U.S. Possessions Corporation Returns, 2001

by Daniel S. Holik

For Tax Year 2001, the number of U.S. corporations claiming the possessions tax credit (171) and the amount of the credit claimed ($1.3 billion) continued declines that began in the 1990's. These declines are generally due to increased legislative restrictions on the use of the possessions tax credit.

Most of the U.S. corporations reporting a possessions tax credit for 2001 were located in Puerto Rico. These 136 corporations claimed more than 96 percent of the total possessions tax credit.

Manufacturers continued to claim virtually all (more than 96 percent) of the possessions tax credit. As in prior years, pharmaceuticals and medicines manufacturers accounted for the largest share of the credit. For 2001, some 26 pharmaceuticals and medicines manufacturers reported possessions tax credits of $0.6 billion, approximately 48 percent of the total. Other industries with substantial amounts of possessions tax credits claimed included food manufacturing, computer and electric equipment, medical equipment and supplies, and textiles and apparel manufacturing [1].

Background

Since 1921, Federal income tax laws have provided an incentive for U.S. corporations to conduct business in U.S. possessions. The original legislation provided an exemption from taxation on all income derived from sources outside the United States if certain conditions were met. Specifically, the corporation had to derive 80 percent or more of its gross income from U.S. possessions and 50 percent or more of its gross income from the active conduct of a trade or business in the possessions. These tax provisions were enacted to help U.S. corporations compete with foreign companies in the Philippines, which was then a U.S. possession.

The Tax Reform Act of 1976 significantly changed the taxation of U.S. corporations operating in U.S. possessions, creating a new section 936 of the Internal Revenue Code. Rather than exempting all income derived from sources outside the United States for qualifying corporations, the new legislation allowed a credit against taxes only for income derived from the active conduct of a trade or business in a possession and "qualified possessions source investment income" (see the Explanation of Selected Terms section). The intent of this legislation was to encourage employment-producing investments by U.S. corporations in U.S. possessions.

The Tax Equity and Fiscal Responsibility Act of 1982 and the Tax Reform Act of 1986 further restricted the tax benefits available under section 936 by modifying the tax treatment of income derived from intangible assets and passive investments. In general, the 1982 Act provided that a possessions corporation's income from intangible assets, such as patents and copyrights, would be taxable to the U.S. shareholders (usually the U.S. parent corporation) of the possessions corporation [2]. By meeting either a direct labor test or a value added test with respect to a specific product or type of service, a possessions corporation could elect out of this general rule by demonstrating that it had a significant business presence in the possession in which it operated [3]. Electing corporations could then choose to allocate income attributable to that product or service between the U.S. shareholders and the possessions corporation using either the cost-sharing or profit split method [4]. The 1982 Act also increased the percentage of gross income that a possessions corporation must earn from the active conduct of a trade or business in U.S. possessions to 65 percent; the 1986 Act increased this percentage to 75 percent.

Legislation introduced in the 1990's continued to restrict, and finally generally repeal, the possessions tax credit provisions. Congress, in the Omnibus Budget Reconciliation Act of 1993, required corporations to separate their possessions incomes and credit computations into active and passive components. While qualified passive income (i.e., "qualified possessions source investment income") continued to receive unrestricted credit treatment, the possessions credit derived from active income was subject to a limitation computed under either the percentage limitation or economic-activity limitation methods (these methods are explained in the Highlights section) [5].

The Small Business Job Protection Act of 1996 (Public Law 104-188) generally repealed the credit for tax years beginning after December 31, 1995.

Daniel S. Holik is an economist with the Special Studies Returns Analysis Section. This article was prepared under the direction of Chris Carson, Chief.

However, transition rules allow an existing possessions corporation to claim credits, with certain restrictions, through taxable years beginning before January 1, 2006. The Act eliminated the credit for qualified possessions source investment income received or accrued after June 31, 1996 [6]. Existing credit claimants could, however, continue to claim reduced credit amounts for active income using the percentage or economic-activity limitations [7]. The Act also implemented a base period constraint that limits the taxable income eligible for the credit for claimants using the percentage limitation method [8]. This base period constraint is effective for tax years beginning after December 31, 1997.

In general, to qualify for the possessions tax credit, a corporation must be a domestic corporation, organized under the laws of one of the 50 states, and have filed Form 5712, *Election To Be Treated as a Possessions Corporation under Section 936.* Once filed, this election remains in effect for 10 years, unless the taxpayer obtains permission for a revocation from the Internal Revenue Service.

Two gross income tests must also be satisfied. First, the possessions corporation must have derived 80 percent or more of its gross income from sources in a U.S. possession for the corporation's applicable period, which is generally the shorter of 36 months or the period when the corporation actively conducted a trade or business in a U.S. possession. The second test requires the corporation to derive at least 75 percent or more of its gross income from the active conduct of a trade or business in a U.S. possession. If these gross income tests are satisfied, a U.S. possessions corporation may claim the possessions tax credit for that portion of income earned from qualified sources in U.S. possessions. For Tax Year 2001, U.S. possessions included Puerto Rico, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the U.S. Virgin Islands.

The United States taxes its citizens and residents on their worldwide incomes. Because possessions corporations are domestic corporations, they are subject to U.S. taxation on income earned in U.S. possessions and other foreign tax jurisdictions. For U.S. tax purposes, income earned in U.S. possessions is generally considered foreign-source income. Unlike the foreign tax credit, the possessions tax credit reduces and, in some cases, eliminates the U.S. tax liability on qualified possessions income whether or not the possessions tax that income [9]. To attract U.S. investment, U.S. possessions typically tax the incomes of possessions corporations at low effective rates [10]. Thus, the income earned by possessions corporations from possessions sources tends to be subject to low worldwide effective tax rates.

Highlights

As shown in Figure A, the statistics for 2001 reflect a continuing trend of fewer U.S. possessions corporations reporting smaller amounts of possessions tax credits. For 2001, there were 246 active possessions corporations, an 18-percent decrease from the 300 active corporations for 1999 [11]. During this same time period, the total possessions tax credit decreased from $1.6 billion to $1.3 billion [12].

U.S. possessions corporations located in Puerto Rico continued to report virtually all of the possessions tax credits (Figure B). For 2001, some 136 Puerto Rico-based possessions corporations claimed $1.3 billion of possessions tax credits. These corporations also accounted for nearly all of the assets, receipts, and net income.

Figure A

Corporations Claiming the U.S. Possessions Tax Credit, Selected Tax Years, 1983-2001

[Money amounts are in billions of dollars]

Tax year	Number of active possessions corporations ¹	Corporations claiming credit	
		Number	U.S. possessions tax credit
	(1)	(2)	(3)
1983	625	553	2.0
1985	594	510	2.4
1987	516	452	2.8
1989	513	434	2.8
1991 ²	n/a	402	3.5
1993	474	395	4.6
1995	440	353	3.1
1997	378	310	2.8
1999	300	206	1.6
2001	246	171	1.3

n/a--Not available.

¹ An "active" corporation is a corporation that has item(s) of current income and/or deductions.

² No U.S. Possessions study was conducted for Tax Year 1991. The number of credit claimants and possessions tax credits published in *Statistics of Income--1991, Corporation Income Tax Returns* was used as a substitute.

Figure B

Total Assets, Total Receipts, Net Income, Tax, and U.S. Possessions Tax Credit, by U.S. Possession in Which Income Was Earned, 2001

[Money amounts are in thousands of dollars]

U.S. possession	Number of corporations claiming credit	Total assets	Total receipts	Net income (less deficit)	Income subject to tax	U.S. income tax before credits	U.S. possessions tax credit
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All U.S. possessions	**171**	**34,100,189**	**25,538,141**	**8,856,648**	**8,728,987**	**3,053,651**	**1,299,803**
Puerto Rico	136	32,792,201	24,393,915	8,664,094	8,536,654	2,986,627	1,252,728
U.S. Virgin Islands	4	117,448	62,197	19,399	19,232	6,710	3,768
Not specified or other U.S. Possessions	31	1,190,540	1,082,029	173,155	173,100	60,314	43,307

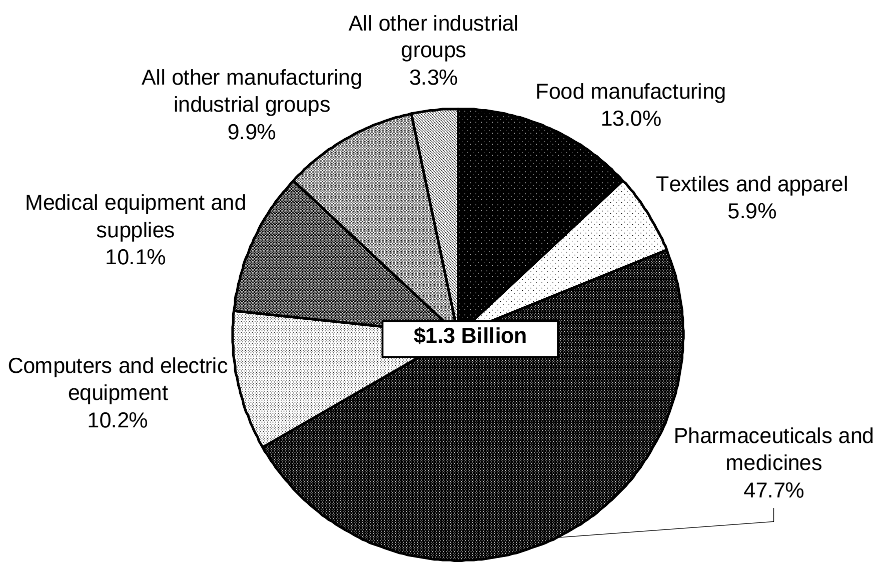
NOTE: Detail may not add to totals because of rounding.

As shown in Figure C, manufacturing corporations claimed the bulk of the possessions tax credit [13]. For 2001, manufacturers of food, textiles and apparel, pharmaceuticals and medicines, computers and electric equipment, and medical equipment and supplies claimed almost 87 percent of the $1.3-billion total credit.

Figure D, which provides statistics for credit claimants for 1997, 1999, and 2001, highlights the extent of the decline in the use of the possessions tax credit provisions. The number of credit claimants fell 17 percent to 171 for 2001. Assets and receipts reported for 2001 dropped to $34.1 billion (a 14-percent decline) and $25.5 billion (a 20-percent decline),

Figure C

U.S. Possessions Tax Credit, by Industrial Group, 2001



NOTE: Detail does not add to 100 percent because of rounding.

Figure D

Selected Information for U.S. Possessions Tax Credit Claimants, 1997, 1999, and 2001

[Money amounts are in thousands of dollars]

Item	1997	1999	2001
	(1)	(2)	(3)
Number of returns	310	206	171
Total assets	47,835,816	39,859,398	34,100,189
Total receipts	39,583,991	31,847,430	25,538,141
Income subject to tax	14,903,440	11,500,269	8,728,987
U.S. income tax before credits	5,213,057	4,023,543	3,053,651
U.S. possessions tax credit	2,795,176	1,605,735	1,299,803
U.S. possessions tax credit, total	2,795,176	1,605,735	1,299,803
Percent limitation method	1,954,034	955,332	777,816
Economic activity method	841,120	650,404	492,682
Unspecified method	21	--	29,304
Deduction for possessions taxes, total	298,031	179,686	98,947
Percent limitation method	294,474	177,343	98,133
Economic activity method	3,557	2,343	814
Possessions sales reported on Schedule P, total	59,748,281	48,086,748	40,264,206
Cost-sharing method	10,135,631	7,797,313	4,838,528
Profit-split method	49,612,650	40,289,435	35,425,679

NOTE: Detail may not add to totals because of rounding.

respectively. For 2001, U.S. income tax before credits fell 24 percent to $3.1 billion, and the total amount of possessions sales (as reported on Schedule P (Form 5735)) fell 16 percent to $40.3 billion.

For 2001, possessions corporations were subject to a limitation concerning the possessions tax credit derived from their active business incomes. With certain restrictions, corporations could elect to determine the possessions credit using either a percentage or economic-activity limitation computation. The percentage limitation method required taxpayers to compute the possessions tax credit for active income as a percentage of the credit that would have been allowed prior to Tax Year 1994. For 2001, the applicable percentage was 40 percent. Generally, corporations with large profits relative to labor and depreciation expenses elected the percentage limitation method. The economic-activity limitation was based on a formula that depended on the qualified compensation and depreciation deductions that a possession corporation incurred during the tax year [14]. Generally, corporations that had substantial labor and depreciation expenses relative to profits elected the economic-activity method.

Of the $1.3 billion possessions tax credit claimed for 2001, nearly 60 percent ($0.8 billion) was computed using the percentage limitation method, nearly 38 percent ($0.5 billion) was computed using the economic-activity limitation method, and the remaining 2 percent was reported by taxpayers that did not provide information about their credit computations. Most (over 91 percent) of the possessions tax credit computed using the percentage limitation method was attributable to corporations in the food manufacturing and pharmaceuticals and medicines industrial groups [15]. Use of the economic-activity method was spread throughout almost all industries. However, almost 56 percent of possessions credit computed using the economic-activity method was attributable to the textiles and apparel, computers and electric equipment, and medical equipment and supplies manufacturing industrial groups.

In general, possessions corporations were also allowed to deduct the portion of actual income taxes paid to U.S. possessions that related to possessions income not sheltered by the possessions tax credit. For 2001, the total deduction for possessions taxes paid was almost $0.1 billion (Figure D).

Summary

For Tax Year 2001, some 171 U.S. corporations reported $1.3 billion of possessions tax credits. The number of U.S. corporations claiming a possessions tax credit and the total amount of the credit reported continued declines that began in the 1990's. These declines were generally due to increased legislative restrictions on the use of the possessions tax credit.

As in prior years, pharmaceuticals and medicines manufacturers located in Puerto Rico reported the bulk of the possessions tax credit. The food manufacturing, medical equipment and supplies, computers and electric equipment, and textiles and apparel industries also claimed substantial amounts of possessions tax credits.

Data Sources and Limitations

The 2001 statistics are based on data compiled from all returns filed by U.S. possessions corporations with accounting periods ending between July 2001 and June 2002. Consequently, the data are not subject to sampling error.

The data may, however, contain nonsampling errors. Where possible, inconsistencies in the data were resolved to conform with provisions of the Internal Revenue Code. In cases where information reported was not logical, other data on the return were used to resolve errors.

Data were collected from Form 1120, *U.S. Corporation Income Tax Return*, for possessions corporations and supplemented by information collected from Form 5712, *Election To Be Treated as a Possessions Corporation Under Section 936*, Form 5735, *Possessions Corporation Tax Credit (Under Sections 936 and 30A)*, and Schedule P (Form 5735), *Allocation of Income and Expenses Under Section 936(h)(5)*. Due to processing differences, slight variations exist between the data in this article and the more limited statistics published in *Statistics of Income--2001, Corporation Income Tax Returns* and Table 13 of the Selected Historical and Other Data section of this volume.

Explanation of Selected Terms

Business Receipts.--Business receipts were the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. Generally, they represented all of a corporation's receipts except investment and incidental income.

Distributions to Stockholders.--Distributions to stockholders represent cash and property (other than company stock) distributions to stockholders during the current year.

Existing Credit Claimant.--A corporation was an existing credit claimant with respect to a possession if the corporation: 1) was engaged in the active conduct of a trade or business within the possession on October 13, 1995; and 2) elected the benefits of the possessions credit effective for its taxable year that included October 13, 1995. A corporation that acquired all of the assets of a trade or business of an existing credit claimant qualified as an existing credit claimant.

Income Subject to Tax.--This was generally the amount of income subject to tax at the corporate level. For most corporations, income subject to tax consisted of net income minus statutory special deductions (i.e., the net operating loss deduction and special deductions for dividends).

Intangible Assets.--Intangible assets represented the total gross value of goodwill, contracts, copyrights, formulas, licenses, patents, registered trademarks, franchises, covenants not to compete, and similar assets that were amortizable for tax purposes.

Passive Activity.--Passive activity generally included trade or business activity in which the corporation did not materially participate for the tax year, and with exceptions, rental activities regardless of the corporation's participation.

Qualified Possessions Source Investment Income.--Income attributable to the investment of funds derived from the active conduct of a trade or business in the same U.S. possession.

Notes and References

[1] Throughout this article, the North American Industry Classification System (NAICS) is used to categorize business activity of possessions corporations. See *North American Industry Classification System, United States, 2002*, Executive Office of the President, Office of Management and Budget for additional information about specific industrial groups. For example, the food manufacturing industrial group includes beverages and distilled spirits.

[2] Prior to the passage of the Tax Equity and Fiscal Responsibility Act of 1982, U.S. parent corporations could deduct research and development costs relative to an intangible asset (for example, a patent) and transfer the intangible to a related possessions corporation where the resulting income would qualify for the possessions tax credit under section 936. For further information, see General Accounting Office, "Report to the Chairman, Committee on Finance, U.S. Senate: Tax Policy, Puerto Rico Economic Trends," May, 1997.

[3] U.S. possessions corporations file Form 5712-A, *Election and Verification of the Cost-Sharing or Profit Split Method Under Section 936(h)(5)* to show under the direct labor or value added test that they have a significant business presence in a possession.

[4] Generally, the cost-sharing method allows a possessions corporation to earn income from intangible processes (that may have been developed by a parent and/or members of the

affiliated group) in the production of a product provided that the possessions corporation makes a cost-sharing payment (for use of the intangible processes) to the affiliate(s). Generally, the profit split method allows a possessions corporation to report income equal to 50 percent of the combined taxable income of the affiliated group from the production and sale of a product (while the remaining 50 percent of combined taxable income is allocated to the affiliated group). A comprehensive discussion of the cost-sharing and profit split methods is beyond the scope of this article.

[5] For more information on the legislative history, see Miller, Randy, "U.S. Possessions Corporations, 1995," *Statistics of Income Bulletin*, Summer 1999, Volume 19, Number 1.

[6] For tax years beginning before January 1, 2006, the Act's amendments with regard to both active and qualified possessions source investment income do not apply to existing credit claimants with respect to Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands. These claimants figure the credit under the rules in effect prior to the 1996 Act.

[7] With the passage of the Small Business Job Protection Act of 1996, credit claimants operating in Puerto Rico that use the economic activity limitation figure their credits under the new section 30A. Generally, the provisions of section 936 apply when computing the credit under section 30A. See the Explanation of Selected Terms section for a definition of the term "existing credit claimant."

[8] A similar cap is effective for credit claimants using the economic-activity limitation for taxable years beginning after December 31, 2001.

[9] Subject to numerous limitations, the foreign tax credit is available only for actual taxes paid or accrued or deemed paid. For more information on the foreign tax credit, see Luttrell, Scott, "Foreign Tax Credit, 2001," in this volume.

[10] For example, the Puerto Rican tax system is separate and independent from the U.S. tax system. Although it is modeled after the U.S. system, there are differences in law and tax rates. Puerto Rico provides various tax incentives for industries under the Tax Incentives Acts of 1987 and 1998 (see Note 13). A comprehensive discussion of U.S. possessions' tax systems is beyond the scope of this article.

[11] For more information on the possessions tax credit for Tax Years 1997 and 1999, see Nutter, Sarah E., "U.S. Possessions Corporation Returns, 1997 and 1999," *Statistics of Income Bulletin*, Summer 2003, Volume 23, Number 1.

[12] The amount of possessions tax credit is available for intervening years from the Statistics of Income corporation program. The credit was $3.2 billion for 1990, $3.5 billion for 1991, and $3.7 billion for 1992. For 1994, 1996, 1998, and 2000, the credit was $3.8 billion, $3.1 billion, $2.4 billion, and $1.4 billion, respectively.

[13] Puerto Rico has tax incentives that are primarily for companies in the manufacturing or export business. Nonmanufacturing companies generally pay the full Puerto Rican income tax and then claim the U.S. foreign tax credit. Thus, nonmanufacturing companies receive little reduction in U.S. income tax liabilities through the use of the possessions tax credit. For additional information, see General Accounting Office, "Report to the Chairman, Committee on Finance, U.S. Senate: Tax Policy, Puerto Rican Economic Trends," May, 1997.

[14] The labor component of the economic activity limit generally consists of 60 percent of the corporation's qualified wages and employee fringe benefits for the tax year, subject to certain limitations (see Internal Revenue Code sections 936(i)(1) and 936(i)(2) for more detailed information). The amount of depreciation expense taken into account when computing the economic activity limit depends on the useful life of each asset. Taxpayers compute 15 percent of the depreciation deduction for short-life property, 40 percent for medium-life property, and 65-percent for long-life property. Short-life property refers to property with a

useful life of 3 years to 5 years. Medium-life property is 7-year or 10-year property. Long-life property generally refers to property that is neither short-life nor medium-life.

[15] Source: data relative to the possessions tax credit computation method by selected industrial group are from unpublished statistics, SOI 2001 U.S. Possessions study.

SOURCE: IRS, Statistics of Income Bulletin, Fall 2005, Publication 1136. (Rev. 12-05.)

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2001

[Money amounts are in thousands of dollars]

Item	All industries	Agriculture, forestry, fishing, and hunting	Manufacturing: Total	Manufacturing: Food manufacturing	Manufacturing: Textiles and apparel	Manufacturing: Leather and allied products
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	**246**	**3**	**188**	**17**	**20**	**7**
Total assets [1]	**41,221,855**	**26,857**	**36,464,078**	**10,157,104**	**1,185,700**	**256,632**
Cash	2,351,201	1,495	2,262,650	650,900	33,999	20,771
Notes and accounts receivable	10,023,520	12,758	9,011,281	2,196,899	856,950	203,587
Less: Allowance for bad debts	35,739	26	13,582	7,529	1,684	2
Inventories	1,636,993	2,762	1,495,597	240,203	83,065	15,275
Investment in Government obligations	146	--	146	--	--	--
Tax-exempt securities	39,523	--	39,523	--	5,621	--
Other current assets	2,916,692	38	1,350,643	183,346	14,390	1,740
Loans to stockholders	139,673	--	91,121	--	6,312	--
Mortgage and real estate loans	23,625	--	86	--	86	--
Other investments	18,508,166	268	17,514,542	6,396,401	42,521	7,275
Depreciable assets	6,234,475	9,177	5,439,486	675,518	196,581	42,032
Less: Accumulated depreciation	2,923,622	4,782	2,640,017	300,613	111,171	32,981
Land	119,864	--	86,791	20,235	222	49
Intangible assets	540,852	--	390,312	48,984	--	--
Less: Accumulated amortization	216,376	--	154,165	12,907	--	--
Other assets	1,902,166	5,166	1,610,120	66,806	58,807	142
Assets balancing adjustment [2]	-39,303	--	-20,453	-1,139	--	-1,256
Total liabilities and stockholders' equity	**41,221,855**	**26,857**	**36,464,078**	**10,157,104**	**1,185,700**	**256,632**
Accounts payable	2,458,849	952	2,230,951	740,745	148,526	40,366
Current mortgages, notes, and bonds payable	683,413	--	250,476	4,255	3,837	--
Other current liabilities	941,425	243	714,741	75,921	34,318	4,384
Loans from stockholders	14,770	--	13,182	--	201	--
Long-term mortgages, notes, and bonds payable	634,997	73	270,031	191,837	17	--
Other liabilities	2,098,907	6,331	695,219	63,701	1,445	140
Preferred stock	714,324	--	689,184	600,001	202	--
Common stock	1,808,197	3	1,617,749	3,535	1,304	7,327
Paid-in or capital surplus	2,239,453	1,805	1,887,800	493,041	30,862	11,984
Retained earnings, appropriated	17,844	14,819	2,686	--	777	--
Retained earnings, unappropriated	29,717,384	2,631	28,192,144	7,989,214	964,299	192,432
Adjustments to stockholders' equity	-110	--	-110	--	--	--
Less: Cost of treasury stock	5,290	--	2,024	--	2	--
Liabilities balancing adjustment [2]	-102,307	--	-97,952	-5,146	-86	--

Footnotes at end of table.

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2001--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued: Paper products	Printing	Basic chemicals, resins, and agricultural chemicals	Pharmaceuticals and medicines	All other chemicals	Plastics and rubber products	Primary metals and fabricated metal products
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	**6**	**8**	**6**	**26**	**9**	**12**	**8**
Total assets [1]	**118,789**	**37,296**	**138,197**	**17,409,679**	**715,293**	**253,944**	**72,551**
Cash	17,879	7,210	6,657	983,184	103,473	10,198	2,123
Notes and accounts receivable	17,496	12,374	19,575	3,179,657	111,232	66,185	40,739
Less: Allowance for bad debts	296	82	600	1,017	188	717	41
Inventories	8,753	5,731	20,493	655,497	49,499	17,097	8,306
Investment in Government obligations	--	--	--	--	--	146	--
Tax-exempt securities	--	--	--	--	11,603	--	--
Other current assets	2,490	160	1,606	617,763	81,393	39,168	6,254
Loans to stockholders	--	950	8,566	--	42,500	--	--
Mortgage and real estate loans	--	--	--	--	--	--	--
Other investments	19,389	691	3,045	9,842,842	98,441	17,874	3,465
Depreciable assets	55,626	24,397	289,300	2,028,643	361,699	182,079	64,713
Less: Accumulated depreciation	33,474	15,550	236,583	793,558	156,608	99,222	55,208
Land	2,321	282	657	31,825	4,386	2,809	1,234
Intangible assets	23,515	1,384	32,604	20,283	667	17,992	817
Less: Accumulated amortization	500	551	21,304	9,846	203	3,490	--
Other assets	5,590	299	14,182	854,422	7,399	4,365	150
Assets balancing adjustment [2]	--	--	([3])	-18	--	-540	--
Total liabilities and stockholders' equity	**118,789**	**37,296**	**138,197**	**17,409,679**	**715,293**	**253,944**	**72,551**
Accounts payable	5,072	4,681	4,682	819,488	32,046	20,042	1,363
Current mortgages, notes, and bonds payable	1,900	1,862	--	91,875	88	1,847	891
Other current liabilities	4,433	1,357	4,073	306,765	38,194	8,680	1,427
Loans from stockholders	--	--	--	--	--	8,671	--
Long-term mortgages, notes, and bonds payable	--	3,310	1,185	33,023	93	3,898	562
Other liabilities	2,220	424	9,722	543,989	12,419	580	--
Preferred stock	--	18	3,475	2	135	28	--
Common stock	253	357	27,126	1,436,609	18,768	928	140
Paid-in or capital surplus	54,743	2,732	401,306	285,522	5,299	46,369	5,544
Retained earnings, appropriated	--	--	--	--	--	--	--
Retained earnings, unappropriated	50,401	22,555	-313,250	13,931,637	628,067	164,401	62,638
Adjustments to stockholders' equity	--	--	-121	--	--	--	--
Less: Cost of treasury stock	228	--	--	--	13	1,500	--
Liabilities balancing adjustment [2]	-6	--	--	-39,231	-19,804	--	-14

Footnotes at end of table.

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2001--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued					Wholesale trade	
	Machinery manufacturing	Computers and electric equipment	Transporation equipment manufacturing	Medical equipment and supplies	Miscellaneous	Durable goods wholesalers	Nondurable goods wholesalers
	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Number of returns	**7**	**31**	**4**	**17**	**4**	**7**	**7**
Total assets [1]	**548,059**	**2,374,527**	**307,544**	**2,024,609**	**57,255**	**156,383**	**168,973**
Cash	41,357	228,814	16,336	135,383	912	1,823	7,396
Notes and accounts receivable	105,466	810,531	155,610	876,200	32,796	83,617	115,229
Less: Allowance for bad debts	313	298	([3])	([3])	54	1,508	944
Inventories	35,236	167,690	20,391	110,070	4,470	22,191	32,801
Investment in Government obligations	--	--	--	--	--	--	--
Tax-exempt securities	--	3,610	--	18,689	--	--	--
Other current assets	50,265	181,846	255	167,285	30	2,433	1,946
Loans to stockholders	--	31,343	--	--	1,450	20,254	--
Mortgage and real estate loans	--	--	--	--	--	--	--
Other investments	100,509	570,650	96,319	162,258	--	--	287
Depreciable assets	84,431	563,567	53,748	702,996	44,319	31,765	16,692
Less: Accumulated depreciation	41,587	291,703	35,898	384,690	27,541	18,885	10,106
Land	2,356	8,503	442	6,485	806	2,386	127
Intangible assets	--	104,921	--	135,509	--	3,214	--
Less: Accumulated amortization	--	36,543	--	68,019	--	570	--
Other assets	170,338	31,597	342	179,942	68	9,735	5,547
Assets balancing adjustment [2]	--	-1	--	-17,498	--	-71	--
Total liabilities and stockholders' equity	**548,059**	**2,374,527**	**307,544**	**2,024,609**	**57,255**	**156,383**	**168,973**
Accounts payable	24,403	78,053	19,097	82,767	7,489	16,383	46,273
Current mortgages, notes, and bonds payable	--	1,784	--	524	--	3,765	40
Other current liabilities	116,060	38,860	5,284	56,437	3,001	53,710	15,625
Loans from stockholders	--	4,310	--	--	--	--	--
Long-term mortgages, notes, and bonds payable	--	561	--	35,402	--	5,050	2,453
Other liabilities	2,938	36,080	861	10,059	177	107	103
Preferred stock	--	323	--	([3])	([3])	83	--
Common stock	114,295	6,590	31	173	26	1,296	83,661
Paid-in or capital surplus	10,881	273,878	7,451	196,068	1,739	31,047	-37,245
Retained earnings, appropriated	--	--	--	--	1,909	--	--
Retained earnings, unappropriated	279,482	1,953,460	275,806	1,655,523	42,913	44,943	58,282
Adjustments to stockholders' equity	--	-42	1,489	-1,437	--	--	--
Less: Cost of treasury stock	--	281	--	--	--	--	134
Liabilities balancing adjustment [2]	--	-19,049	-2,475	-10,908	--	--	-85

Footnotes at end of table.

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2001--Continued

[Money amounts are in thousands of dollars]

Item	Retail trade	Publishing and information services	Finance and insurance	Real estate and rental and leasing	Professional services	Administrative support services	Accommodation and food services
	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Number of returns	**4**	**5**	**5**	**5**	**3**	**3**	**10**
Total assets [1]	**664,525**	**163,591**	**2,727,054**	**10,839**	**58,097**	**23,523**	**709,652**
Cash	6,588	41,388	414	90	1,104	13,496	13,618
Notes and accounts receivable	396,221	21,231	223,440	1,758	49,570	2,018	84,364
Less: Allowance for bad debts	12,491	1,086	2,080	830	124	49	683
Inventories	78,166	164	--	165	--	1,145	3,578
Investment in Government obligations	--	--	--	--	--	--	--
Tax-exempt securities	--	--	--	--	--	--	--
Other current assets	48	8,892	1,462,353	223	61	2,462	83,092
Loans to stockholders	--	--	--	--	23,198	--	1,462
Mortgage and real estate loans	--	--	23,539	--	--	--	--
Other investments	--	1	951,702	537	--	--	40,328
Depreciable assets	157,719	137,131	17,617	16,477	225	15,922	364,115
Less: Accumulated depreciation	76,495	52,267	6,774	9,125	216	10,060	80,461
Land	4,433	38	155	1,479	--	--	20,476
Intangible assets	--	69,554	--	--	--	--	77,772
Less: Accumulated amortization	--	61,641	--	--	--	--	--
Other assets	110,336	184	57,485	64	853	--	101,990
Assets balancing adjustment [2]	--	--	-795	--	-16,574	-1,410	([3])
Total liabilities and stockholders' equity	**664,525**	**163,591**	**2,727,054**	**10,839**	**58,097**	**23,523**	**709,652**
Accounts payable	31,945	37,461	69,176	5,260	1,541	6,043	11,709
Current mortgages, notes, and bonds payable	145,000	23,356	180,565	676	7	--	70,036
Other current liabilities	74,976	29,382	6,584	335	2,045	1,902	39,980
Loans from stockholders	--	--	--	--	--	--	149
Long-term mortgages, notes, and bonds payable	--	20,000	43,704	2,169	--	1,809	289,470
Other liabilities	--	5,847	1,360,517	--	--	170	30,612
Preferred stock	--	--	1	4,788	--	--	20,267
Common stock	10,016	3	5,790	103	1	8	87,546
Paid-in or capital surplus	85	86,904	83,105	613	--	9	185,328
Retained earnings, appropriated	--	--	171	--	--	--	169
Retained earnings, unappropriated	402,503	-39,361	977,852	-1,799	55,559	15,167	-23,168
Adjustments to stockholders' equity	--	--	--	--	--	--	--
Less: Cost of treasury stock	--	--	--	1,285	--	1,250	--
Liabilities balancing adjustment [2]	--	--	-412	-21	-1,056	-335	-2,446

[1] No returns reported depletable assets and accumulated depletion for 2001.

[2] For statistical purposes, negative balance sheet asset and liability accounts have been moved to, and included in, asset and liability balancing adjustment categories, respectively. This procedure was adopted to address the increased usage of negative items being reported on corporate balance sheets.

[3] Less than $500.

NOTE: Detail may not add to totals because of rounding.

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2001

[Money amounts are in thousands of dollars]

Item	All industries	Agriculture, forestry, fishing, and hunting	Manufacturing			
			Total	Food manufacturing	Textiles and apparel	Leather and allied products
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	**246**	**3**	**188**	**17**	**20**	**7**
Total receipts	**27,032,527**	**21,725**	**25,038,602**	**4,919,880**	**895,569**	**212,791**
Business receipts	25,422,128	20,391	23,824,082	4,439,994	878,034	184,822
Interest, except State and local government obligations	989,709	9	837,814	321,335	1,429	1,502
Interest on State and local government obligations	11,560	--	11,560	--	711	--
Rents	11,062	--	1,363	1,211	--	12
Royalties	12,715	--	12,715	--	--	--
Net short-term capital gain	137	--	137	--	--	--
Net long-term capital gain	9,214	--	6,713	3	547	--
Net gain, noncapital assets	3,953	--	3,834	83	3,311	([1])
Dividends, other than constructive distributions	255,287	--	204,495	13,454	141	--
Other receipts	442,226	1,325	261,132	143,838	11,396	26,455
Total deductions [2]	**18,200,806**	**16,925**	**16,384,825**	**3,575,492**	**614,656**	**194,843**
Cost of sales and operations	8,000,410	11,926	7,025,896	1,341,024	537,050	146,294
Compensation of officers	9,550	--	6,733	1,952	176	20
Salaries and wages	416,700	994	206,329	32,309	11,513	2,572
Repairs	46,090	130	28,763	3,734	333	20
Bad debts	29,470	42	2,599	854	72	--
Rents paid	69,169	603	35,476	2,988	4,601	1,332
Taxes paid	266,517	1,039	222,940	47,272	12,952	698
Interest paid	99,121	3	43,731	15,082	365	5
Contributions	8,494	2	8,221	724	106	([1])
Amortization	15,561	--	14,046	6,802	--	--
Depreciation	308,174	725	254,717	30,162	13,791	1,889
Advertising	102,144	--	65,999	48,331	2,707	17
Pension, profit-sharing, stock bonus, and annuity plans	34,714	--	31,272	4,765	768	4
Employee benefit programs	251,510	16	103,879	12,459	10,836	548
Net loss, noncapital assets	-45,678	--	-45,181	-30,536	-111	-1,624
Other deductions	8,530,256	1,447	8,317,048	2,010,845	19,260	39,820
Total receipts less total deductions	8,838,743	4,799	8,660,800	1,344,388	280,913	17,948
Net income (less deficit)	8,827,184	4,799	8,649,241	1,344,388	280,202	17,948
Net income	9,024,755	4,799	8,836,813	1,391,138	280,724	25,439
Deficit	-197,571	--	-187,572	-46,750	-523	-7,491
Net income (less deficit) per books	6,380,183	4,594	6,262,731	1,067,472	293,551	14,873
Income subject to tax	8,888,909	4,622	8,708,876	1,390,197	280,244	25,313
U.S. income tax before credits:						
Total	3,110,471	1,571	3,047,366	487,172	97,965	8,839
Regular tax	3,109,329	1,571	3,046,442	486,568	97,962	8,839
U.S. possessions tax credit	1,299,803	1,419	1,257,494	168,423	76,396	7,148
Foreign tax credit	34,353	--	28,255	11,382	--	--
General business credit	931	--	931	--	--	--
Other credits	835	--	835	--	--	44
Total U.S. income tax after credits	1,774,550	152	1,759,852	307,367	21,569	1,647
Distributions to stockholders	5,217,840	--	5,167,520	560,590	16,409	65,211

Footnotes at end of table.

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2001--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued						
	Paper products	Printing	Basic chemicals, resins, and agricultural chemicals	Pharmaceuticals and medicines	All other chemicals	Plastics and rubber products	Primary metals and fabricated metal products
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	**6**	**8**	**6**	**26**	**9**	**12**	**8**
Total receipts	**99,435**	**46,655**	**149,528**	**11,926,031**	**668,953**	**232,687**	**65,186**
Business receipts	98,977	46,097	147,581	11,365,868	697,605	225,079	64,711
Interest, except State and local government obligations	136	160	277	426,387	12,498	3,449	111
Interest on State and local government obligations	84	--	--	514	1,124	--	102
Rents	--	--	39	50	--	--	50
Royalties	--	--	--	12,660	--	--	--
Net short-term capital gain	--	--	--	--	137	--	--
Net long-term capital gain	--	--	146	4,600	115	--	163
Net gain, noncapital assets	--	11	--	--	--	26	--
Dividends, other than constructive distributions	--	110	--	105,388	1,268	--	--
Other receipts	237	277	1,484	50,158	1,928	4,132	49
Total deductions [2]	**85,110**	**38,129**	**210,130**	**6,494,561**	**525,836**	**205,660**	**61,462**
Cost of sales and operations	74,214	28,178	103,480	1,986,568	280,551	153,125	53,562
Compensation of officers	--	56	817	459	477	--	45
Salaries and wages	2,551	2,198	12,772	66,057	17,546	9,341	936
Repairs	635	51	7,893	3,661	1,629	3,227	31
Bad debts	46	84	512	107	88	122	21
Rents paid	492	642	1,242	4,357	1,910	3,973	315
Taxes paid	576	864	2,493	117,445	3,092	3,655	950
Interest paid	48	403	--	22,273	1,593	425	368
Contributions	27	1	23	6,858	117	29	6
Amortization	1,621	156	764	1,083	--	1,196	--
Depreciation	1,922	1,688	34,150	59,707	17,156	10,836	1,174
Advertising	--	51	91	615	10,663	51	159
Pension, profit-sharing, stock bonus, and annuity plans	104	416	11,616	305	603	258	108
Employee benefit programs	712	726	4,361	21,101	9,085	3,893	678
Net loss, noncapital assets	-77	-1	-32	-3,851	-350	-211	--
Other deductions	3,709	2,848	30,648	4,196,193	180,994	16,556	3,412
Total receipts less total deductions	14,325	8,525	-60,602	5,438,492	143,117	27,028	3,724
Net income (less deficit)	14,240	8,525	-60,602	5,437,979	141,992	27,028	3,622
Net income	14,513	9,155	25,528	5,445,753	142,019	31,037	4,314
Deficit	-273	-629	-86,130	-7,775	-27	-4,009	-692
Net income (less deficit) per books	14,723	7,074	-136,719	3,860,779	134,221	29,434	3,658
Income subject to tax	14,513	9,155	24,947	5,404,155	140,804	31,037	4,287
U.S. income tax before credits:							
Total	5,045	3,099	8,631	1,891,314	49,309	10,653	1,476
Regular tax	5,045	3,099	8,631	1,891,241	49,282	10,653	1,476
U.S. possessions tax credit	4,833	2,473	5,944	620,032	44,537	9,679	1,391
Foreign tax credit	--	24	30	14,504	11	2	2
General business credit	--	--	--	931	--	--	--
Other credits	--	--	--	--	771	--	19
Total U.S. income tax after credits	212	602	2,657	1,255,847	3,990	972	64
Distributions to stockholders	8,000	5,509	23,723	3,538,389	90,400	30,618	4,263

Footnotes at end of table.

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2001--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued					Wholesale trade	
	Machinery manufacturing	Computers and electric equipment	Transporation equipment manufacturing	Medical equipment and supplies	Miscellaneous	Durable goods wholesalers	Nondurable goods wholesalers
	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Number of returns	**7**	**31**	**4**	**17**	**4**	**7**	**7**
Total receipts	**579,331**	**2,695,510**	**92,266**	**1,932,284**	**67,739**	**100,778**	**407,224**
Business receipts	487,354	2,661,903	86,948	1,927,139	66,756	99,146	406,620
Interest, except State and local government obligations	8,057	18,751	4,822	30,550	67	1,252	349
Interest on State and local government obligations	--	9,024	--	--	--	--	--
Rents	--	--	--	--	--	93	--
Royalties	--	55	--	--	--	--	--
Net short-term capital gain	--	--	--	--	--	--	--
Net long-term capital gain	--	1,139	--	--	--	--	201
Net gain, noncapital assets	2	3	4	--	--	5	--
Dividends, other than constructive distributions	83,906	5	223	--	--	--	--
Other receipts	12	4,247	--	14,590	1,463	282	246
Total deductions ²	**360,855**	**2,120,772**	**72,006**	**1,366,284**	**51,414**	**94,808**	**397,440**
Cost of sales and operations	220,188	876,432	61,349	766,928	33,787	68,328	325,238
Compensation of officers	--	1,328	--	896	--	204	--
Salaries and wages	14,373	15,493	659	5,218	858	12,741	26,722
Repairs	4,330	2,365	5	230	59	475	1,119
Bad debts	17	50	--	8	34	91	1,533
Rents paid	1,548	5,857	488	4,723	303	567	2,693
Taxes paid	5,127	17,811	1,134	7,415	694	1,608	2,836
Interest paid	563	244	--	26	--	1,220	665
Contributions	55	74	11	25	6	4	--
Amortization	--	884	--	1,394	146	73	9
Depreciation	5,947	26,896	2,707	44,087	804	2,278	1,727
Advertising	1	615	--	511	7	338	9,118
Pension, profit-sharing, stock bonus, and annuity plans	691	3,316	120	8,054	23	151	234
Employee benefit programs	12,947	16,300	1,070	2,865	103	946	1,047
Net loss, noncapital assets	-40	-4,726	-5	-3,614	-1	-16	-45
Other deductions	101,491	1,151,376	4,498	523,498	14,733	7,493	24,787
Total receipts less total deductions	218,476	574,738	20,260	566,000	16,325	5,970	9,783
Net income (less deficit)	218,476	565,714	20,260	566,000	16,325	5,970	9,783
Net income	218,477	570,142	20,260	566,089	18,195	6,244	12,119
Deficit	-1	-4,428	--	-89	-1,869	-274	-2,336
Net income (less deficit) per books	151,592	324,696	18,680	423,361	20,620	3,615	9,294
Income subject to tax	135,787	570,142	20,037	566,089	18,195	5,995	12,043
U.S. income tax before credits:							
Total	47,192	199,154	6,850	198,453	6,336	2,084	4,395
Regular tax	47,188	199,154	6,850	198,240	6,336	2,084	4,394
U.S. possessions tax credit	28,347	132,897	5,092	131,317	6,289	2,053	2,208
Foreign tax credit	173	--	--	588	--	--	--
General business credit	--	--	--	--	--	--	--
Other credits	--	--	--	--	--	--	--
Total U.S. income tax after credits	18,672	66,257	1,758	66,548	47	31	2,187
Distributions to stockholders	81,240	249,335	8,932	460,529	16,371	--	8,000

Footnotes at end of table.

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2001--Continued

[Money amounts are in thousands of dollars]

Item	Retail trade	Publishing and information services	Finance and insurance	Real estate and rental and leasing	Professional services	Administrative support services	Accommodation and food services
	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Number of returns	**4**	**5**	**5**	**5**	**3**	**3**	**10**
Total receipts	**538,529**	**101,358**	**193,351**	**5,330**	**192,642**	**18,123**	**383,628**
Business receipts	436,093	89,672	4,460	5,071	187,003	18,020	301,424
Interest, except State and local government obligations	(1)	1,813	134,891	40	5,639	103	7,089
Interest on State and local government obligations	--	--	--	--	--	--	--
Rents	--	9,175	--	55	--	--	330
Royalties	--	--	--	--	--	--	--
Net short-term capital gain	--	--	--	--	--	--	--
Net long-term capital gain	--	--	2,300	--	--	--	--
Net gain, noncapital assets	--	--	--	115	--	--	--
Dividends, other than constructive distributions	162	--	50,630	--	--	--	--
Other receipts	102,274	698	1,098	48	(1)	--	74,785
Total deductions [2]	**478,211**	**87,460**	**163,921**	**5,517**	**181,102**	**16,692**	**343,371**
Cost of sales and operations	283,023	2,800	--	310	179,019	14,622	84,402
Compensation of officers	1,835	--	639	139	--	--	--
Salaries and wages	54,329	8,751	7,028	809	315	647	89,511
Repairs	8,230	237	1	147	1	2	6,594
Bad debts	20,523	1,528	25	(1)	66	--	630
Rents paid	11,549	610	117	169	154	109	15,957
Taxes paid	17,050	2,601	929	250	324	188	15,826
Interest paid	7,219	6,261	13,410	375	--	--	24,567
Contributions	94	17	--	(1)	--	1	155
Amortization	--	174	--	5	--	--	1,255
Depreciation	11,186	17,749	1,974	2,446	18	129	13,879
Advertising	15,360	208	19	2	--	1	10,892
Pension, profit-sharing, stock bonus, and annuity plans	2,116	1	203	--	--	30	707
Employee benefit programs	6,555	744	133,981	150	211	215	2,180
Net loss, noncapital assets	-284	--	-49	(1)	--	--	-1
Other deductions	40,115	45,953	5,552	718	995	747	78,068
Total receipts less total deductions	60,318	13,898	29,430	-187	11,540	1,431	40,256
Net income (less deficit)	60,318	13,898	29,430	-187	11,540	1,431	40,256
Net income	60,470	17,652	29,770	404	11,540	1,930	40,483
Deficit	-152	-3,754	-340	-591	--	-500	-227
Net income (less deficit) per books	32,433	-3,803	34,177	-368	11,687	1,478	22,887
Income subject to tax	59,778	17,652	29,689	401	11,540	1,930	33,859
U.S. income tax before credits:							
Total	20,922	6,151	10,358	137	4,042	676	11,899
Regular tax	20,922	6,151	10,306	137	4,042	676	11,733
U.S. possessions tax credit	20,865	12	1,503	137	3,046	640	9,754
Foreign tax credit	--	6,076	--	--	--	--	22
General business credit	--	--	--	--	--	--	--
Other credits	--	--	--	--	--	--	--
Total U.S. income tax after credits	57	63	8,855	--	996	36	2,122
Distributions to stockholders	--	--	12,172	--	--	--	30,148

[1] Less than $500.

[2] No returns reported depletion deductions for 2001.

NOTE: Detail may not add to totals because of rounding.