

U. S. Possessions Corporation Returns, 2003

by Daniel S. Holik

For Tax Year 2003, the number of U.S. corporations claiming the possessions tax credit (136) and the amount of the credit claimed (\$1.1 billion) continued declines that began in the 1990s. These declines coincide with increased legislative restrictions on the use of the possessions tax credit.

Most of the U.S. corporations claiming a possessions tax credit for 2003 did so with respect to their operations in Puerto Rico. These 128 corporations claimed more than 98 percent of the total possessions tax credit.

Manufacturers continued to claim virtually all (nearly 97 percent) of the possessions tax credit. As in prior years, pharmaceuticals and medicines manufacturers accounted for the largest share of the credit. For 2003, some 19 pharmaceuticals and medicines manufacturers reported possessions tax credits of \$0.6 billion, approximately 53 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].

Qualification To Be a Possession Corporation

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 2003, 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, residents, and corporations on their worldwide income. 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 [2]. U.S. possessions typically employ a combination of modest statutory rates and tax holidays, which together translate to fairly low effective tax rates [3]. Thus, the income earned by possessions corporations from possessions sources tends to be subject to low total effective tax rates.

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 for 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 only a credit against taxes paid on income derived from the active conduct of a trade or business in a possession and "qualified possessions

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

U. S. Possessions Corporation Returns, 2003

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 [4]. A possessions corporation could elect out of this general rule if it demonstrated that it had a significant business presence in the possession in which it operated, by meeting either a direct labor test or a value added test with respect to a specific product or type of service [5]. 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 [6]. 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 1990s 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 income and credit computation 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) [7].

The Small Business Job Protection Act of 1996 generally repealed the credit for tax years beginning after December 31, 1995. 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 [8]. Existing credit claimants could, however, continue to claim reduced credit amounts for active income using the percentage or economic-activity limitations [9]. The Act also implemented a base period constraint that limits the taxable income eligible for the credit for claimants using the percentage limitation method [10]. This base period constraint is effective for tax years beginning after December 31, 1997.

Highlights

As shown in Figure A, the statistics for 2003 reflect a continuing trend of fewer U.S. possessions corporations reporting smaller amounts of possessions tax credits. For 2003, there were 201 active possessions corporations, an 18-percent decrease from the 246 active corporations for 2001 [11]. During this same time period, the total possessions tax credit decreased from \$1.3 billion to \$1.1 billion [12].

U.S. possessions corporations with operations in Puerto Rico continued to report virtually all of the possessions tax credits (Figure B). For 2003, some 128 Puerto Rico-based possessions corporations claimed \$1.1 billion of possessions tax credits. These

Figure A

Corporations Claiming the U.S. Possessions Tax Credit, Selected Tax Years, 1983-2003

[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
2003.....	201	136	1.1

n/a--Not available.

¹ An active corporation is a corporation that has current income and/or deductions. A possessions corporation is a domestic corporation that has filed Form 5712, *Election To Be Treated as a Possessions Corporation Under Section 936*.

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.

U. S. Possessions Corporation Returns, 2003

Figure B

Selected Information for U.S. Possessions Tax Credit Claimants, by U.S. Possession in Which Income Was Earned, 2003

[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.....	136	34,634,123	19,259,749	7,083,438	6,872,859	2,404,421	1,107,000
Puerto Rico	128	34,395,690	18,734,404	7,022,362	6,811,783	2,383,091	1,088,816
U.S. Virgin Islands	3	79,022	53,265	18,017	18,017	6,306	3,648
Other U.S. possessions.....	5	159,410	472,080	43,059	43,059	15,023	14,536

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

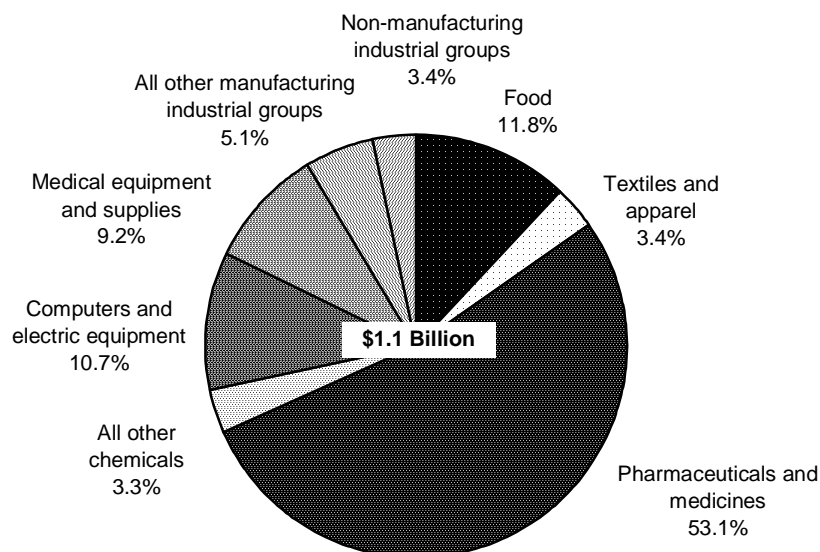
corporations also accounted for nearly all of the assets, receipts, and net income of corporations claiming the credit.

As shown in Figure C, manufacturing corporations claimed the bulk of the possessions tax credit [13]. For 2003, manufacturers of food, textiles and apparel, pharmaceuticals and medicines, computers and electric equipment, and medical equipment and supplies claimed more than 88 percent of the \$1.1 billion total credit.

Figure D, which provides statistics for credit claimants for 1997, 1999, 2001, and 2003, highlights the extent of the decline in the use of the possessions tax credit provisions. The number of credit claimants fell 20 percent to 136 for 2003. Assets reported for 2003 rose slightly to \$34.6 billion (a 2-percent increase), while receipts dropped to \$19.3 billion (a 25-percent decline). For 2003, U.S. income tax before credits fell 21 percent to \$2.4 billion, and the total amount of possessions sales fell 13 percent to \$34.9 billion.

Figure C

U.S. Possessions Tax Credit, by Industrial Group, 2003



U. S. Possessions Corporation Returns, 2003

Figure D

Selected Information for U.S. Possessions Tax Credit Claimants, 1997, 1999, 2001, and 2003

[Money amounts are in thousands of dollars]

Item	1997	1999	2001	2003
	(1)	(2)	(3)	(4)
Number of corporations claiming credit.....	310	206	171	136
Total assets.....	47,835,816	39,859,398	34,100,189	34,634,123
Total receipts.....	39,583,991	31,847,430	25,538,141	19,259,749
Net income (less deficit).....	14,947,780	11,717,812	8,827,184	7,076,723
Income subject to tax.....	14,903,440	11,500,269	8,728,987	6,872,859
U.S. income tax before credits.....	5,213,057	4,023,543	3,053,651	2,404,421
U.S. possessions tax credit, total.....	2,795,176	1,605,735	1,299,803	1,107,000
Percent limitation method.....	1,954,034	955,332	777,816	722,730
Economic activity method.....	841,120	650,404	492,682	383,837
Unspecified method.....	21	--	29,304	432
Deduction for possessions taxes, total.....	298,031	179,686	98,947	84,048
Percent limitation method.....	294,474	177,343	98,133	83,192
Economic activity method.....	3,557	2,343	814	856
Possessions sales, total ¹	59,748,281	48,086,748	40,264,206	34,873,014
Cost-sharing method.....	10,135,631	7,797,313	4,838,528	4,710,002
Profit-split method.....	49,612,650	40,289,435	35,425,679	30,163,012

¹ Reported on Form 5737, *Possession Corporation Tax Credit (Under Sections 936 and 30A)*, Schedule P, *Allocation of Income and Expenses Under Section 936 (h)(5)*.

The sales totals shown above include amounts allocated to both the possession corporations and their parent corporations (or affiliated groups). See the text for additional discussion of these allocations.

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

For 2003, 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 2003, 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 \$1.1 billion possessions tax credit claimed for 2003, over 65 percent (\$0.7 billion) was computed using the percentage limitation method, and nearly 35 percent (\$0.4 billion) was computed using the economic-activity limitation method. Most (over 93

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 48 percent of possessions credit computed using the economic-activity method was attributable to the 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 2003, the total deduction for possessions taxes paid was almost \$0.1 billion.

Summary

For Tax Year 2003, some 136 U.S. corporations reported \$1.1 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 1990s. These declines coincide with increased legislative restrictions on the use of the possessions tax credit.

U. S. Possessions Corporation Returns, 2003

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 2003 statistics are based on data compiled from all returns filed by U.S. possessions corporations with accounting periods ending between July 2003 and June 2004. 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--2003, Corporation Income Tax Returns*.

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] 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 "Foreign Tax Credit, 2002," scheduled to be published in the Fall 2006 *SOI Bulletin*.
- [3] 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

U. S. Possessions Corporation Returns, 2003

rates. Puerto Rico provides various tax incentives for industries under the Tax Incentives Acts of 1987 and 1998 (see Note 13).

- [4] 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.
- [5] 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.
- [6] 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).
- [7] 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.
- [8] For tax years beginning before January 1, 2006, the Act's amendments with regards 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.

- [9] 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."
- [10] A similar cap is effective for credit claimants using the economic-activity limitation for taxable years beginning after December 31, 2001.
- [11] For more information on the possessions tax credit for Tax Years 1997, 1999, and 2001, see Nutter, Sarah E., "U.S. Possessions Corporation Returns, 1997 and 1999," *Statistics of Income Bulletin*, Summer 2003, Volume 23, Number 1, and Holik, Daniel S., "U.S. Possessions Corporations Returns, 2001", *Statistics of Income Bulletin*, Fall 2005, Volume 25, Number 2.
- [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, 2000, and 2002, the credit was \$3.8 billion, \$3.1 billion, \$2.4 billion, \$1.4 billion, and \$1.2 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 the 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

U. S. Possessions Corporation Returns, 2003

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 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] Data relative to the possessions tax credit computation method by selected industrial group are from unpublished statistics, SOI 2003 U.S. Possessions study.

U. S. Possessions Corporation Returns, 2003

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2003

[Money amounts are in thousands of dollars]

Item	All industries	Manufacturing					
		Total	Food manufacturing	Textiles and apparel	Leather and allied products	Paper products	Printing
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns.....	201	145	15	9	4	5	7
Total assets.....	40,026,934	35,228,225	9,340,955	1,239,616	254,677	89,932	35,847
Cash.....	1,786,524	1,696,218	104,766	878,102	21,798	6,747	7,739
Notes and accounts receivable.....	9,238,235	8,361,002	1,092,517	177,252	199,759	10,616	11,551
Less: Allowance for bad debts.....	17,864	11,070	1,333	1,047	2	237	273
Inventories.....	1,878,370	1,738,967	159,091	68,089	17,725	10,144	3,300
Investment in Government obligations	337	337	--	--	--	--	--
Tax-exempt securities.....	7,078	4,760	--	--	--	--	--
Other current assets.....	1,308,537	1,091,266	85,816	9,693	1,061	970	676
Loans to stockholders.....	28,581	1,053	--	--	--	--	831
Mortgage and real estate loans.....	15,502	32	--	32	--	--	--
Other investments.....	20,270,693	17,831,935	7,564,701	20,633	7,625	2,441	6,463
Depreciable assets.....	6,520,680	5,863,414	577,827	153,380	34,593	54,362	15,535
Less: Accumulated depreciation.....	3,514,067	3,176,936	289,928	88,531	27,294	35,896	10,877
Depletable assets.....	190	190	--	--	--	--	--
Less: Accumulated depletion.....	190	190	--	--	--	--	--
Land.....	107,025	95,064	9,533	--	49	2,650	232
Intangible assets	520,833	400,975	26,952	--	--	23,505	1,378
Less: Accumulated amortization.....	181,700	118,206	14,318	--	--	921	758
Other assets.....	2,087,335	1,459,588	25,843	22,014	102	15,549	49
Assets balancing adjustment ¹	-29,166	-10,173	-512	--	-738	--	(²)
Total liabilities and stockholders' equity.....	40,026,934	35,228,225	9,340,955	1,239,616	254,677	89,932	35,847
Accounts payable.....	2,165,554	1,710,124	204,872	79,665	22,731	1,552	4,398
Current mortgages, notes, and bonds payable.....	628,211	371,821	242	6	--	1,923	918
Other current liabilities.....	698,832	486,810	76,123	20,012	4,366	2,621	1,297
Loans from stockholders.....	14,457	12,023	--	--	--	--	--
Long-term mortgages, notes, and bonds payable..	730,955	321,944	190,866	6	--	3,047	889
Other liabilities.....	3,600,683	2,162,335	72,760	--	245	3,919	522
Preferred stock ³	670,825	680,549	600,167	195	--	--	18
Common stock.....	1,684,744	1,520,013	3,428	318	251	253	357
Paid-in or capital surplus ³	2,160,964	1,944,020	229,097	12,069	1,673	46,051	2,731
Retained earnings, appropriated.....	23,072	--	--	--	--	--	--
Retained earnings, unappropriated.....	28,011,036	26,317,530	7,967,533	1,127,345	225,411	41,854	24,717
Adjustments to stockholders' equity.....	-4,331	-2,094	-317	--	--	--	--
Less: Cost of treasury stock.....	29,865	3,331	--	--	--	--	--
Liabilities balancing adjustment ¹.....	-328,203	-293,518	-3,815	--	--	-11,288	--

Footnotes at end of table.

U. S. Possessions Corporation Returns, 2003

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2003--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued					
	Pharmaceuticals and medicines	All other chemicals	Plastics and rubber products	Nonmetallic mineral products	Primary and fabricated metals	Machinery manufacturing
	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns.....	19	8	9	3	7	6
Total assets.....	16,714,327	372,882	187,084	64,697	73,648	1,264,081
Cash.....	125,900	18,805	19,139	4,036	1,410	1,738
Notes and accounts receivable.....	4,515,834	41,987	58,284	19,310	42,299	372,552
Less: Allowance for bad debts.....	492	187	445	1,700	65	289
Inventories.....	1,005,858	37,357	13,798	6,425	7,746	21,680
Investment in Government obligations.....	--	--	337	--	--	--
Tax-exempt securities.....	--	--	--	--	--	--
Other current assets.....	404,982	56,817	2,698	4,922	9,844	19,470
Loans to stockholders.....	--	--	--	--	--	--
Mortgage and real estate loans.....	--	--	--	--	--	--
Other investments.....	8,770,202	34,616	22,282	1,436	2,256	552,280
Depreciable assets.....	2,103,944	371,909	142,849	59,914	63,368	92,095
Less: Accumulated depreciation.....	937,487	197,899	78,511	44,204	55,970	50,042
Depletable assets.....	--	--	--	190	--	--
Less: Accumulated depletion.....	--	--	--	190	--	--
Land.....	36,678	4,063	2,731	1,377	1,234	2,479
Intangible assets.....	25,553	667	--	1,490	--	--
Less: Accumulated amortization.....	14,581	203	--	643	--	--
Other assets.....	678,010	5,069	4,377	12,338	1,526	252,119
Assets balancing adjustment ¹	-74	-119	-458	-5	--	--
Total liabilities and stockholders' equity.....	16,714,327	372,882	187,084	64,697	73,648	1,264,081
Accounts payable.....	798,507	27,556	20,025	2,490	3,038	30,097
Current mortgages, notes, and bonds payable.....	3,960	179	8,797	7,300	30	171,777
Other current liabilities.....	175,876	22,661	7,748	6,317	1,077	22,363
Loans from stockholders.....	--	--	12,023	--	--	--
Long-term mortgages, notes, and bonds payable..	35,469	437	414	--	578	--
Other liabilities.....	1,916,287	55,003	910	1,242	--	7,254
Preferred stock ³	--	135	28	--	1	--
Common stock.....	1,181,509	443	619	1	36	114,296
Paid-in or capital surplus ³	195,473	6,510	21,030	16,485	5,554	518,913
Retained earnings, appropriated.....	--	--	--	--	--	--
Retained earnings, unappropriated.....	12,604,004	297,767	116,990	32,153	70,602	401,111
Adjustments to stockholders' equity.....	--	--	--	-1,290	--	--
Less: Cost of treasury stock.....	--	13	1,500	--	--	--
Liabilities balancing adjustment ¹	-196,759	-37,797	--	--	-7,268	-1,729

Footnotes at end of table.

U. S. Possessions Corporation Returns, 2003

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2003--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued				Wholesale trade	
	Computers and electric equipment	Transportation equipment manufacturing	Medical equipment and supplies	Miscellaneous manufacturing	Durable goods wholesalers	Nondurable goods wholesalers
	(14)	(15)	(16)	(17)	(18)	(19)
Number of returns.....	26	4	15	3	8	7
Total assets.....	1,983,472	185,977	2,356,677	564,252	193,504	382,749
Cash.....	107,876	40,274	326,594	27,404	2,398	1,098
Notes and accounts receivable.....	747,204	8,709	938,232	112,108	109,401	339,294
Less: Allowance for bad debts.....	64	(²)	317	3,455	1,566	833
Inventories.....	105,375	6,268	116,916	50,844	22,673	28,375
Investment in Government obligations	--	--	--	--	--	--
Tax-exempt securities.....	4,760	--	--	--	--	--
Other current assets.....	55,594	92,913	80,193	7,137	3,566	3,937
Loans to stockholders.....	222	--	--	--	23,402	--
Mortgage and real estate loans.....	--	--	--	--	--	--
Other investments.....	651,548	25,687	149,306	20,458	12,989	302
Depreciable assets.....	512,806	38,287	793,516	462,786	34,105	15,169
Less: Accumulated depreciation.....	316,575	26,910	457,374	269,994	23,673	9,934
Depletable assets.....	--	--	--	--	--	--
Less: Accumulated depletion.....	--	--	--	--	--	--
Land.....	9,212	250	6,133	4,466	923	--
Intangible assets	100,055	--	15,235	195,153	729	--
Less: Accumulated amortization.....	19,835	--	11,118	47,674	539	--
Other assets.....	28,153	500	404,771	5,020	9,369	5,342
Assets balancing adjustment ¹	-2,859	--	-5,408	--	-272	--
Total liabilities and stockholders' equity.....	1,983,472	185,977	2,356,677	564,252	193,504	382,749
Accounts payable.....	133,602	811	75,943	94,861	16,928	250,106
Current mortgages, notes, and bonds payable.....	2,590	--	759	173,319	10,759	66
Other current liabilities.....	40,000	8,924	79,034	10,604	39,818	21,541
Loans from stockholders.....	--	--	--	--	--	147
Long-term mortgages, notes, and bonds payable..	1,346	--	76,553	12,296	19,075	2,355
Other liabilities.....	43,602	276	6,886	40,116	3,362	-49
Preferred stock ³	5	--	(²)	--	--	--
Common stock.....	6,459	30	27	184,950	1,405	88,719
Paid-in or capital surplus ³	234,380	6,846	196,770	5,761	32,231	-42,303
Retained earnings, appropriated.....	--	--	--	--	--	--
Retained earnings, unappropriated.....	1,554,155	170,441	1,922,601	43,595	71,675	62,398
Adjustments to stockholders' equity.....	84	--	-571	--	-560	--
Less: Cost of treasury stock.....	568	--	--	1,250	--	134
Liabilities balancing adjustment ¹	-32,183	-1,353	-1,326	--	-1,190	-96

Footnotes at end of table.

U. S. Possessions Corporation Returns, 2003

Table 1.--U.S. Possessions Corporations: Balance Sheet Items, by Selected Industry, 2003--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	Company management	Accommodation and food services
	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Number of returns.....	3	4	5	7	7	3	6
Total assets.....	609,665	182,357	2,799,695	27,354	255,362	1,371	302,287
Cash.....	6,733	66,867	478	1,291	177	15	9,822
Notes and accounts receivable.....	5,796	12,684	310,020	2,958	51,830	(²)	22,140
Less: Allowance for bad debts.....	47	511	1,388	(²)	(²)	(²)	52
Inventories.....	75,051	--	--	--	6,380	--	4,002
Investment in Government obligations.....	--	--	--	--	--	--	--
Tax-exempt securities.....	--	--	2,317	--	--	--	--
Other current assets.....	51	9,245	62,753	1,381	127,395	740	4,881
Loans to stockholders.....	--	--	--	2,649	--	--	--
Mortgage and real estate loans.....	--	--	15,470	--	--	--	--
Other investments.....	--	--	2,409,634	484	4,995	615	9,472
Depreciable assets.....	156,125	158,333	2,010	29,434	82,432	--	152,435
Less: Accumulated depreciation.....	86,709	72,220	1,578	13,853	49,757	--	64,240
Depletable assets.....	--	--	--	--	--	--	--
Less: Accumulated depletion.....	--	--	--	--	--	--	--
Land.....	4,432	38	51	3,172	589	--	1,511
Intangible assets.....	--	69,554	--	--	49,575	--	--
Less: Accumulated amortization.....	--	61,642	--	--	1,314	--	--
Other assets.....	448,233	8	-72	11	1,610	--	162,316
Assets balancing adjustment ¹	--	--	--	-171	-18,550	--	--
Total liabilities and stockholders' equity.....	609,665	182,357	2,799,695	27,354	255,362	1,371	302,287
Accounts payable.....	44,775	28,112	99,301	2,547	3,743	--	9,174
Current mortgages, notes, and bonds payable.....	--	21	226,986	10,697	6,170	--	246
Other current liabilities.....	70,287	26,573	4,380	320	16,155	--	31,180
Loans from stockholders.....	--	--	--	--	49	--	149
Long-term mortgages, notes, and bonds payable.....	--	--	29,707	6,609	106,308	--	244,765
Other liabilities.....	--	5,367	1,399,135	517	--	--	29,828
Preferred stock ³	--	--	1	--	--	--	-9,725
Common stock.....	10,016	2	5,565	5,416	184	100	53,311
Paid-in or capital surplus ³	85	55,000	82,197	613	89,676	--	-619
Retained earnings, appropriated.....	--	--	171	--	4	--	22,898
Retained earnings, unappropriated.....	484,512	67,282	954,301	2,556	90,569	1,270	-78,919
Adjustments to stockholders' equity.....	--	--	-1,821	144	--	--	--
Less: Cost of treasury stock.....	--	--	228	1,882	24,291	--	--
Liabilities balancing adjustment ¹	-10	--	--	-182	-33,206	--	--

¹ For statistical purposes, negative balance sheet asset and liability amounts have been moved to asset and liability balancing adjustment categories, respectively. This procedure was adopted to address the increased usage of negative items being reported on corporation balance sheets.

² Absolute value is less than \$500.

³ This item may be negative.

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

U. S. Possessions Corporation Returns, 2003

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2003

[Money amounts are in thousands of dollars]

Item	All industries	Manufacturing					
		Total	Food manufacturing	Textiles and apparel	Leather and allied products	Paper products	Printing
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns.....	201	145	15	9	4	5	7
Total receipts.....	20,282,239	18,504,413	2,586,968	507,022	106,169	90,486	39,876
Business receipts.....	19,215,421	17,661,363	2,556,640	501,131	105,174	89,925	38,913
Interest, except State and local government obligations.....	279,834	231,635	26,477	632	779	519	127
Interest on State and local government obligations.....	12,904	12,511	--	51	--	--	--
Rents.....	9,618	9,427	1,571	--	12	25	--
Royalties.....	16,101	16,101	--	--	--	--	--
Net short-term capital gain.....	8,079	8,192	--	--	--	--	--
Net long-term capital gain.....	24,603	15,636	10,258	3,099	--	--	--
Net gain, noncapital assets.....	21,568	5,803	--	892	2	17	297
Dividends other than constructive distributions.....	405,526	358,701	11,249	19	--	--	39
Other receipts.....	394,335	290,904	83	201	322	--	499
Total deductions.....	13,241,671	11,572,544	1,739,588	391,558	84,955	82,250	31,177
Cost of sales and operations.....	7,378,364	6,536,614	963,348	355,086	73,946	57,176	24,102
Compensation of officers.....	10,661	7,899	1,948	--	52	--	53
Salaries and wages.....	369,757	159,657	26,869	1,214	357	8,522	1,771
Repairs.....	52,214	33,630	2,998	84	14	1,329	54
Bad debts.....	27,999	6,315	514	99	(¹)	19	133
Rents paid.....	73,499	40,954	2,924	3,755	871	375	600
Taxes paid.....	228,324	181,908	30,929	6,926	1,423	1,719	451
Interest paid.....	68,142	43,162	10,524	206	9	1,444	72
Contributions.....	9,556	8,843	358	23	(¹)	2	5
Amortization.....	25,030	23,929	788	23	--	1,583	200
Depreciation.....	314,345	260,228	26,724	9,117	1,281	3,414	808
Depletion.....	343	343	--	--	--	--	--
Advertising.....	65,252	38,877	24,963	(¹)	8	14	39
Pension, profit-sharing, stock bonus, and annuity plans.....	56,482	41,215	8,638	698	--	741	69
Employee benefit programs.....	272,081	106,205	13,144	3,182	1,397	2,383	482
Net loss, noncapital assets.....	-9,851	-8,756	-173	--	--	-2	-49
Other deductions.....	4,336,672	4,127,957	626,960	11,171	5,598	5,110	2,630
Total receipts less total deductions.....	7,089,627	6,980,928	847,380	115,464	21,214	8,236	8,699
Net income (less deficit).....	7,076,723	6,968,417	847,380	115,413	21,214	8,236	8,699
Net income.....	7,221,605	7,043,292	847,794	116,021	23,934	8,475	9,193
Deficit.....	-144,882	-74,874	-414	-608	-2,720	-239	-494
Net income (less deficit) per books.....	5,039,445	4,838,568	494,687	111,933	15,387	10,019	7,529
Income subject to tax.....	7,005,881	6,832,945	839,143	116,007	23,934	8,475	9,193
U.S. income tax before credits:							
Total.....	2,450,796	2,390,572	293,781	40,592	8,352	2,907	3,173
Regular tax.....	2,450,512	2,390,387	293,680	40,592	8,352	2,907	3,173
U.S. possessions tax credit.....	1,107,000	1,069,302	130,852	38,015	4,200	2,671	2,167
Foreign tax credit.....	21,328	10,383	1,789	--	--	--	95
General business credit.....	185	185	--	--	--	--	--
Other credits.....	6,824	6,669	--	74	--	--	--
Total U.S. income tax after credits.....	1,315,459	1,304,032	161,141	2,502	4,152	236	911
Distributions to stockholders.....	5,599,952	5,571,229	639,956	35,525	1,350	3,000	6,106

Footnotes at end of table.

U. S. Possessions Corporation Returns, 2003

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2003--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued					
	Pharmaceuticals and medicines	All other chemicals	Plastics and rubber products	Nonmetallic mineral products	Primary and fabricated metals	Machinery manufacturing
	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns.....	19	8	9	3	7	6
Total receipts.....	9,775,750	505,921	177,754	53,643	51,076	596,273
Business receipts.....	9,384,299	510,746	175,912	52,822	50,904	505,556
Interest, except State and local government obligations.....	167,565	3,040	863	105	16	8,268
Interest on State and local government obligations.....	3,603	261	--	--	98	--
Rents.....	3,530	--	--	--	49	--
Royalties.....	16,030	--	--	--	--	--
Net short-term capital gain.....	--	--	--	--	--	--
Net long-term capital gain.....	--	--	866	--	--	--
Net gain, noncapital assets.....	39	23	24	344	--	5
Dividends other than constructive distributions.....	189,100	341	--	286	--	82,429
Other receipts.....	28,357	4,860	90	123	9	15
Total deductions.....	5,203,541	384,314	160,592	51,564	47,640	375,036
Cost of sales and operations.....	2,177,598	226,628	120,667	36,501	41,862	247,556
Compensation of officers.....	315	--	--	857	--	--
Salaries and wages.....	16,336	13,667	8,654	1,396	875	13,405
Repairs.....	7,158	1,191	3,305	148	14	4,352
Bad debts.....	26	412	4	1,100	--	59
Rents paid.....	2,514	1,313	2,991	3,358	232	1,742
Taxes paid.....	97,987	935	2,940	754	549	4,247
Interest paid.....	3,303	229	248	125	162	98
Contributions.....	8,047	--	32	49	1	20
Amortization.....	384	98	--	197	--	--
Depreciation.....	46,848	13,359	8,558	4,002	635	6,081
Depletion.....	--	--	--	343	--	--
Advertising.....	72	12,478	13	47	18	3
Pension, profit-sharing, stock bonus, and annuity plans.....	1,575	2,255	1,227	55	55	5,419
Employee benefit programs.....	7,299	6,267	2,912	438	86	10,340
Net loss, noncapital assets.....	-4,853	-3,230	-48	-1	--	-9
Other deductions.....	2,833,317	102,114	9,028	2,392	3,152	103,850
Total receipts less total deductions.....	4,572,210	121,608	17,162	2,115	3,436	221,236
Net income (less deficit).....	4,568,607	121,346	17,162	2,115	3,338	221,236
Net income.....	4,575,881	121,351	17,162	2,714	4,474	221,274
Deficit.....	-7,274	-5	--	-599	-1,136	-38
Net income (less deficit) per books.....	3,313,570	123,875	11,410	1,193	3,189	134,902
Income subject to tax.....	4,456,614	121,010	16,953	2,714	4,474	139,410
U.S. income tax before credits:						
Total.....	1,559,809	42,257	5,683	923	1,568	48,794
Regular tax.....	1,559,809	42,257	5,642	923	1,538	48,794
U.S. possessions tax credit.....	587,647	36,101	4,895	656	1,565	28,478
Foreign tax credit.....	3,722	176	123	36	--	--
General business credit.....	71	--	--	--	--	--
Other credits.....	22	125	--	7	--	4
Total U.S. income tax after credits.....	968,347	5,855	665	224	4	20,311
Distributions to stockholders.....	3,589,550	225,604	16,122	1,300	--	104,862

Footnotes at end of table.

U. S. Possessions Corporation Returns, 2003

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2003--Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing--Continued				Wholesale trade	
	Computers and electric equipment	Transportation equipment manufacturing	Medical equipment and supplies	Miscellaneous manufacturing	Durable goods wholesalers	Nondurable goods wholesalers
	(14)	(15)	(16)	(17)	(18)	(19)
Number of returns.....	26	4	15	3	8	7
Total receipts.....	1,457,799	40,230	1,380,444	733,575	170,245	315,430
Business receipts.....	1,209,919	38,246	1,334,422	720,760	159,721	308,606
Interest, except State and local government obligations.....	6,134	1,668	14,817	334	415	855
Interest on State and local government obligations.....	8,224	--	274	--	--	--
Rents.....	--	--	27	10	99	--
Royalties.....	71	--	--	--	--	--
Net short-term capital gain.....	2	--	--	8,191	--	--
Net long-term capital gain.....	198	288	928	--	248	--
Net gain, noncapital assets.....	69	--	2,657	1,417	9,691	--
Dividends other than constructive distributions.....	1,700	3	73,534	--	--	--
Other receipts.....	239,729	23	2,808	2,863	72	5,969
Total deductions.....	911,380	33,680	946,576	691,032	145,183	299,848
Cost of sales and operations.....	660,487	25,813	657,869	537,895	110,418	237,102
Compensation of officers.....	9	--	--	3,950	222	--
Salaries and wages.....	8,275	191	20,594	30,113	15,266	24,444
Repairs.....	2,949	2	83	1,697	424	1,058
Bad debts.....	32	--	77	977	32	603
Rents paid.....	6,878	272	5,949	4,834	1,788	1,977
Taxes paid.....	18,301	1,051	6,433	4,572	3,116	3,125
Interest paid.....	265	--	1,059	10,094	446	355
Contributions.....	89	4	154	61	17	59
Amortization.....	12,929	--	1,827	5,901	48	--
Depreciation.....	32,699	1,716	35,576	36,932	2,682	1,550
Depletion.....	--	--	--	--	--	--
Advertising.....	7	--	16	600	255	638
Pension, profit-sharing, stock bonus, and annuity plans.....	3,855	107	10,382	4,555	268	574
Employee benefit programs.....	20,982	1,214	11,092	15,044	3,169	4,140
Net loss, noncapital assets.....	-218	-89	-39	--	--	-356
Other deductions.....	152,022	3,222	204,364	39,709	8,867	23,923
Total receipts less total deductions.....	546,419	6,549	482,891	42,543	25,062	15,582
Net income (less deficit).....	538,195	6,549	482,617	42,543	25,062	15,582
Net income.....	539,482	6,549	482,617	42,543	25,062	15,657
Deficit.....	-1,287	(¹)	--	--	--	-75
Net income (less deficit) per books.....	250,237	7,938	321,585	29,842	20,013	11,424
Income subject to tax.....	539,482	6,547	482,617	42,543	23,621	12,579
U.S. income tax before credits:						
Total.....	188,550	2,214	168,854	14,775	8,258	4,330
Regular tax.....	188,538	2,214	168,854	14,775	8,258	4,330
U.S. possessions tax credit.....	118,458	2,093	101,307	5,514	7,671	2,287
Foreign tax credit.....	380	2	3,701	--	--	--
General business credit.....	--	--	--	95	--	--
Other credits.....	--	--	4	6,433	--	--
Total U.S. income tax after credits.....	69,712	119	63,841	2,734	588	2,043
Distributions to stockholders.....	711,523	15,332	206,000	15,000	--	14,530

Footnotes at end of table.

U. S. Possessions Corporation Returns, 2003

Table 2.--U.S. Possessions Corporations: Income Statement Items and Distributions to Stockholders, by Selected Industry, 2003--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	Company management	Accommodation and food services
	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Number of returns.....	3	4	5	7	7	3	6
Total receipts.....	533,610	106,385	92,662	8,714	225,281	77	282,884
Business receipts.....	438,498	105,547	239	8,481	223,718	--	267,793
Interest, except State and local government obligations.....	2,231	572	42,388	25	614	77	1,022
Interest on State and local government obligations.....	--	--	66	--	--	--	327
Rents.....	--	--	--	90	1	--	--
Royalties.....	--	--	--	--	--	--	--
Net short-term capital gain.....	--	--	-113	--	--	--	--
Net long-term capital gain.....	8,716	--	4	--	--	--	--
Net gain, noncapital assets.....	5,712	--	--	--	361	--	--
Dividends other than constructive distributions.....	162	--	46,664	--	--	--	--
Other receipts.....	78,291	266	3,305	117	586	--	13,742
Total deductions.....	477,331	81,468	158,032	7,313	203,157	147	258,200
Cost of sales and operations.....	273,339	2,530	--	406	129,050	--	78,454
Compensation of officers.....	--	--	646	32	1,863	--	--
Salaries and wages.....	56,845	10,293	7,109	680	21,668	--	64,177
Repairs.....	6,109	1,244	--	109	2,943	--	5,965
Bad debts.....	18,791	836	--	--	110	--	94
Rents paid.....	10,114	536	--	143	3,474	--	12,985
Taxes paid.....	16,663	2,584	628	336	6,883	1	12,183
Interest paid.....	1,010	70	3,155	342	1,822	134	16,498
Contributions.....	100	20	--	1	334	--	180
Amortization.....	--	1	--	--	779	--	273
Depreciation.....	8,403	17,835	139	4,049	9,341	--	8,763
Depletion.....	--	--	--	--	--	--	--
Advertising.....	12,356	1,630	14	5	431	--	10,686
Pension, profit-sharing, stock bonus, and annuity plans.....	11,720	(¹)	287	--	1,215	--	982
Employee benefit programs.....	6,494	1,463	139,623	14	7,232	--	2,612
Net loss, noncapital assets.....	--	--	-19	-474	-19	--	-216
Other deductions.....	55,386	42,427	6,413	736	16,770	12	44,405
Total receipts less total deductions.....	56,280	24,916	-65,370	1,400	22,124	-70	24,684
Net income (less deficit).....	56,280	24,916	-65,436	1,400	22,124	-70	24,357
Net income.....	56,292	24,916	1,537	1,513	24,370	7	24,357
Deficit.....	-13	--	-66,973	-112	-2,246	-77	--
Net income (less deficit) per books.....	52,373	15,844	66,187	988	16,299	42	13,997
Income subject to tax.....	56,292	24,916	1,529	1,268	24,370	--	24,357
U.S. income tax before credits:							
Total.....	19,702	8,721	524	429	8,499	1	8,410
Regular tax.....	19,702	8,721	523	429	8,499	--	8,312
U.S. possessions tax credit.....	18,864	10	520	429	730	--	5,836
Foreign tax credit.....	--	8,691	--	--	510	--	1,744
General business credit.....	--	--	--	--	--	--	--
Other credits.....	155	--	--	--	--	--	--
Total U.S. income tax after credits.....	683	19	4	--	7,259	1	830
Distributions to stockholders.....	227	--	11,593	--	--	--	2,372

¹ Absolute value is less than \$500.

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