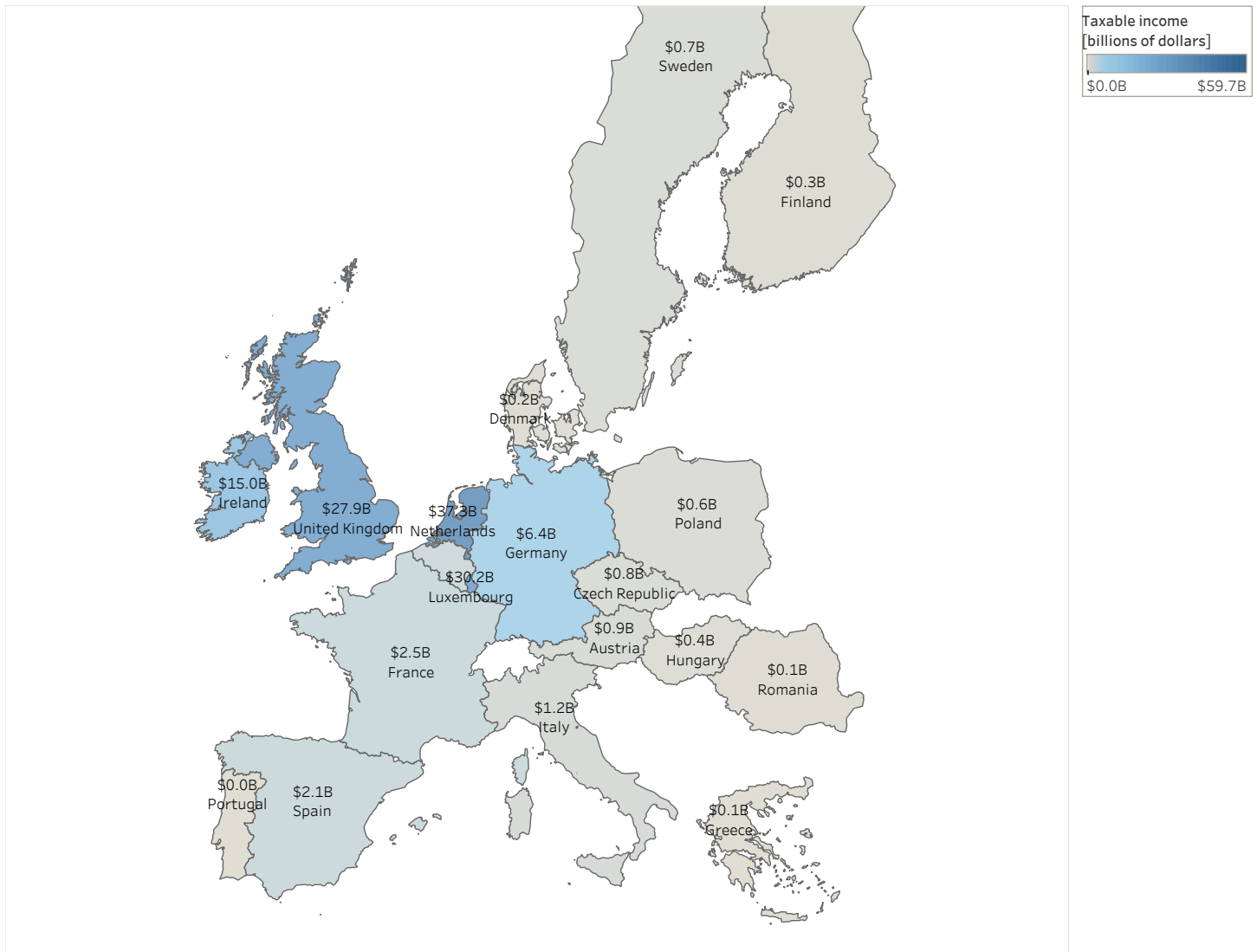
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2015



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

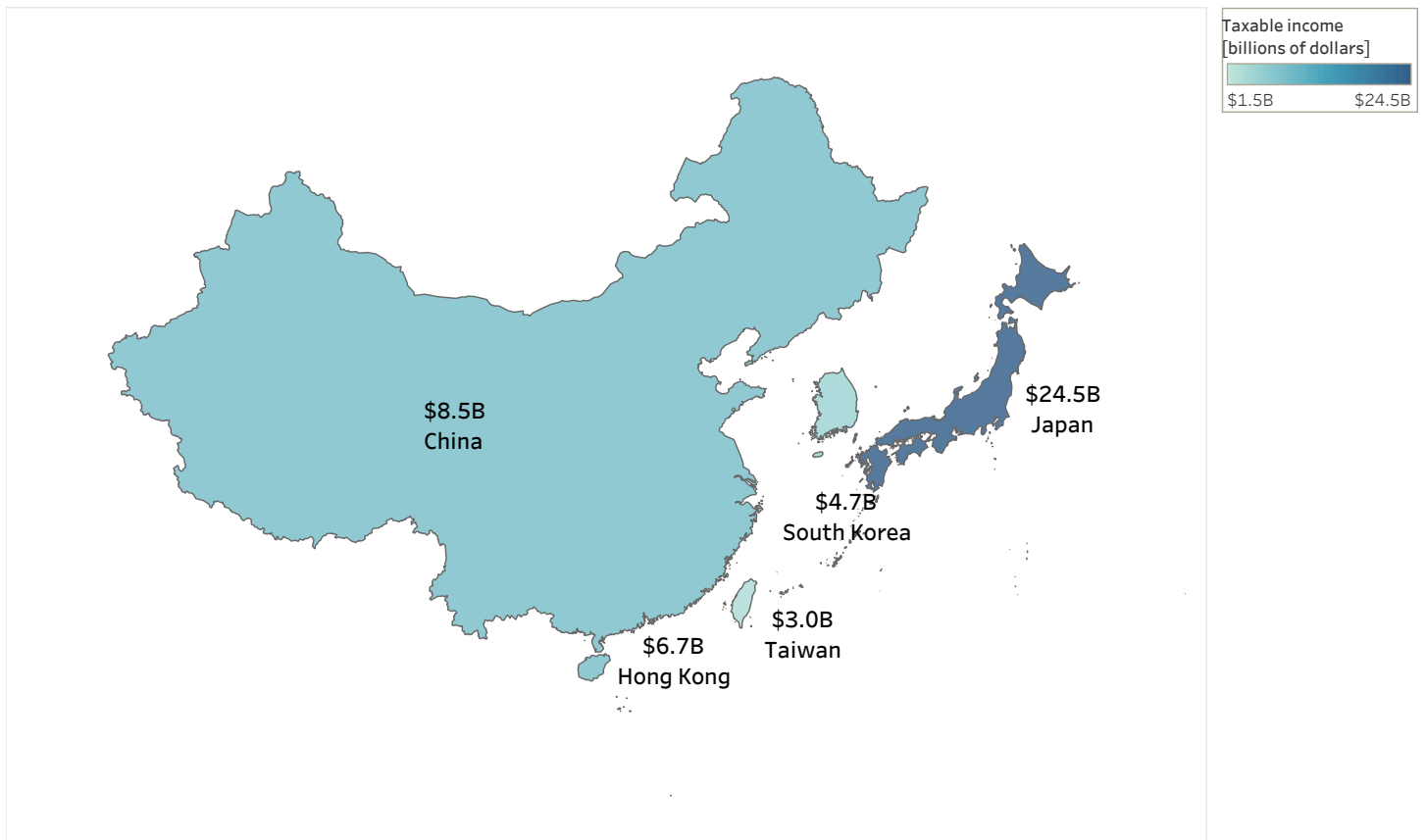
Taxable Foreign-Source Income, European Union Region, Selected Countries, Tax Year 2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

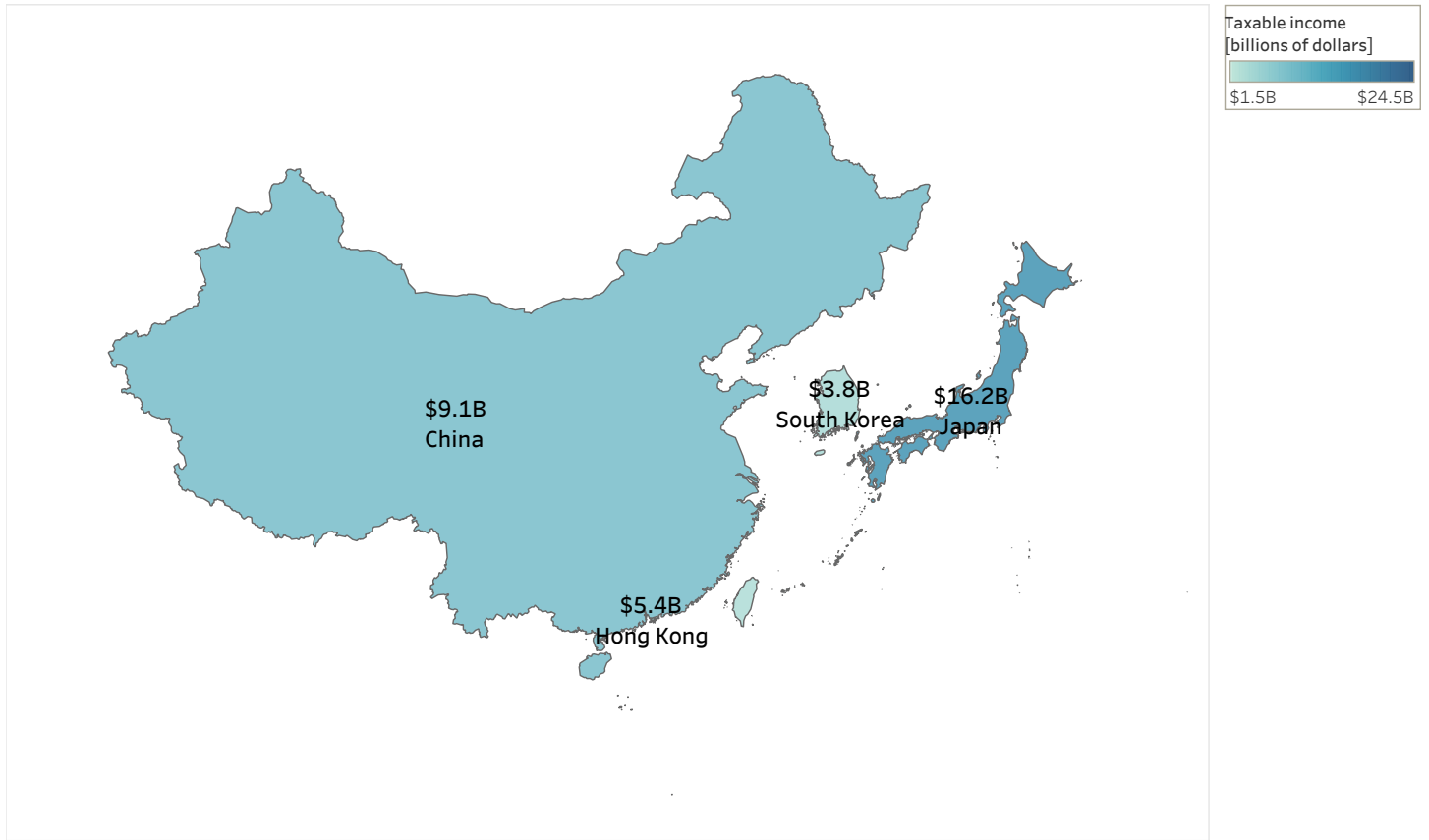
Appendix F. Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Years 2007–2016

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2007



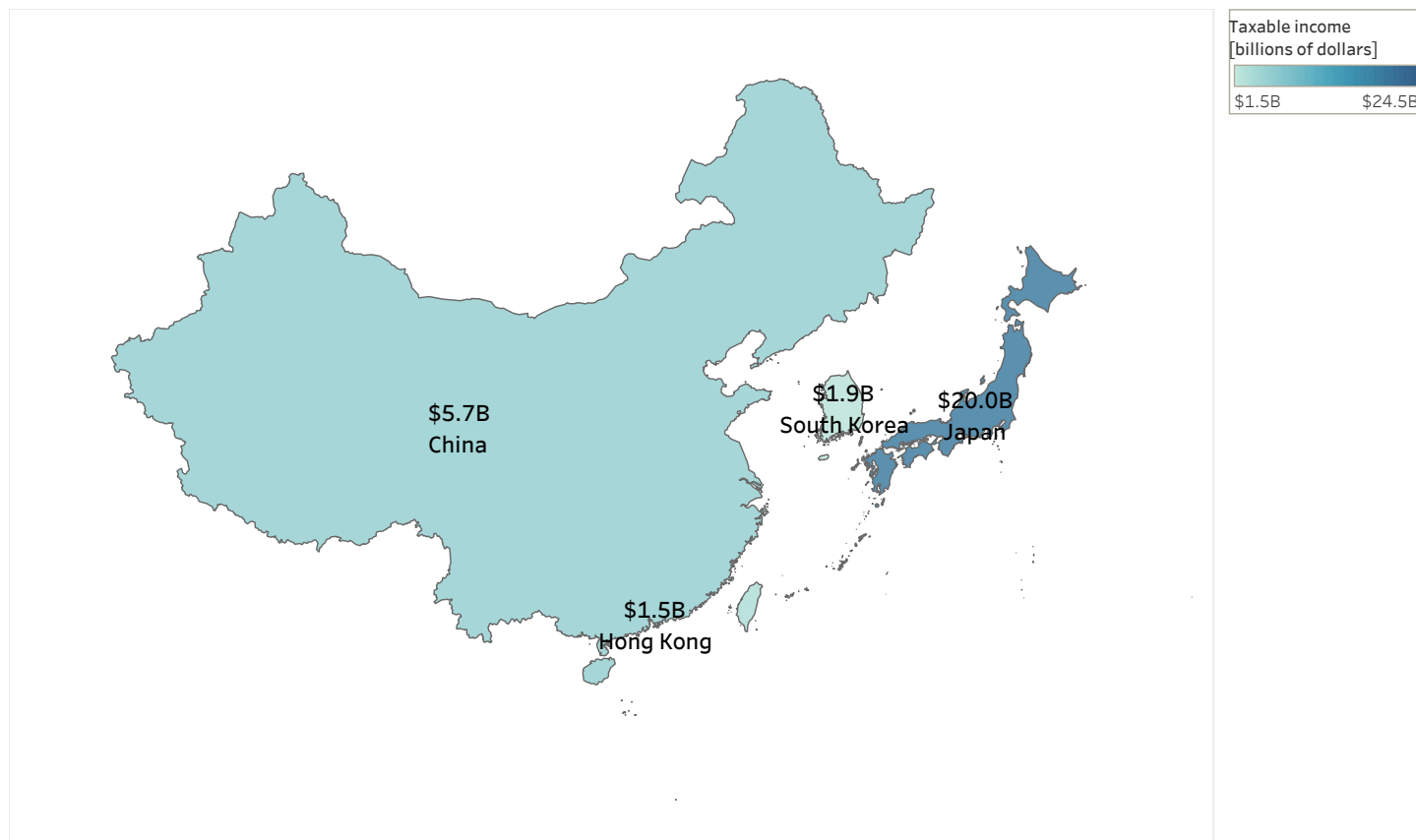
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2008



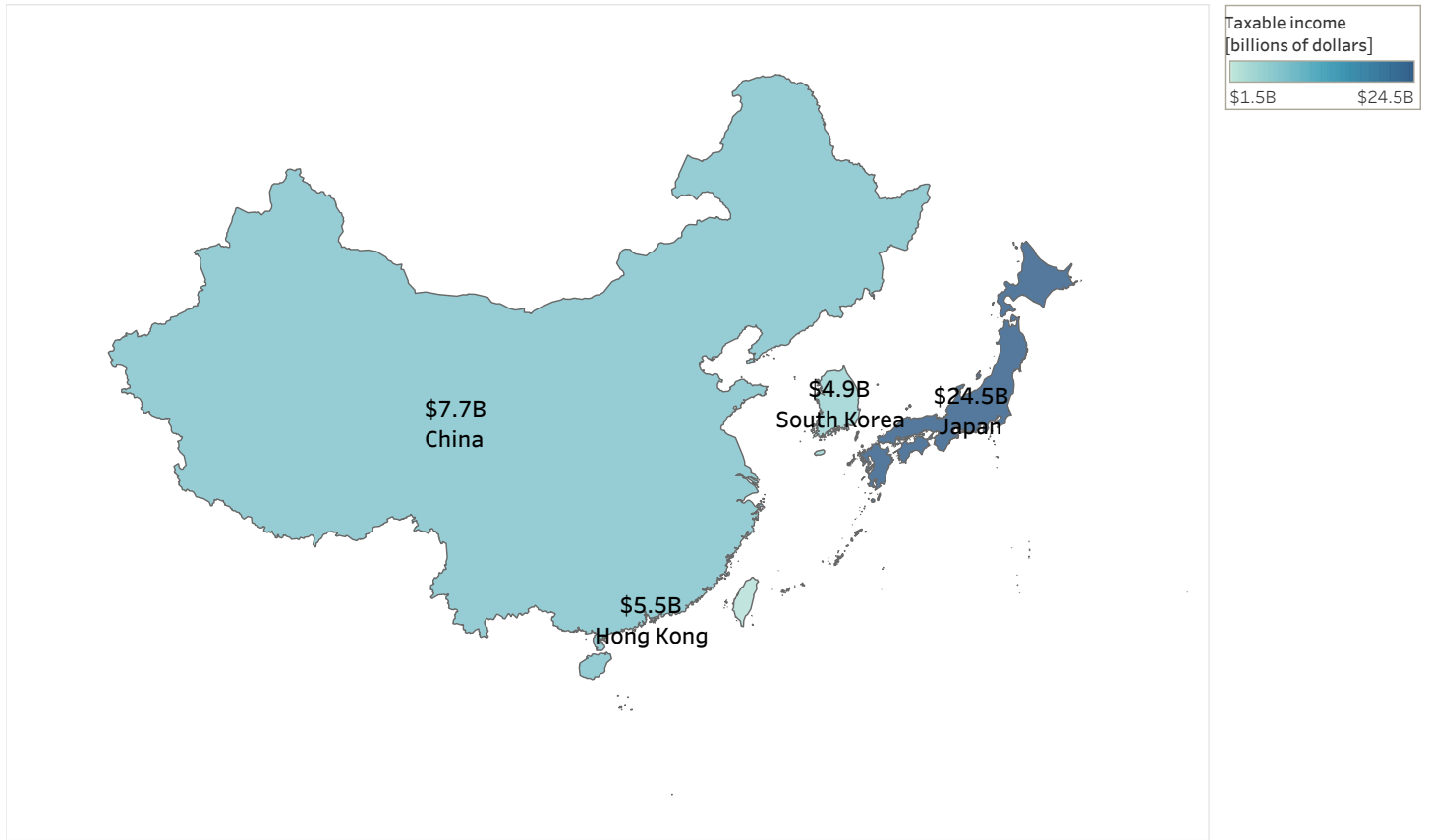
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2009



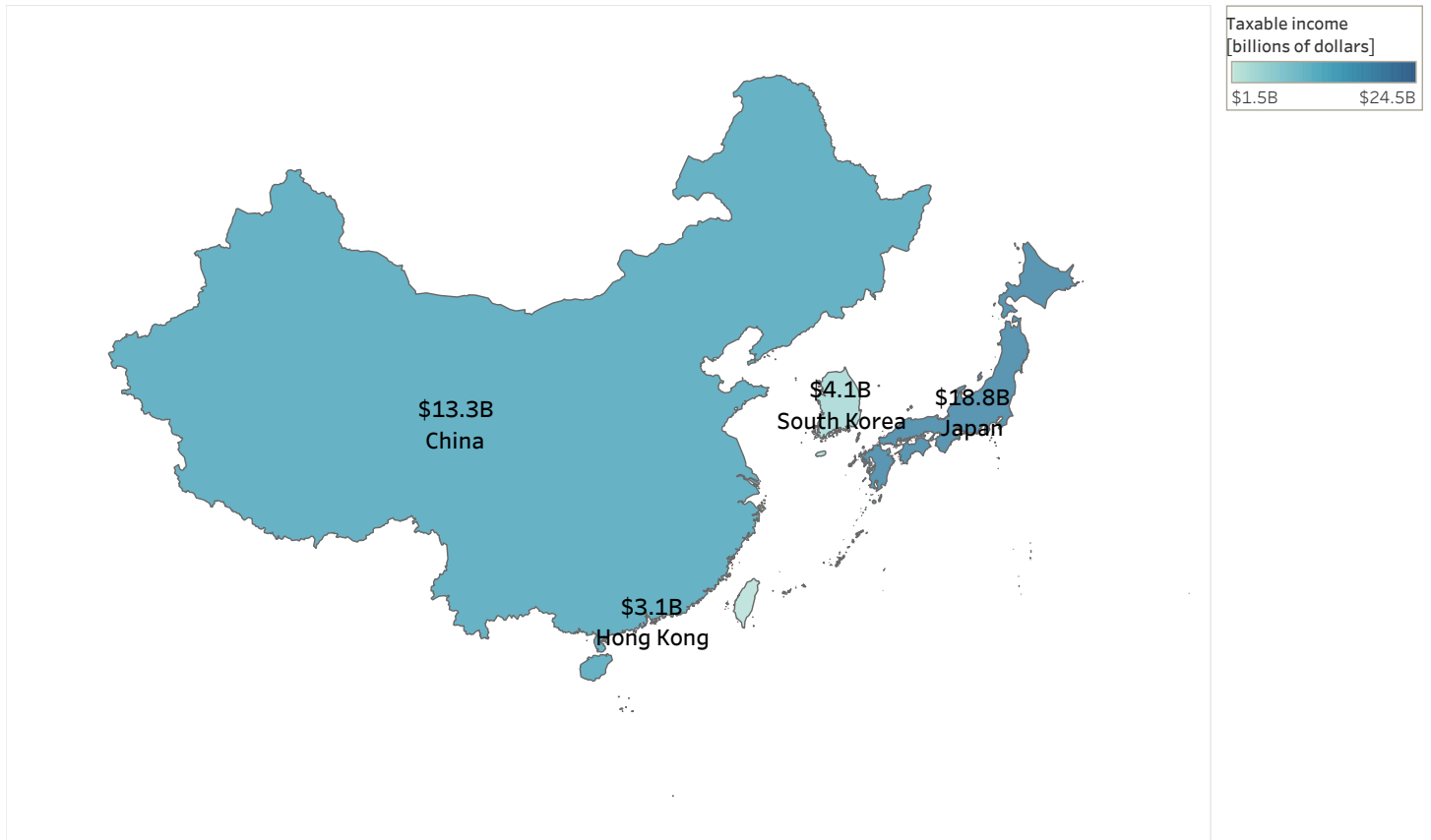
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2010



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2011



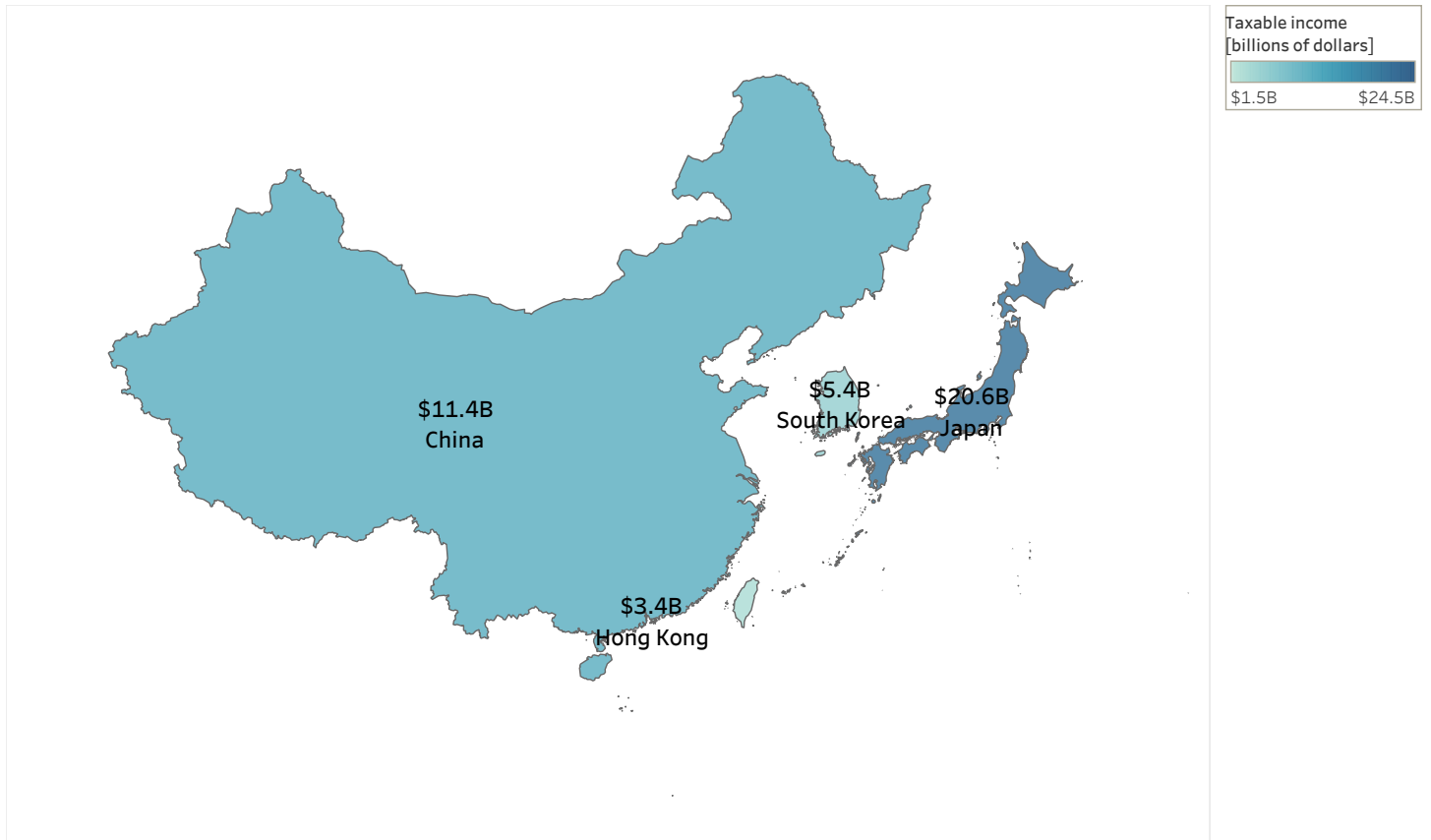
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2012



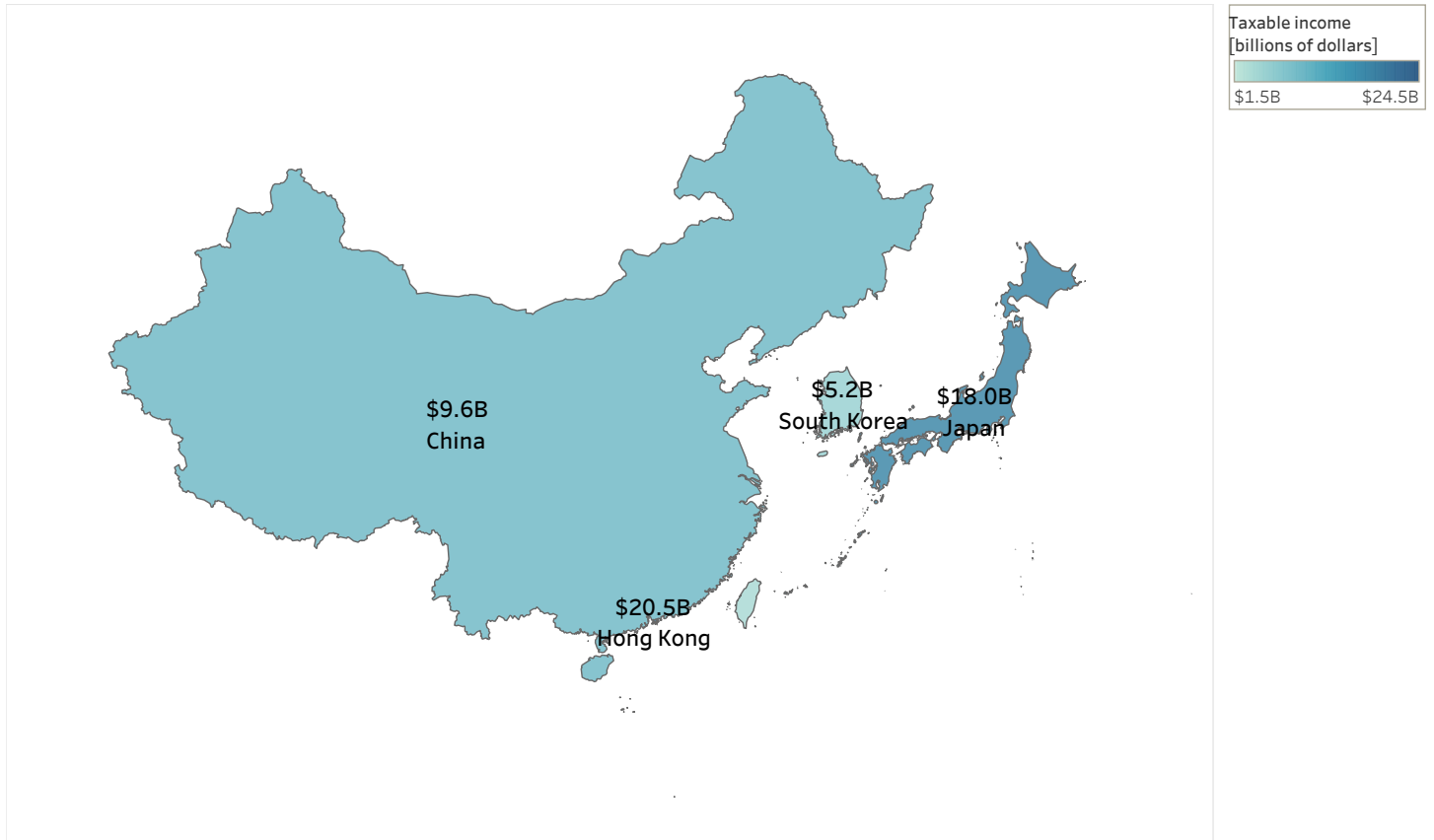
SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2013



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2014



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2015



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.

Taxable Foreign-Source Income, Eastern Asian Region, Selected Countries, Tax Year 2016



SOURCE: IRS, Statistics of Income Division, Corporate Foreign Tax Credit Statistics, April 2022.