Foreign Investment and Activity in the United States Through Corporations, 1984 and 1985

By James R. Hobbs*

For 1985, the 36,700 domestic corporations each "controlled" by a foreign person generated $514 billion of worldwide receipts and reported total assets amounting to $656 billion [1]. These corporations, 1 percent of the U.S. total, accounted for 5 and 6 percent of the assets and receipts, respectively, reported on U.S. corporation income tax returns for both 1984 and 1985 (see Figure A).

Figure A.—Domestic Corporations Controlled by a Foreign Person as a Percentage of All Corporations, Income Years 1983–1985

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

Year and item	All corporation income tax returns	Returns of domestic corporations controlled by a foreign person	
		Number or amount	Percentage of all returns
	(1)	(2)	(3)
1983			
Number of returns	2,999,071	33,622	1.12%
Total assets................	$10,201,084,144	$530,334,499	5.20
Total receipts............	7,135,494,059	389,908,798	5.46
1984			
Number of returns	3,170,743	37,401	1.18
Total assets................	$11,106,701,948	$552,597,884	4.98
Total receipts............	7,800,711,226	459,161,616	5.89
1985			
Number of returns	3,277,219	36,677	1.12
Total assets................	$12,773,093,888	$655,695,711	5.13
Total receipts............	8,398,278,426	513,777,962	6.12

Nearly 11,700 "foreign" corporations (i.e., those incorporated abroad) reported $51 billion of receipts generated for 1985 from activities "effectively connected" with a U.S. trade or business. The majority, 52 percent, of these receipts were for foreign banks with U.S. branch operations. For 1984, banking operations accounted for 61 percent of the nearly $44 billion of receipts of foreign corporations from U.S. effectively-connected activities.

DIRECT FOREIGN INVESTMENT AND ACTIVITY IN THE UNITED STATES

Foreign direct investment in the United States can take several forms, including corporations, partnerships, and joint ventures. Under these forms of direct investment, the foreign investor has sufficient equity in the enterprise so as to control and participate in managing its operations [2].

A foreign direct investor can either gain control of an existing U.S. corporation, or create a new company incorporated in the United States. Another method of operating in the United States is through a branch operation of a foreign corporation. This article focuses first on domestic corporations (i.e., companies incorporated in the United States) that are controlled (i.e., owned) by a foreign person, and second, on foreign corporations with branch operations in the United States [3].

There are several factors involved in the decision of a foreign investor to operate in the United States through either a "domestic" or "foreign" corporation [4]. These factors include, but are not necessarily limited to, the following: (1) the investor's short- and long-term objectives; (2) which type of corporation is best suited to penetrate the U.S. market; (3) availability of financial resources; (4) acceptable levels of risk, such as from product liability; (5) U.S. importation policies; (6) requirements on foreign investment by the investor's home country; and (7) both U.S. and home country tax considerations. The U.S. tax structure for both foreign-controlled domestic corporations and for foreign corporations operating in the United States are discussed in this article.

DOMESTIC CORPORATIONS CONTROLLED BY FOREIGN PERSONS

U.S. Taxation

Domestic corporations that are controlled by a foreign person are taxed by the United States in a manner similar to that of other domestic corporations. Control is defined for this purpose as 50 percent or more direct or indirect ownership of a corporation's voting stock by at least one foreign entity, such as by another corporation.

For 1985, only 8 percent (3,050 returns) of the 36,677 returns of foreign-controlled domestic corporations indicated an exact 50 percent foreign ownership level. The great majority (nearly 88 percent, or 32,152 returns) indicated that the level of ownership was over 50 percent. Another 1,475 returns (4 percent) only indicated that foreign ownership was 50 percent or more, but failed to provide the exact percentage of ownership [5].

Most domestic corporations are taxed on their worldwide income [6]. This includes corporations that are controlled by foreign persons. In general, the taxable income of a corporation is its gross receipts less ordinary and necessary business deductions and certain statutory special deductions [7].

*Assistant Chief, Foreign Statistics Branch. Prepared under the direction of Daniel Skelly, Chief, Foreign Statistics Branch.

Unfortunately, the tax return form which is the source of the statistics in this article does not separate U.S.-source taxable income from foreign-source taxable income. (See the section entitled "Data Sources and Limitations.") However, foreign-controlled domestic corporations claimed $725 million of foreign tax credits for 1985. This amount reduced their total U.S. income tax before credits ($5.2 billion) by 14 percent. The foreign tax credit is a credit allowed against U.S. income tax for income, war profits and excess profits taxes paid or accrued to foreign countries or U.S. possessions [8]. To claim a foreign tax credit, a corporation had to have generated foreign-source taxable income, paid or accrued foreign income tax on the foreign income, and had a U.S. income tax liability. By comparison, all of the approximately 3.3 million U.S. corporation income tax returns showed a total of $24.3 billion of foreign tax credits for 1985. This amount reduced their total U.S. income tax before credits ($111.3 billion) by almost 22 percent (see Table 1).

For taxable years beginning in 1984, the regular corporate tax rates were as follows:

Taxable income	Tax rate
$25,000 or less	15 percent
$25,001 to $50,000	18 percent
$50,001 to $75,000	30 percent
$75,001 to $100,000	40 percent
Over $100,000	46 percent

If a corporation's taxable income exceeded $1 million, then the corporation was liable for an additional tax equal to the lesser of (a) 5 percent of the taxable income over $1 million, or (b) $20,250.

Corporations that had net long-term capital gains could use an alternative method of tax computation, if it produced a lower amount of tax than under the regular method. Under the alternative method, net long-term capital gains were taxed separately at a rate of 28 percent. The remainder of taxable income was then taxed at the regular rates.

Credits could be used to reduce the tax calculated under either the regular or alternative methods. For both 1984 and 1985, the two largest credits were the foreign tax credit (previously described) and the general business credit. Beginning in 1984, the Tax Reform Act of 1984 created the general business credit by merging together four tax credits that were previously available to taxpayers. They were the investment credit, targeted jobs credit, alcohol fuel credit, and the employee stock ownership plan credit. Other credits claimed by taxpayers for both 1984 and 1985 were the U.S. possessions tax, nonconventional source fuel, and research activities credits. In addition to the regular or alternative tax after credits, a corporation's tax liability could include a tax from recomputing prior-year investment credits and an additional tax for tax preferences. (Tables 1, 2, and 4 show selected tax items.)

Dividends paid by domestic corporations to the foreign persons that controlled them were generally subject to a withholding tax of 30 percent. However, this tax rate was often lower than 30 percent for recipients of dividends that resided in a foreign country that had a tax treaty with the United States. The tax withheld represented final payment of the actual tax liability on dividend payments in most instances. The responsibility for withholding the tax belonged to the payer (corporation) or its representative (usually a financial institution), rather than the foreign recipient of the dividend [9].

Dividends paid by foreign-controlled domestic corporations to U.S. persons were not subject to the withholding tax applicable to foreign recipients. However, these dividend payments did have to be reported to the Internal Revenue Service by the corporations. In turn, these dividends were reported as income, and taxed accordingly, on the recipient's U.S. income tax return.

Growth Since 1983

Foreign involvement in the U.S. corporate sector through foreign-controlled domestic corporations continued to grow substantially during the 1983–1985 period (see Figure A).

Worldwide receipts of domestic corporations controlled by foreign persons increased from $390 billion for 1983 to $514 billion for 1985. This was a 32 percent increase, using current dollars. In comparison, receipts reported on all U.S. corporation income tax returns grew from $7.1 trillion for 1983 to $8.4 trillion for 1985, an 18 percent increase over the same time period. As a result of the growth rate of foreign-controlled domestic corporations, their share of receipts shown on all corporate returns increased from 5.46 percent for 1983, to 5.89 and 6.12 percents, for 1984 and 1985, respectively.

By making allowances for inflation through the use of the Gross National Product Implicit Price Deflator, the worldwide receipts, in constant dollars, reported on all U.S. corporation income tax returns increased by 9 percent between 1983 and 1985 [10]. Over the same period, the constant-dollar receipts of foreign-controlled domestic corporations increased by 22 percent.

Total assets of domestic corporations controlled by a foreign person grew at a rate similar to that of assets reported on all U.S. corporation income tax returns. Between 1983 and 1985, assets reported increased from $530 billion, or 5.20 percent of the total for all returns, to $656 billion, or 5.13 percent of the total.

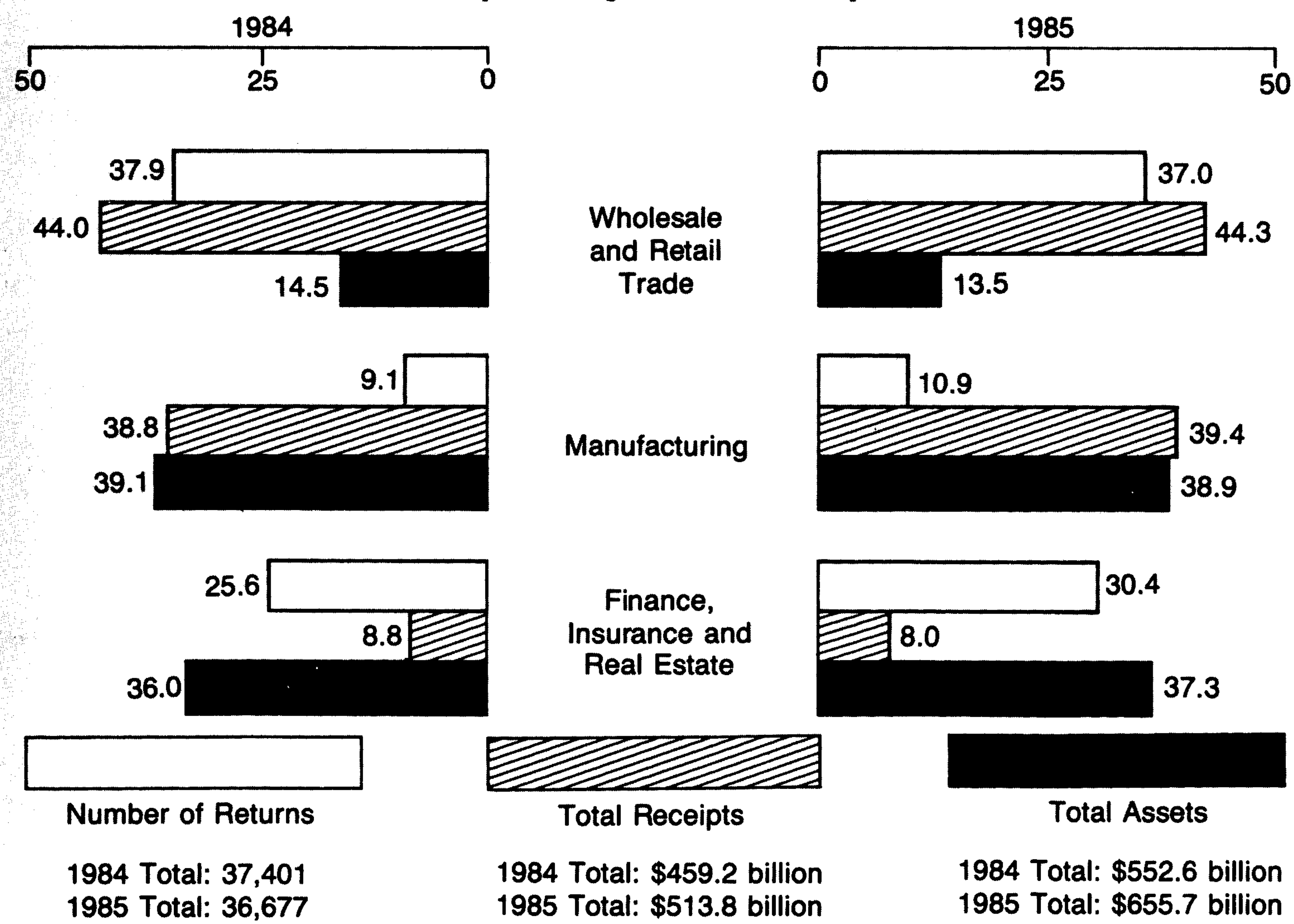
Industry Characteristics

Foreign-controlled domestic corporations were involved in every type of industrial activity, but were concentrated mainly in three industrial divisions: wholesale and retail trade; manufacturing; and finance, insurance and real estate (see Figure B and Table 4). For both 1984 and 1985, these three divisions accounted for approximately three-fourths of the returns filed, 92 percent of the total receipts, and 90 percent of the total assets reported by all domestic corporations owned by a foreign person. By comparison, these percentages were higher than those for all companies which filed U.S. corporation income tax returns. For this group of returns for 1985, the manufacturing; wholesale and retail trade; and finance, insurance, and real estate industrial divisions accounted for 52 percent of the returns filed, 77 percent of the total receipts, and 84 percent of the total assets.

Figure B shows that companies whose principal activity was in one of the three industrial divisions had different characteristics. There were relatively few returns of manufacturing companies (4,011 returns, or 10.9 percent of the total for 1985). However, these companies tended to have large amounts of assets which generated large amounts of receipts. The foreign-owned manufacturers had $255 bil-

Figure B
Domestic Corporations Controlled by a Foreign Person, by Selected Industrial Divisions, Income Years 1984 and 1985

[Percentage of All Industries]



lion of assets and $202 billion in total receipts for 1985. On the average, each manufacturer had $64 million of assets and produced $50 million of receipts. By comparison, the average foreign-owned nonmanufacturing company had $12 million and $10 million of total assets and receipts, respectively [11].

Domestic corporations controlled by a foreign person were involved in the manufacture of many different products. Companies manufacturing petroleum and coal products (including integrated operations) had receipts totalling $52 billion for 1985. This was 25 percent of all receipts for manufacturing industries. Chemical manufacturers accounted for another $31 billion of total receipts. In terms of total receipts, other significant manufacturing activities were food and kindred products ($19 billion), electrical and electronic equipment ($15 billion), primary metals ($12 billion), and fabricated metal products ($10 billion).

Foreign-controlled domestic manufacturing corporations accounted for 7.2 percent of the $2.8 trillion of worldwide receipts reported by all manufacturing corporations filing U.S. income tax returns for 1985. These companies played substantial roles in certain manufacturing industries, as shown in Figure C. In particular, foreign-controlled domestic corporations manufacturing tobacco products accounted for nearly 23 percent of the receipts of all companies classified in their industry.

The comparative levels of assets and receipts of foreign-owned companies engaged in wholesale and retail trade and those engaged in finance, insurance and real estate differed significantly. Trade companies produced large amounts of receipts ($227 billion for 1985) with relatively few assets ($88 billion). Stated another way, this amounted to $2.58 of receipts for each dollar of assets. On the other hand, companies involved in finance, insurance and real estate had large amounts of assets ($244 billion for 1985), but only $41 billion of receipts. These companies produced less than $0.17 of receipts for each dollar of assets.

Figure C. — Domestic Corporations Controlled by a Foreign Person as a Percentage of All Corporations, for Selected Manufacturing Industries, Income Year 1985

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

Industry	Total receipts: All corporation income tax returns	Total receipts: Returns of domestic corporations controlled by a foreign person	Total receipts: Percentage of all returns
	(1)	(2)	(3)
Manufacturing, total	$2,831,062	$202,466	7.2%
Tobacco manufactures	41,353	9,409	22.8
Stone, clay, and glass products	64,318	8,626	13.4
Chemicals and allied products	266,812	30,959	11.6
Leather and leather products	14,679	1,626	11.1
Petroleum (including integrated) and coal products	469,260	51,629	11.0
Primary metal industries	117,347	12,388	10.6

The great majority of trade companies were wholesalers. Many of these companies were U.S. distributers of products made in foreign countries by their parent corporations. For 1985, wholesalers accounted for $197 billion, or 87 percent, of all receipts by trade companies.

Banks accounted for over 52 percent ($127 billion for 1985) of the total assets in the finance, insurance and real estate industrial division. These assets produced over $12 billion of receipts, primarily interest. This 10:1 ratio of assets to receipts was similar to that for all U.S. (i.e., domestically-incorporated) banks.

Other significant areas (in terms of receipts) of the finance, insurance and real estate industrial division were nonbank holding and other investment companies, insurance companies, and real estate companies [12]. For 1985, these companies had total receipts of $10.5, $8.1, and $5.0 billion, respectively.

The services industry (not shown in Figure B) accounted for over 4,000 returns filed for 1985 by foreign-owned domestic corporations. While this industry represented over 11 percent of all returns filed by these corporations, it comprised only about 2 percent of both total assets and receipts for the group.

Country Characteristics

Domestic corporations are owned by persons throughout the world. However, for 1985, owners from the eight countries shown in Figure D controlled nearly 53 percent of the 36,677 domestic corporations controlled by a foreign person. (The countries are ranked by decreasing number of returns. They represent the geographic location of the foreign owner's country of residence, incorporation, organization, creation, or administration.) The 19,352 corporations owned by persons from these eight countries accounted for 82 and 86 percent, respectively, of the total assets and receipts of all foreign-controlled domestic corporations.

As previously stated, the worldwide receipts of domestic corporations controlled by a foreign person increased by nearly 32 percent between 1983 and 1985. For the corporations shown in Figure D, the growth rates varied widely. Corporations owned by persons from Switzerland and Japan showed increases in total receipts of 88 and 52 percent, respectively. Percentage increases for Canada (37 percent), West Germany (34 percent), Netherlands Antilles (29 percent), and the United Kingdom (27 percent) approximated the 32-percent average for all countries. Corporations owned by persons from the Netherlands (18 percent) and France (16 percent) had smaller-than-average increases in receipts for the 1983–1985 period.

Figure D.—Domestic Corporations Controlled by a Foreign Person, by Selected Country of Foreign Owner, Income Year 1985

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

Country	Number of returns	Total assets	Total receipts	Net income (less deficit)	Net income	Total U.S. income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)
All countries, total	36,677	$655,695,711	$513,777,962	$2,978,286	$14,500,125	$3,576,147
Canada:						
Number or amount	6,151	67,531,601	40,458,451	-197,296	1,271,083	200,553
Percentage of total	16.8%	10.3%	7.9%	(1)	8.8%	5.6%
United Kingdom:						
Number or amount	2,841	174,635,073	83,340,020	1,817,698	3,387,943	904,405
Percentage of total	7.7%	26.6%	16.2%	(1)	23.4%	25.3%
Japan:						
Number or amount	2,560	81,084,768	133,489,744	1,327,992	2,759,120	1,117,328
Percentage of total	7.0%	12.4%	26.0%	(1)	19.0%	31.2%
West Germany:						
Number or amount	2,214	35,046,699	42,945,267	536,697	1,424,595	449,478
Percentage of total	6.0%	5.3%	8.4%	(1)	9.8%	12.6%
Netherlands:						
Number or amount	1,747	104,147,817	70,471,893	138,331	1,573,586	205,353
Percentage of total	4.8%	15.9%	13.7%	(1)	10.9%	5.7%
France:						
Number or amount	1,683	27,610,365	25,673,312	-126,433	505,017	132,700
Percentage of total	4.6%	4.2%	5.0%	(1)	3.5%	3.7%
Switzerland:						
Number or amount	1,423	23,328,906	24,169,417	192,447	672,383	199,942
Percentage of total	3.9%	3.6%	4.7%	(1)	4.6%	5.6%
Netherlands Antilles:						
Number or amount	733	22,698,123	20,767,891	-535,965	411,261	52,841
Percentage of total	2.0%	3.5%	4.0%	(1)	2.8%	1.5%

[1] Not computed.

Domestic corporations controlled by persons from Japan had worldwide receipts of $133.5 billion for 1985. This amount was far larger than the receipts representing any other country. Japan also had the largest amount of receipts for 1983 and 1984 (see Table 2). Wholesale trade was the predominant activity of Japanese-controlled domestic corporations. This industry group accounted for $115.7 billion, or 87 percent, of the 1985 receipts of all U.S. corporations with Japanese owners.

Domestic corporations controlled by persons from the United Kingdom had 1985 total receipts of $83.3 billion. Manufacturing industries were the most common business activities of these corporations, accounting for 58 percent of the total receipts. The finance, insurance, and real estate; wholesale trade; and transportation and public utility industries accounted for an additional 16, 9, and 7 percents, respectively.

Companies owned by persons from the Netherlands had worldwide receipts of $70.5 billion for 1985. To an even greater extent than those from the United Kingdom, manufacturing industries were the predominant activity of these U.S. corporations, accounting for 74 percent of the receipts of all companies with owners from the Netherlands.

Manufacturing was also the most common business activity of U.S. corporations owned by persons from Canada and Switzerland. This industrial division accounted for 49 and 67 percent, respectively, of the total receipts for these countries.

Manufacturing and wholesaling were equally important for U.S. companies owned by persons from West Germany, France and the Netherlands Antilles. For 1985, these two activities comprised 39 and 34 percent, respectively, of the total receipts of West German-controlled domestic corporations. Corresponding percentages for France were 34 and 41, respectively. Finally, for the Netherlands Antilles, the manufacturing and wholesaling industries accounted for 33 and 30 percent, respectively, of the total receipts of these U.S. companies.

Income Statement and Tax Items

The 36,677 domestic corporations controlled by a foreign person generated $514 billion of total receipts for 1985. Over 92 percent of this total was "business receipts" (i.e., receipts from sales and operations). Interest income of $22.7 billion accounted for an additional 4 percent of the total. Banks produced the largest part ($10.5 billion) of the interest receipts. (Briefly, banking items such as fees, commissions, trust department earnings, exchange collections, discounts, and service charges were included in business receipts. Interest, the principal operating income of banks, was shown separately from business receipts.)

These same domestic companies claimed $511 billion in deductions for 1985. Cost of sales and operations were $358 billion, or 70 percent of the total. Interest paid ($28 billion, including $7.3 billion paid to depositors by banks) and depreciation ($16 billion) accounted for 5 and 3 percent, respectively, of the total deductions.

The net income (less deficit) for these companies was $3 billion for 1985 [13]. This was the result of 15,882 corporations reporting $14.5 billion of profits (as computed under the Internal Revenue Code) and 20,795 companies reporting $11.5 billion of deficits [14]. Thus, only 43 percent of the domestic corporations with foreign owners reported profits for 1985. By comparison, 56 percent of all corporations filing U.S. income tax returns for 1985 reported profits which totalled $363.9 billion. The deficits for all corporations were $123.7 billion, resulting in a net income (less deficit) amount of $240.1 billion.

It is instructive to compare the rate of return on assets for all corporations filing U.S. tax returns to that for foreign-controlled corporations. For this purpose, rate of return on assets is defined as net income (less deficit) as a percentage of total assets. As shown in Figure E, foreign-controlled domestic corporations had a low (0.45 percent) rate of return as compared to all corporations (1.88 percent), for 1985.

The data for 1985 reflect an improving U.S. economy. For all corporations filing U.S. tax returns, the rate of return on assets rose slightly from 1.85 percent for 1983 to 1.88 percent for 1985. The rate of return on assets of domestic corporations owned by foreign persons improved by a greater margin, from 0.35 percent for 1983 to 0.45 percent for 1985. This reflects an increase in net income (less deficit) of 61 percent and a much smaller increase (24 percent) in total assets.

For 1985, profitable foreign-controlled domestic corporations had $11.4 billion of "U.S. income subject to tax" (the base on which tax was computed), resulting in tax before credits of $5.2 billion [15]. The difference between the $14.5 billion of profits (or net income) and $11.4 billion of income subject to tax was the result of statutory special deductions. These deductions were allowed to most corporations in computing their taxable income and were for net operating losses from prior years and deductions for both intercorporate dividends received and for dividends paid on certain preferred stock of public utilities.

Tax credits totalling $1.6 billion reduced the U.S. tax liability of foreign-owned domestic corporations to $3.6 billion, for 1985. The largest credits were $778 million of general business credits and $725 million of foreign tax credits.

Figure E.—Comparative Rates of Return on Assets, Income Year 1985

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

Item	All corporations filing U.S. tax returns	Domestic corporations controlled by a foreign person
Total assets	$12,773.1	$655.7
Net income (less deficit)	240.1	3.0
Rate of return	1.88%	0.45%

FOREIGN CORPORATIONS WITH INCOME EFFECTIVELY CONNECTED WITH A U.S TRADE OR BUSINESS

This section of the article switches the focus from foreign-controlled domestic companies to foreign corporations with income effectively connected with a U.S. trade or business.

U.S. Taxation

Foreign corporations are those that are incorporated abroad. Thus, they are not created or organized in the United States, or under the laws of the United States or any of its States. These corporations are, however, subject to U.S. income tax on income effectively connected with the conduct of a U.S. trade or business and on income from U.S. sources that is not "effectively connected." There are two methods of taxation that apply to the income, depending on whether or not it is considered to be effectively connected with a trade or business in the United States [16].

Foreign corporations are taxed on income effectively connected with a U.S. trade or business in a manner similar to that used to tax the income of domestic corporations. To determine their taxable income, gross income that is effectively connected with a U.S. trade or business is reduced by allowable deductions to the extent such deductions are related to this income [17]. The same tax rates, tax methods, and credits used to reduce tax liability are available to both foreign and domestic corporations. See the section entitled "Domestic Corporations Controlled by Foreign Persons: U.S. Taxation" for a discussion of how tax liability is determined.

Fixed or determinable annual or periodic income from U.S. sources, such as interest, dividends, rents, royalties, annuities, and certain gains (such as from the sale or exchange of patents and copyrights) may or may not be effectively connected income [18]. This is determined on the basis of whether the income is from assets used in the conduct of a U.S. trade or business and whether the activities of the U.S. trade or business are a principal factor in producing the income.

A foreign corporation could elect to treat income from U.S. real property as effectively connected income, even if it would not have otherwise been considered to be effectively connected income. This income included gross rents and gains from the sale or exchange of real property. This election permitted the corporation to apply deductions against this gross income as well.

Certain types of foreign-source income were also considered to be U.S. effectively connected income. For instance, interest received by a foreign bank from sources outside the United States was treated as effectively connected with the conduct of a U.S. trade or business if the bank had an office in the United States to which the income was attributable and the interest was derived from banking activities in the United States.

As mentioned previously, foreign corporations were also taxed on U.S.-source income that was not effectively connected with the conduct of a U.S. trade or business. This included certain amounts of investment income, such as interest, dividends, rents, royalties, annuities, and gains from the sale or exchange of certain property (including patents, copyrights, timber and coal). Gross income in these categories was taxed at a rate of 30 percent unless the rate had been reduced as the result of a tax treaty between the United States and the foreign company's country of incorporation [19].

Basically, then, a foreign corporation's total U.S. tax was the sum of (1) the tax on income effectively connected with the conduct of a U.S. trade or business and (2) the tax on U.S.-source income that was not effectively connected. It could also include (1) tax from recomputing prior-year investment credits, (2) additional tax for tax preferences, and (3) Personal Holding Company tax. Foreign tax, general business, and other credits were used to reduce the corporation's tax liability (just as for domestic corporations).

The transfer of profits from a U.S. branch of a foreign corporation back to its main office in a foreign country was generally not subject to U.S. income tax. However, if the foreign corporation later distributed these profits as dividends and 50 percent or more of its gross income (over a 3-year period) was attributable to effectively connected income from its U.S. branch, then a portion of the distribution could become subject to a U.S. withholding tax of 30 percent. In addition, while interest paid by a U.S. branch of a foreign corporation to foreign creditors could be a tax deduction in calculating effectively connected taxable income, this interest could also be subject to a U.S. withholding tax similar to that described for dividends. These "second-level withholding taxes" could be reduced or eliminated by U.S. income tax treaties with other countries [20].

Only data for the 10,905 and 11,693 foreign corporations which had income effectively connected with a U.S. trade or business in 1984 and 1985, respectively, are included in this article. Foreign corporations with only U.S.-source investment income (i.e., income not effectively connected with a U.S. trade or business) are not covered by this article.

Growth Since 1983

The activity of foreign corporations in the United States has grown at a rapid pace. Total receipts of these corporations from activities effectively connected with a U.S. trade or business grew from $20.8 billion for 1983 to $50.9 billion for 1985, a 145 percent increase using current dollars. This growth rate was notably higher than the 32 percent increase for domestic corporations controlled by foreign persons, as well as the 18 percent increase for all U.S. corporation income tax returns. (See the section entitled "Domestic Corporations Controlled by Foreign Persons: Growth Since 1983.") It should be noted that total receipts for domestic corporations includes income from both domestic and foreign activities. It also includes investment-type income, such as interest and dividends not directly connected with a business activity. The amount of U.S. source, business-related income of domestic corporations for 1983 through 1985 was not separately reported on the corporation income tax return and, thus, not available for comparison to the U.S. effectively connected income of foreign corporations.

As a result of the growth rate of foreign corporations with U.S. effectively connected income, their share of the receipts reported on all corporate returns increased from 0.29 percent for 1983, to 0.56 and 0.61 percents, for 1984 and 1985, respectively (see Table 1).

Industry Characteristics

As can be seen in Figure F, the finance, insurance and real estate industrial division accounted for the majority of business activity in the United States by foreign corporations. In fact, for 1985, this division accounted for 80 percent of the returns filed and 75 percent of the total receipts resulting from trade or business effectively connected with the United States.

Foreign banks reported receipts of $26.6 billion, or 52 percent of the 11,693 foreign corporations' total U.S. effectively connected income. Nearly all ($23.8 billion) of this income was interest. Only 234 banks, 2 percent of the foreign companies, generated these receipts for 1985.

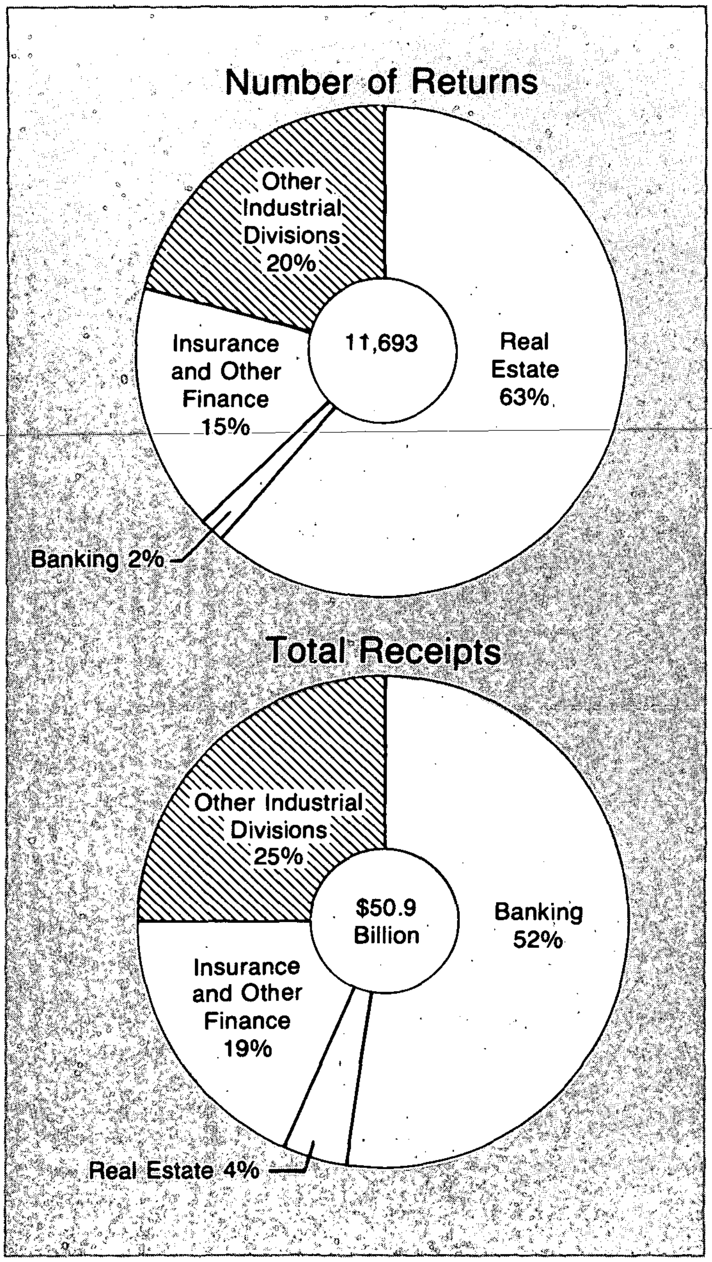
By contrast, the 7,313 foreign corporations involved in real estate (63 percent of the total) generated only $1.9 billion (or 4 percent) of total receipts. This was an average of just $265,000 per company. As a group, foreign real estate companies reported a net deficit of $609 million for 1985. For every company that reported a profit (for tax purposes), nearly three others reported losses (see Figure G).

Country Characteristics

Nearly three-fourths of the 11,693 foreign corporations which reported income effectively connected with a U.S. trade or business for 1985 were incorporated in the nine countries shown in Figure H. These 8,538 companies also accounted for 88 percent of the effectively connected receipts of all foreign corporations operating a U.S. trade or business.

Figure F

Foreign Corporations with Income Effectively Connected with a U.S. Business, by Industry, Income Year 1985



The Netherlands Antilles had the largest number of foreign-incorporated U.S. businesses, totalling 5,629, or nearly one-half of the total. However, these corporations

Figure G.—Foreign Real Estate Companies with Income Effectively Connected with a U.S. Business, Income Years 1984 and 1985

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

Item	1984	1985
Number of returns, total	6,961	7,313
With net income	1,839	2,011
Total receipts	$1,692	$1,939
Total deductions	2,412	2,540
Interest paid	941	1,029
Total receipts less total deductions	-720	-601
Net income (less deficit)[1]	-727	-609
Net income	259	467
Deficit	986	1,076

[1] See footnote 13 at the end of this article.

Figure H.—Foreign Corporations with Income Effectively Connected with a U.S. Trade or Business, by Selected Country of Incorporation, Income Year 1985

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

Country	Number of returns	Total receipts
All countries	11,693	$50,909
Total selected countries	8,538	44,571
Japan	197	11,931
Canada	1,586	10,883
Netherlands Antilles	5,629	7,724
United Kingdom	398	3,376
West Germany	221	3,353
Switzerland	219	2,797
Italy	21	1,787
France	36	1,476
Netherlands	231	1,244

accounted for only 15 percent of the effectively connected receipts of all foreign corporations. This coincided with the fact that 4,413 of these corporations were principally involved in real estate activities and produced only $1.3 billion of receipts. As previously noted, foreign corporations involved in U.S. real estate activities tended to report relatively small amounts of receipts, as compared to those engaged in other business activities.

Japanese corporations produced the largest amount ($11.9 billion) of U.S. effectively connected receipts. The majority of these receipts were produced by banks. In fact, U.S. branches of 24 Japanese banks produced $11.5 billion of U.S. effectively connected receipts. These receipts accounted for 97 percent of the receipts of the 197 Japanese-incorporated businesses operating in the United States.

Sixteen of these 24 Japanese banks produced $212 million of income subject to tax as a result of their U.S. effectively connected business activities. (The other 8 banks had deficits and, as a result, no taxable income.) This U.S. taxable income resulted in $97 million of U.S. taxes, prior to credits. However, this amount was reduced by $49 million through the use of foreign tax credits. This $49 million represented over 75 percent of the total foreign tax credits claimed by all foreign corporations with income effectively connected with a U.S. trade or business. The United States allowed a foreign tax credit against income tax for certain taxes paid or accrued to foreign countries. These taxes were based on the corporation's foreign-source taxable income, certain types of which were considered to be U.S. effectively connected income. (See the section entitled "Foreign Corporations with Income Effectively Connected with a U.S. Trade or Business: U.S. Taxation.")

Canadian corporations produced the second largest amount ($10.9 billion) of U.S. effectively connected receipts. Over 85 percent of these receipts were from companies classified in the finance, insurance and real estate industrial division. Insurance companies, banks, and nonbank holding and other investment companies accounted for most of these receipts, with $4.3, $2.6, and $2.1 billion, respectively.

Income Statement and Tax Items

For 1985, 11,693 foreign corporations reported receipts totalling $50.9 billion from activities effectively connected with a trade or business in the United States. Business receipts amounted to $20.3 billion, while $27.2 billion of the total was interest income.

Collectively, foreign corporations claimed $51.9 billion in deductions for 1985. In conjunction with foreign banks producing large amounts of receipts in the form of interest income, they reported deductions for interest paid totalling $22.3 billion. This amount was 87 percent of the $25.7 billion of total interest paid by all of the foreign corporations.

Foreign corporations realized an overall net deficit of $1.5 billion from their effectively connected activities. This was the result of 3,571 corporations having $1.8 billion of profits and 8,122 companies that were without profits, totalling $3.3 billion of deficits. (A small number of these 8,122 companies were actually "breakeven" companies with equal amounts of receipts and deductions.) Thus, only 31 percent of the foreign corporations reported profits for 1985, as compared to 56 percent of all corporations filing U.S. tax returns. The percentages for 1984 were very similar to those for 1985, with only 30 percent of the foreign corporations reporting profits, compared to 56 percent for all corporations.

For 1985, the profitable foreign corporations had $1 billion of income subject to U.S. tax from their effectively connected activities with a U.S. trade or business. This resulted in a tax of $412 million before credits. With reference to Form 1120F (the return form used by foreign corporations), this tax is called the "Section II" tax. Tax credits of $73 million reduced the U.S. tax liability to $339 million, with foreign tax credits of $65 million accounting for most of the credits. The $339 million of U.S. tax after credits represents less than 1 percent (i.e., 0.67 percent) of the $50.9 billion of total receipts generated by foreign corporations.

Foreign corporations with effectively connected U.S. trade and business income also incurred $16 million of income tax on U.S.-source income that was not effectively connected with their U.S. operations (i.e., "Section I" tax), as well as $5 million of additional tax for tax preferences, and $2 million of tax from recomputing prior-year investment credits. (While Section I tax is reflected in the tax statistics, the income on which it was based was not tabulated.)

SUMMARY

Foreign investment and activity in the United States through corporations continued to grow at a relatively fast rate for 1984 and 1985. While total receipts reported on all U.S. corporation income tax returns increased from 1983 to 1985 by 18 percent (using current dollars), receipts of domestic corporations controlled by foreign persons increased by 32 percent, and those of foreign corporations with U.S. effectively connected income grew by 145 percent.

Foreign-controlled domestic corporations generated approximately 83 percent of their total receipts from two industrial divisions: manufacturing and trade. In contrast, foreign corporations with U.S. effectively connected income were largely involved in finance, insurance and real estate activities. For 1985, this division alone accounted for 75 percent of the total receipts, with only 234 banks actually generating 52 percent of the $50.9 billion of total receipts for all 11,693 foreign corporations.

Both the 1984 and 1985 Income Years were not very profitable years for either foreign-controlled domestic corporations or foreign corporations with income effectively connected with a U.S. trade or business. For 1985, only 31 percent of the foreign corporations reported profits (as computed under the tax code), and only 43 percent of the domestic corporations with a 50 percent or more foreign owner had profits. By comparison, 56 percent of all corporations filing U.S. tax returns reported profits for 1985. Percentages for 1984 (30, 41, and 56, respectively) were similar to those for 1985.

EXPLANATION OF SELECTED TERMS

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

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

Net Worth.—This is the stockholders' equity in the corporation, i.e., total assets less the claims of creditors. More specifically, it is the sum of capital stock plus paid-in or capital surplus plus appropriated and unappropriated retained earnings, less the cost of treasury stock. Table 4 shows this item for domestic corporations controlled by foreign persons.

Rate of Return on Assets.—For domestic corporations, this is the amount of before-tax net income (less deficit) calculated for U.S. tax purposes expressed as a percentage of total assets.

DATA SOURCES AND LIMITATIONS

Sample

The statistics for domestic corporations controlled by a foreign person shown in this article are based primarily on samples of Forms 1120 (U.S. Corporation Income Tax Return). For foreign corporations with income effectively connected with a U.S. trade or business, the statistics are based primarily on samples of Forms 1120F (Return of a Foreign Corporation). In addition to these forms, the statistics include data from Forms 1120L (U.S. Life Insurance Company Income Tax Return). Forms 1120L were filed by both domestic life insurance companies and foreign companies that carried on a life insurance business in the United States. Thus, data for both foreign-controlled domestic corporations and foreign corporations with income effectively connected with a U.S. trade or business could include information from Forms 1120L.

Form 1120 samples were stratified based on the size of total assets and net income (or deficit) and the business activity. For 1985, the Form 1120 achieved sampling rates ranged from 0.36 percent to 100 percent. Forms 1120F were stratified based on the size of total assets and the business activity, even though balance sheet information was not actually tabulated from Forms 1120F. The sampling rates achieved for these forms ranged from 23.63 percent to 100 percent. Forms 1120L were stratified based solely on the size of total assets. The sample rates achieved for these forms ranged from 48.12 percent to 100 percent.

Because the data presented in this article are estimates based on samples, they are subject to sampling error. To properly use the data, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude. For a general discussion of CV's, see the Appendix to this publication. For a more detailed discussion of CV's for 1984 and 1985, see *Statistics of Income—Corporation Income Tax Returns*, for 1984 and 1985.

Nonsampling Limitations

Most of the data in this article relate to years 1984 and 1985 [21]. However, for each income year, the estimates cover returns with accounting periods that ended in a 12 month span beginning in July and ending in June. Thus, for Income Year 1984, the span was between July 1984 and June 1985. Similarly, for Income Year 1985, the span was from July 1985 through June 1986.

As a result of the 12 month span for ending accounting periods, the statistics for each year shown in this article include income received or expenses incurred during a 23 month span. For Income Year 1984, that span was from August 1983 through June 1985. Similarly, for Income Year 1985, the span was from August 1984 through June 1986.

Each return used for the studies described in this article had an industry code during statistical processing. This code was used as a classifier of the returns, as shown in Tables 4 and 5 of this article. (Tables 2 and 3 are classified by geographical area.) The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of total receipts) of the corporation filing the return. However, a given return may have been for a company engaged in several business activities or may have been a consolidated return filed for an affiliated group of corporations which conducted different business activities. In general, foreign corporations could not be members of such affiliated groups. To the extent that some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

The income statement data for foreign corporations shown in this article are only for those corporations which had income effectively connected with a U.S. trade or business. U.S.-source investment income (including interest, dividends, rents, royalties, annuities, and other fixed or determinable annual or periodic income) that was not effectively connected with the conduct of a U.S. trade or business is excluded from the data. The tax liability on this U.S. source investment income is, however, included in amounts of "Total U.S. Income Tax," shown in Tables 1, 3, and 5 of this article.

FOOTNOTES

[1] For purposes of this article, "control" is defined as ownership by any foreign person (i.e., an individual, partnership, corporation, estate or trust), directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock at the end of the tax year. For rules of attribution, see the "Explanation of Selected Terms" section of this article and section 267(c) of the Internal Revenue Code.

[2] Portfolio investment is different from direct investment in that there is no control of the management of the enterprise, except to the extent, for example, of rights to vote periodically in stockholder meetings of corporations. Rather, the portfolio investor has a minimal interest in a company, and is primarily seeking dividend payments or an increase in the value of the shares of stock.

[3] For additional information on these subjects, see, for example, Zagaris, Bruce, *Foreign Investment in the United States,* Praeger Publishers, 1980; Guillerm, Christine and Kirk, Richard, *Direct Investment Techniques for the USA,* Kleuver Law and Taxation Publishers, 1983; and *Doing Business in the United States,* Price Waterhouse, 1985. The Bureau of Economic Analysis of the U.S. Department of Commerce publishes data on foreign direct investment in the United States. See, for example, Herr, Ellen M., "U.S. Business Enterprises Acquired or Established by Foreign Direct Investors in 1987," and Howenstine, Ned G., "U.S. Affiliates of Foreign Companies: Operations in 1986," *Survey of Current Business,* Volume 68, Number 5, May 1988.

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

[5] Information on ownership levels was asked by questions on the corporation income tax return which requested the owner's name, country and percentage of voting stock owned when any foreign individual, partnership, corporation, estate or trust owned, directly or indirectly, 50 percent or more of the corporation's voting stock at the end of the tax year.

[6] Domestic International Sales Corporations (through 1984) and Interest Charge Domestic International Sales Corporations (beginning in 1985) were not subject to U.S. taxation. Instead, the stockholders of these companies were subject to taxation when profits from these companies were distributed or deemed to be distributed to them. In addition, "S" Corporations were generally not taxed on their income, but rather passed the income on to their stockholders for taxation purposes. Finally, regulated investment companies and real estate investment trusts were only taxed on income that was not distributed to their stockholders.

[7] For a more complete discussion of taxable income, see *Statistics of Income—1985, Corporation Income Tax Returns.*

[8] For the most recent detailed information on corporate foreign tax credits, see Carson, Chris R., "Corporate Foreign Tax Credit, 1982: A Geographic Focus," *Statistics of Income Bulletin,* Fall 1986, Volume 6, Number 2.

[9] For detailed information on U.S.-source dividends (and other types of income, such as interest) paid to foreign persons, see Lewis, Margaret P., "Foreign Recipients of U.S. Income, and Tax Withheld, 1985," *Statistics of Income Bulletin,* Fall 1987, Volume 7, Number 2.

[10] The source of the GNP Implicit Price Deflator is the *Survey of Current Business,* Bureau of Economic Analysis, U.S. Department of Commerce.

[11] Manufacturing companies had larger amounts of assets and receipts than did all other companies based on data reported on all U.S. corporation income tax returns. For this group for 1985, the average manufacturer had $9.6 million of assets and $10.2 million of receipts. The average for nonmanufacturing companies was $3.4 million and $1.9 million of total assets and receipts, respectively.

[12] Bank holding companies are included in the banking industry, as opposed to the "holding and other investment companies" industry.

[13] For statistical purposes, taxable net income (less deficit) is the difference between "modified" total receipts and total deductions. The $514 billion of total receipts for 1985 is modified as follows: (1) tax-exempt interest from State and local Government obligations is subtracted and (2) "constructive" receipts are added. Constructive receipts are the sum of the following types of taxable income from related foreign corporations: (1) includable income from Controlled Foreign

Corporations and (2) foreign dividend income resulting from foreign taxes deemed paid.

[14] The 20,795 companies reporting a deficit include a small number of "breakeven" companies, i.e., those whose receipts and deductions were equal.

[15] The $5.2 billion of total income tax before credits includes $62 million from additional tax for tax preferences and tax from recomputing prior-year investment credits.

[16] Section 864(c) of the Internal Revenue Code and the related Internal Revenue Regulations describe tests to be used in determining whether income is effectively connected with a U.S. trade or business.

[17] Charitable contributions were deductible, subject to a limitation, whether or not they were related to effectively connected income.

[18] While capital gains that were considered to be "effectively connected" with a U.S. trade or business were taxable income, other U.S.-source capital gains were exempt from the U.S. income tax.

[19] For a list of tax treaties, see U.S. Department of the Treasury, Internal Revenue Service, *Withholding of Tax on Nonresident Aliens and Foreign Corporations,* Publication 515.

[20] The Tax Reform Act of 1986 replaced the "second-level withholding taxes" with "branch level profits and interest taxes," subject to modification or elimination by tax treaties. For tax years beginning after 1986, the U.S. branch of a foreign corporation could be subject to a 30-percent tax on amounts of its "dividend equivalent" and on certain "excess interest" deductions used in calculating effectively connected taxable income. Dividend equivalent is the branch's effectively connected earnings and profits for the year, reduced (or increased) by the amount of increase (or decrease) in the branch's U.S. net equity position during the tax year. Section 884 of the Internal Revenue Code specifies the branch level profits and interest taxes.

[21] Tables 1 through 5 include data for 1983, as well as for 1984 and 1985. For more information on 1983, see Hobbs, James R., "Foreign Investment and Activity in the United States Through Corporations, 1983," *Statistics of Income Bulletin,* Summer 1987, Volume 7, Number 1.

Table 1.—Foreign Investment and Activity Through Corporations as a Percentage of All Corporations: Selected Items [1]

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

Year and item	All corporation income tax returns	Returns of domestic corporations controlled by foreign persons		Returns of foreign corporations with U.S. effectively connected income	
		Number or amount	Percentage of all returns	Number or amount	Percentage of all returns
	(1)	(2)	(3)	(4)	(5)
1983					
Number of returns	**2,999,071**	**33,622**	**1.12**	**8,001**	**0.27**
Total assets	10,201,084,144	530,334,499	5.20	([2])	([2])
Total receipts	7,135,494,059	389,908,798	5.46	20,793,723	0.29
Business receipts	6,334,602,711	359,793,137	5.68	5,477,256	0.09
Total deductions	6,945,457,358	387,981,124	5.59	21,882,107	0.32
Cost of sales and operations	4,308,238,989	271,372,629	6.30	3,723,239	0.09
Net income (less deficit)	188,313,928	1,848,521	0.98	-1,117,898	N/A
Net income	296,932,146	12,447,588	4.19	693,369	0.23
Deficit	108,618,218	10,599,067	9.76	1,811,268	1.67
U.S. income subject to tax	218,686,396	10,706,827	4.90	468,995	0.21
Total U.S. income tax—					
Before credits	92,218,567[3]	4,848,504	5.26	182,806[3]	0.20
After foreign tax credit	72,267,402[3]	4,177,943	5.78	157,572[3]	0.22
After all credits	51,479,057[3]	3,418,554	6.64	152,443[3]	0.30
Distributions to stockholders except in own stock	128,298,545	4,326,837	3.37	409,044	0.32
1984					
Number of returns	**3,170,743**	**37,401**	**1.18**	**10,905**	**0.34**
Total assets	11,106,701,948	552,597,884	4.98	([2])	([2])
Total receipts	7,800,711,226	459,161,616	5.89	43,655,886	0.56
Business receipts	6,948,481,893	423,602,229	6.10	15,445,905	0.22
Total deductions	7,628,772,066	454,641,699	5.96	45,003,619	0.59
Cost of sales and operations	4,692,505,746	320,856,731	6.84	12,552,248	0.27
Net income (less deficit)	232,900,596	4,528,142	1.94	-1,513,345	N/A
Net income	349,179,415	15,355,593	4.40	1,342,116	0.38
Deficit	116,278,819	10,827,451	9.31	2,855,460	2.46
U.S. income subject to tax	257,054,060	13,410,975	5.22	902,277	0.35
Total U.S. income tax—					
Before credits	107,968,407[3]	6,049,943	5.60	393,179[3]	0.36
After foreign tax credit	86,893,111[3]	5,261,889	6.06	334,137[3]	0.38
After all credits	63,990,210[3]	4,487,752	7.01	317,143[3]	0.50
Distributions to stockholders except in own stock	144,871,643	3,322,147	2.29	127,667	0.09
1985					
Number of returns	**3,277,219**	**36,677**	**1.12**	**11,693**	**0.36**
Total assets	12,773,093,888	655,695,711	5.13	([2])	([2])
Total receipts	8,398,278,426	513,777,962	6.12	50,908,814	0.61
Business receipts	7,369,538,953	473,892,926	6.43	20,274,675	0.28
Total deductions	8,158,144,126	510,954,654	6.26	51,928,117	0.64
Cost of sales and operations	4,894,254,081	357,519,673	7.30	15,032,230	0.31
Net income (less deficit)	240,119,020	2,978,286	1.24	-1,486,684	N/A
Net income	363,867,384	14,500,125	3.99	1,783,685	0.49
Deficit	123,748,365	11,521,838	9.31	3,270,369	2.64
U.S. income subject to tax	266,060,609	11,428,043	4.30	1,024,616	0.39
Total U.S. income tax—					
Before credits	111,340,839[3]	5,152,493	4.63	435,079[3]	0.39
After foreign tax credit	87,077,352[3]	4,427,599	5.08	369,923[3]	0.42
After all credits	63,348,204[3]	3,576,147	5.65	361,927[3]	0.57
Distributions to stockholders except in own stock	167,677,294	3,529,185	2.10	42,957	0.03

[1] Includes domestic corporations controlled by foreign persons and foreign corporations with U.S. effectively connected income. For the foreign corporations, income statement items shown in this table pertain only to income effectively connected with a U.S. trade or business.

[2] Balance sheets of foreign corporations with U.S. effectively connected income are generally not included in the statistics. However, balance sheets for U.S. branches of foreign insurance companies are included in the statistics for all corporation income tax returns.

[3] For foreign corporations, includes tax both on U.S.-source income effectively connected and not effectively connected with a U.S. trade or business.

N/A—Not applicable.

Table 2.—Domestic Corporations Controlled by a Foreign Person: Selected Items, by Geographic Area

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

Year and geographic area [1]	Number of returns	Total assets	Total receipts	Net income (less deficit)	Net income	U.S. income subject to tax	Total U.S. income tax: Before credits	Total U.S. income tax: After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1983								
All geographic areas, total	**33,622**	**530,334,499**	**389,908,798**	**1,848,521**	**12,447,588**	**10,706,827**	**4,848,504**	**3,418,554**
Canada	6,860	46,602,258	29,429,238	-974,763	868,896	547,092	231,231	151,321
Latin America, total	5,174	26,180,372	23,109,341	-982,132	261,917	159,507	70,649	39,955
Mexico	453	1,225,931	972,125	-48,046	19,458	10,662	3,754	2,407
Caribbean, total	2,484	17,343,802	17,006,508	-614,339	157,989	99,904	47,891	20,729
Netherlands Antilles	1,320	15,584,182	16,051,776	-542,301	143,725	92,350	44,726	17,679
South America	1,390	1,716,930	478,460	-35,373	20,517	3,660	1,503	503
Central America, total	848	5,893,709	4,652,698	-284,374	63,952	45,281	17,501	16,317
Panama	685	5,796,902	4,495,358	303,886	44,439	27,186	12,795	11,849
Other Western Hemisphere, total	265	3,484,243	6,451,417	-300,626	41,182	15,326	4,710	4,596
Bermuda	155	2,846,309	6,021,665	-217,945	26,358	13,791	4,041	3,974
Europe, total	12,132	334,536,883	217,765,477	3,609,071	8,858,719	7,846,124	3,588,632	2,443,642
Common Market countries, total	9,059	312,093,344	197,895,187	3,688,825	8,170,209	7,280,009	3,335,938	2,258,304
Belgium	344	7,869,964	10,789,260	1,045,260	1,122,236	1,106,172	507,361	27,248
France	2,048	23,920,523	22,061,050	-198,671	368,859	264,036	120,682	74,893
Netherlands	1,542	77,475,240	59,690,165	782,544	2,171,128	1,999,983	928,263	744,485
United Kingdom	2,127	171,840,588	65,743,040	1,957,890	3,315,151	3,009,444	1,379,834	1,067,280
West Germany	2,217	24,393,796	32,087,479	239,502	1,115,899	849,171	380,607	329,196
Sweden	675	4,220,814	4,032,967	-69,258	118,719	113,857	50,790	47,260
Switzerland	1,423	13,118,569	12,835,306	128,084	513,353	426,399	192,306	130,050
Africa	202	627,288	206,296	-32,889	6,018	1,808	459	419
Asia, total	6,079	90,919,064	98,772,809	686,330	1,938,343	1,757,242	791,986	716,250
Hong Kong	933	24,147,261	3,113,982	73,284	138,323	122,454	54,557	37,861
Japan	2,292	45,212,866	87,543,400	1,072,011	1,750,835	1,598,850	723,922	672,015
South Korea	71	1,520,635	1,695,047	-22,573	10,057	4,685	1,979	1,680
Oceania	384	3,306,315	795,888	-2,320	29,693	9,763	3,481	3,035
Puerto Rico and U.S. Possessions	228	2,160,829	1,854,628	209,328	211,710	205,477	94,122	9,647
Country not stated	2,297	22,517,246	11,523,705	-363,477	231,109	164,489	63,235	49,690
1984								
All geographic areas, total	**37,401**	**552,597,884**	**459,161,616**	**4,528,142**	**15,355,593**	**13,410,975**	**6,049,943**	**4,497,752**
Canada	6,389	45,368,963	31,633,581	-701,931	915,513	606,425	258,199	209,181
Latin America, total	5,568	32,129,945	26,991,328	-776,796	451,584	342,147	148,442	66,713
Mexico	861	1,012,813	1,659,853	-45,757	24,681	15,874	5,796	5,068
Caribbean, total	2,354	23,116,130	19,019,759	-450,372	324,846	249,389	112,942	36,042
Netherlands Antilles	1,300	21,377,808	17,646,710	-384,690	300,569	230,102	104,975	29,441
South America	1,516	1,775,436	1,335,299	-7,952	32,908	17,654	6,287	5,150
Central America, total	837	6,225,565	4,976,487	-272,715	69,149	59,229	23,418	20,454
Panama	636	5,688,187	4,753,989	-279,426	59,691	50,562	20,792	18,314
Other Western Hemisphere, total	477	3,249,843	5,063,108	-259,110	17,999	9,873	3,585	2,637
Bermuda	351	2,779,113	4,809,316	-236,156	8,495	5,873	1,812	873
Europe, total	13,487	358,657,271	256,283,592	4,687,196	10,043,108	9,037,494	4,097,317	2,959,567
Common Market countries, total	9,438	328,673,207	221,289,177	4,420,200	8,783,026	8,019,368	3,639,253	2,580,690
Belgium	287	8,837,335	8,090,100	1,035,300	1,103,509	1,092,871	496,919	38,793
France	2,094	22,745,119	22,250,703	-19,464	484,536	419,413	189,098	164,529
Netherlands	1,501	96,168,754	71,623,945	796,123	2,224,894	2,026,190	912,880	753,038
United Kingdom	2,680	165,927,798	76,884,056	1,953,078	3,350,336	3,161,220	1,442,102	1,147,539
West Germany	1,842	27,534,111	36,442,085	748,219	1,431,746	1,179,722	537,089	423,054
Sweden	718	7,761,200	12,531,765	-5,382	345,432	321,940	148,222	122,996
Switzerland	1,557	16,338,922	17,931,585	374,180	819,486	625,765	281,213	233,435
Africa	192	1,049,981	404,981	-33,737	6,954	5,311	2,320	2,052
Asia, total	7,199	89,242,279	122,071,832	1,089,092	3,042,045	2,776,408	1,262,577	1,173,356
Hong Kong	1,252	1,475,643	1,019,983	-53,939	35,267	34,770	13,535	11,092
Japan	2,399	65,554,130	112,607,206	1,815,477	2,920,631	2,681,977	1,224,963	1,143,570
South Korea	44	1,855,364	2,526,563	-26,362	2,496	1,668	630	542
Oceania	347	8,436,905	3,631,711	10,256	154,483	142,173	68,309	7,850
Puerto Rico and U.S. Possessions	*14	*1,116,505	*864,845	*97,177	*107,481	*107,203	*49,363	*6,055
Country not stated	3,728	13,346,192	12,216,637	415,995	616,426	383,942	159,831	60,342
1985								
All geographic areas, total	**36,677**	**655,695,711**	**513,777,962**	**2,978,286**	**14,500,125**	**11,428,043**	**5,152,493**	**3,576,147**
Canada	6,151	67,531,601	40,458,451	-197,296	1,271,083	634,263	281,377	200,553
Latin America, total	5,268	33,006,950	29,970,129	-845,657	530,201	336,895	152,913	77,353
Mexico	1,532	1,086,502	1,611,323	-24,878	15,147	7,943	1,581	1,206
Caribbean, total	1,670	23,715,455	21,212,137	-611,938	415,676	262,891	125,083	53,030
Netherlands Antilles	733	22,698,123	20,767,891	-535,965	411,261	262,524	124,887	52,841
South America	1,184	1,977,180	1,889,622	-11,824	31,414	24,334	8,205	7,079
Central America, total	882	6,227,813	5,257,047	-197,017	67,964	41,726	18,046	16,039
Panama	821	6,129,333	5,145,672	-198,998	64,400	38,176	17,069	15,285
Other Western Hemisphere, total	522	7,915,728	6,405,301	-291,311	21,632	12,996	4,188	3,903
Bermuda	358	7,028,912	5,990,326	-249,992	10,718	6,468	2,032	1,766
Europe, total	13,513	400,800,621	276,476,480	3,449,214	9,324,218	7,417,393	3,355,862	2,087,008
Common Market countries, total	10,371	360,558,201	235,827,575	3,114,976	8,113,809	6,473,701	2,930,658	1,778,013
Belgium	658	9,260,619	7,085,342	958,497	1,034,535	1,023,325	468,252	39,249
France	1,683	27,610,365	25,673,312	-126,433	505,017	384,654	172,145	132,700
Netherlands	1,747	104,147,817	70,471,893	138,331	1,573,586	973,518	440,248	205,353
United Kingdom	2,841	174,635,073	83,340,020	1,817,698	3,387,943	2,712,172	1,231,060	904,405
West Germany	2,214	35,046,699	42,945,267	536,697	1,424,595	1,260,191	567,737	449,478
Sweden	690	8,629,894	9,863,785	237,540	385,852	287,893	131,671	75,770
Switzerland	1,423	23,328,906	24,169,417	192,447	672,383	554,725	249,681	199,942
Africa	126	1,233,918	522,889	-2,403	32,291	18,300	8,513	8,441
Asia, total	7,197	108,383,924	144,408,678	956,474	2,884,969	2,696,802	1,220,606	1,130,533
Hong Kong	1,854	1,981,411	2,315,006	-11,755	60,089	15,902	5,804	3,739
Japan	2,560	81,084,768	133,489,744	1,327,992	2,759,120	2,636,389	1,198,936	1,117,328
South Korea	44	1,755,089	2,493,631	-79,762	4,566	1,909	701	524
Oceania	376	19,482,331	6,824,211	-51,974	198,274	105,739	47,611	16,559
Puerto Rico and U.S. Possessions	*51	*529,472	*142,127	*10,317	*11,033	*9,073	*4,657	*4,206
Country not stated	3,474	16,811,165	8,569,697	-49,078	226,423	196,583	76,767	47,594

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

[1] Geographic area is based on the location of the owner's country of residence, incorporation, organization, creation, or administration.

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

Table 3.—Foreign Corporations with Income Effectively Connected with a U.S. Business: Selected Income and Tax Items, by Geographic Area

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

Year and geographic area [1]	Number of returns	Total receipts	Total deductions	Net income (less deficit)	Net income	U.S. income subject to tax	U.S. income tax before credits: Total [2]	U.S. income tax before credits: Section II tax	U.S. total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1983									
All geographic areas, total	**8,001**	**20,793,723**	**21,882,107**	**-1,117,898**	**693,369**	**468,995**	**182,806**	**166,477**	**152,443**
Canada	1,131	3,652,389	3,943,990	-293,352	74,552	45,589	25,177	16,681	24,073
Latin America, total	5,275	3,265,725	3,705,068	-443,756	336,706	254,977	82,172	78,732	78,243
Mexico	56	172,602	179,171	-6,686	2,984	356	84	84	84
Central America	741	252,120	294,769	-43,803	17,512	13,560	3,681	3,615	3,652
Caribbean, total	4,409	2,439,314	2,725,192	-288,928	314,739	240,976	78,394	75,021	74,493
Netherlands Antilles	4,124	2,013,852	2,304,783	-293,858	287,853	230,882	73,028	70,877	70,157
South America	69	401,688	505,936	-104,339	1,471	85	13	13	13
Other Western Hemisphere	119	213,217	218,409	-5,348	18,945	13,129	4,516	4,401	4,380
Europe, total	803	7,226,690	7,391,553	-184,726	128,190	88,420	40,007	38,250	32,196
Common Market countries, total	510	5,463,657	5,565,197	-104,272	100,825	67,909	30,554	29,913	23,042
France	21	1,562,822	1,626,038	-63,215	1,402	—	572	—	572
United Kingdom	185	1,606,185	1,643,391	-37,206	41,723	35,633	16,103	16,035	9,332
West Germany	200	1,517,994	1,497,363	18,831	44,644	30,328	13,357	13,356	12,642
Switzerland	148	1,304,982	1,355,023	-53,450	20,739	16,498	8,071	6,999	7,844
Africa	110	16,394	24,650	-8,256	1,682	1,138	324	317	319
Asia, total	354	6,043,225	6,208,952	-165,800	117,088	57,633	28,240	25,762	10,862
Japan	103	4,612,363	4,542,856	69,446	111,678	56,512	27,908	25,484	10,544
Oceania	66	135,634	144,473	-8,840	1,165	1,165	450	450	450
Puerto Rico and U.S. Possessions	33	140,941	136,179	1,519	7,786	256	41	41	41
Country not stated	109	99,509	108,832	-9,339	7,256	6,688	1,879	1,844	1,879
1984									
All geographic areas, total	**10,905**	**43,655,886**	**45,003,619**	**-1,513,345**	**1,342,116**	**902,277**	**393,179**	**376,741**	**317,143**
Canada	1,599	6,442,767	6,731,714	-289,093	161,767	112,122	53,674	46,846	51,287
Latin America, total	7,020	4,933,079	5,626,904	-710,815	393,472	208,704	74,896	72,750	70,743
Mexico	53	181,473	204,639	-23,166	308	144	23	23	23
Central America	1,078	274,357	267,986	5,274	47,799	25,104	8,646	8,033	8,569
Caribbean, total	5,792	4,096,111	4,708,556	-628,338	343,566	183,186	66,177	64,647	62,114
Netherlands Antilles	5,405	3,145,141	3,777,374	-645,183	247,255	159,858	56,637	55,163	55,895
South America	97	381,138	445,723	-64,585	1,799	270	50	47	37
Other Western Hemisphere	141	195,746	214,404	-18,829	16,380	13,393	4,389	4,271	4,181
Europe, total	1,316	16,236,820	16,613,182	-427,500	449,455	371,408	168,012	164,680	155,678
Common Market countries, total	933	12,195,575	12,221,538	-50,200	428,552	353,839	160,776	159,225	148,526
France	29	2,567,743	2,616,559	-48,817	35,611	—	501	—	501
United Kingdom	352	5,596,492	5,309,698	285,474	339,127	332,804	152,165	152,056	140,026
West Germany	229	2,060,455	2,072,985	-34,273	36,415	7,909	3,298	3,298	3,191
Switzerland	154	3,175,219	3,443,392	-294,028	6,878	5,175	3,568	1,994	3,515
Africa	168	130,676	161,172	-30,497	2,187	1,333	394	348	377
Asia, total	397	15,124,485	15,128,585	-25,778	308,457	188,749	89,450	85,482	32,596
Japan	113	13,433,547	13,282,388	149,294	300,711	185,995	88,473	84,511	31,659
Oceania	92	465,988	395,500	-4,773	6,748	5,381	2,041	2,041	1,960
Puerto Rico and U.S. Possessions	51	121,391	124,201	-3,037	3,014	598	141	141	141
Country not stated	120	4,933	7,956	-3,024	635	590	182	182	182
1985									
All geographic areas, total	**11,693**	**50,908,814**	**51,928,117**	**-1,486,684**	**1,783,685**	**1,024,616**	**435,079**	**411,956**	**361,927**
Canada	1,586	10,883,168	10,502,685	-39,312	430,887	210,048	102,392	91,919	94,294
Latin America, total	7,517	9,365,113	10,163,608	-848,010	534,516	265,925	96,258	92,466	92,229
Mexico	59	190,158	188,899	-26,501	444	[3]	[3]	[3]	[3]
Central America	1,233	433,954	461,686	-28,547	36,820	26,334	8,654	7,532	8,612
Caribbean, total	6,164	8,340,583	9,021,144	-692,448	496,821	239,262	87,469	84,798	83,493
Netherlands Antilles	5,629	7,723,859	8,408,243	-691,036	434,732	203,098	71,716	69,089	69,771
South America	62	400,418	491,880	-100,515	431	330	136	136	125
Other Western Hemisphere	156	729,931	744,002	-14,393	48,370	40,711	17,697	17,658	17,682
Europe, total	1,433	15,152,165	15,676,627	-591,050	248,036	153,242	71,151	66,267	60,986
Common Market countries, total	939	11,754,017	12,107,052	-383,867	209,152	140,364	63,739	62,086	53,671
France	36	1,475,527	1,528,960	-53,489	4,549	20	3	3	3
United Kingdom	398	3,375,914	3,469,777	-95,274	75,153	66,616	30,497	30,096	24,761
West Germany	221	3,352,839	3,392,971	-44,730	98,738	58,422	26,314	26,196	22,151
Switzerland	219	2,797,056	2,958,905	-188,562	22,374	8,442	6,019	3,083	5,977
Africa	167	149,440	155,298	-5,865	7,943	7,171	3,167	3,131	3,106
Asia, total	514	13,903,413	13,913,467	-19,716	498,842	341,507	141,989	138,221	91,608
Japan	197	11,931,489	11,749,442	180,562	386,204	238,289	111,275	109,221	60,937
Oceania	127	577,079	616,401	-39,322	9,380	3,438	1,533	1,404	1,144
Puerto Rico and U.S. Possessions	71	126,740	134,811	-8,186	2,509	532	136	136	136
Country not stated	122	21,765	21,218	546	3,202	2,042	755	755	741

[1] Geographic area is based on the location of incorporation of the foreign corporation.

[2] Total income tax before credits includes Section I tax, which was based on income from U.S. sources that was not effectively connected with a U.S. trade or business, and Section II tax (shown in column 8), which was based on income effectively connected with a U.S. trade or business. It also includes additional tax for tax preferences and tax from recomputing prior-year investment credit.

[3] Less than $500.

NOTES: Detail may not add to totals because of rounding. Table excludes foreign corporation returns with only income from U.S. sources that was not effectively connected with a U.S. trade or business. Income statement items shown in this table pertain only to the effectively connected income of foreign corporations.

Table 4.—Domestic Corporations Controlled by a Foreign Person: Selected Balance Sheet, Income Statement and Tax Items, by Industrial Division

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

Year and item	All industrial divisions [1]	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1983									
Number of returns, total	**33,622**	**1,149**	**1,162**	**352**	**3,260**	**862**	**12,343**	**9,333**	**4,463**
With net income	13,648	385	310	135	1,873	592	4,993	2,827	2,533
Total assets	530,334,499	1,826,447	22,047,801	2,172,726	219,225,274	20,085,931	66,127,339	191,094,419	7,691,712
Net worth	138,380,457	470,012	9,687,184	456,684	71,327,454	7,596,412	18,062,721	29,208,014	1,557,305
Total receipts	389,908,798	732,291	8,449,595	3,014,927	157,738,858	11,855,553	164,917,873	35,391,398	7,790,909
Business receipts	359,793,137	662,152	7,665,838	2,809,993	149,108,180	11,434,256	161,780,356	19,073,624	7,242,101
Total deductions	387,981,124	876,744	9,594,021	3,130,347	154,033,796	11,955,908	164,041,815	36,358,161	7,971,575
Cost of sales and operations	271,372,629	414,835	4,651,384	2,529,726	98,952,238	7,217,796	141,908,332	11,715,650	3,967,477
Total receipts less total deductions	1,927,675	-144,452	-1,144,426	-115,420	3,705,062	-100,354	876,058	-966,763	-180,665
Net income (less deficit)	1,848,521	-144,452	-1,079,433	-113,023	3,802,606	-100,506	888,419	-1,224,816	-178,910
Net income	12,447,588	15,701	306,410	43,278	7,350,321	409,445	2,875,268	1,196,623	250,541
U.S. income subject to tax	10,706,827	12,195	186,655	33,205	6,713,801	388,643	2,514,770	701,451	156,108
Total U.S. income tax	4,848,504	4,661	94,868	14,567	3,082,203	174,684	1,133,952	287,892	55,678
Foreign tax credit	670,561	—	54,838	2,107	546,696	262	22,241	41,173	3,244
Other credits [2]	759,389	1,450	5,253	4,092	520,287	89,809	101,260	27,850	9,388
Distributions to stockholders except in own stock	4,326,837	6,690	340,642	5,199	2,560,755	530,889	272,298	570,694	39,670
1984									
Number of returns, total	**37,401**	**1,135**	**1,248**	**860**	**3,392**	**569**	**14,190**	**9,556**	**6,038**
With net income	15,306	360	222	654	1,941	323	5,874	3,201	2,720
Total assets	552,597,884	1,453,269	29,079,013	2,516,860	216,192,377	11,064,996	80,214,577	198,908,108	13,103,545
Net worth	154,928,539	306,584	13,314,350	507,448	82,540,606	3,805,541	20,997,962	30,649,813	2,796,054
Total receipts	459,161,616	726,634	11,426,911	5,204,036	178,076,536	9,115,440	201,958,318	40,544,227	11,968,534
Business receipts	423,602,229	646,001	10,599,809	5,051,050	167,548,099	8,445,142	197,946,312	22,164,501	11,062,611
Total deductions	454,641,699	827,450	12,677,714	5,223,416	172,871,281	9,020,220	199,563,031	42,029,957	12,287,378
Cost of sales and operations	320,856,731	419,276	6,918,887	4,331,677	110,375,497	5,506,860	171,651,316	15,430,484	6,087,012
Total receipts less total deductions	4,519,917	-100,816	-1,250,802	-19,380	5,205,255	95,220	2,395,288	-1,485,730	-318,844
Net income (less deficit)	4,528,142	-100,816	-1,186,103	-17,357	5,296,604	95,175	2,431,063	-1,675,421	-314,729
Net income	15,355,593	39,582	564,615	96,377	8,185,582	311,784	4,531,475	1,270,412	355,763
U.S. income subject to tax	13,410,975	5,358	481,545	66,240	7,542,966	299,989	4,073,274	719,814	221,791
Total U.S. income tax	6,049,943	2,276	225,385	24,655	3,431,363	134,440	1,845,723	301,660	84,440
Foreign tax credit	788,054	—	132,834	377	559,079	350	51,180	43,468	766
Other credits [3]	774,137	85	26,552	1,812	508,825	59,686	112,482	53,711	10,985
Distributions to stockholders except in own stock	3,322,147	—	143,940	2,812	1,829,312	203,689	507,582	582,633	52,179
1985									
Number of returns, total	**36,677**	**964**	**1,015**	**1,060**	**4,011**	**464**	**13,580**	**11,149**	**4,066**
With net income	15,882	378	136	729	1,971	254	6,146	3,846	2,420
Total assets	655,695,711	1,529,029	35,815,201	3,826,135	255,237,926	10,256,185	88,191,806	244,294,856	16,429,830
Net worth	178,092,635	388,368	18,005,764	590,323	93,026,306	3,608,870	22,035,571	36,626,281	3,800,961
Total receipts	513,777,962	914,939	13,442,356	5,236,279	202,466,147	10,310,044	227,402,547	41,304,815	12,686,424
Business receipts	473,892,926	846,151	12,265,454	4,909,201	191,084,504	9,574,611	222,928,133	21,000,275	11,276,376
Total deductions	510,954,654	997,436	14,731,593	5,265,393	199,705,816	10,211,032	225,031,667	41,986,577	13,006,308
Cost of sales and operations	357,519,673	623,699	8,435,910	4,312,400	127,010,586	6,513,273	192,793,470	11,678,130	6,147,448
Total receipts less total deductions	2,823,308	-82,496	-1,289,238	-29,114	2,760,332	99,012	2,370,880	-681,761	-319,884
Net income (less deficit)	2,978,286	-76,329	-1,238,326	-21,509	2,931,428	101,973	2,393,885	-790,997	-317,418
Net income	14,500,125	49,981	398,769	169,069	6,633,137	421,207	4,499,963	1,911,907	416,092
U.S. income subject to tax	11,428,043	24,791	234,693	78,979	5,401,714	391,333	3,964,105	1,037,017	295,412
Total U.S. income tax	5,152,493	10,210	114,946	30,758	2,466,796	178,452	1,785,942	442,409	122,981
Foreign tax credit	724,894	5,928	50,816	9,144	548,194	3,929	22,919	79,002	4,964
Other credits [3]	851,452	1,675	4,678	5,559	564,756	31,565	158,415	59,375	25,430
Distributions to stockholders except in own stock	3,529,185	243	104,145	11,283	2,170,511	95,636	351,413	700,526	95,428

[1] Includes "Nature of business not allocable" which is not shown separately.
[2] Includes U.S. possessions tax, investment, jobs, nonconventional source fuel, alcohol fuel, research activities, and employee stock ownership credits.
[3] Includes U.S. possessions tax, nonconventional source fuel, research activities, and general business credits.
NOTE: Detail may not add to totals because of rounding.

Table 5.—Foreign Corporations with Income Effectively Connected with a U.S. Business: Selected Income and Tax Items, by Industrial Division

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

Year and item	All industrial divisions[1]	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1983									
Number of returns, total	**8,001**	**237**	**372**	**62**	**118**	**109**	**268**	**6,320**	**466**
With net income	2,272	56	134	6	33	25	121	1,755	133
Total receipts	20,793,723	67,418	241,775	349,754	903,790	804,918	1,305,306	16,719,636	397,307
Business receipts	5,477,256	60,870	196,585	336,046	895,897	785,939	1,259,393	1,686,356	252,778
Interest[2]	13,566,811	1,012	2,120	4,597	1,380	3,122	20,137	13,531,423	2,832
Total deductions	21,882,107	91,972	314,755	363,545	947,308	1,095,392	1,351,183	17,276,053	439,278
Cost of sales and operations	3,723,239	26,138	65,429	326,950	735,779	515,884	1,066,394	916,880	69,783
Interest paid	13,459,582	19,010	24,485	10,688	30,408	44,081	43,138	13,246,255	41,155
Total receipts less total deductions	-1,088,383	-24,554	-72,981	-13,791	-43,518	-290,474	-45,876	-556,417	-41,971
Net income (less deficit)	-1,117,898	-24,617	-73,007	-13,791	-43,518	-290,474	-46,323	-584,186	-43,180
Net income	693,369	5,298	34,834	13,372	9,970	6,495	28,361	574,405	17,320
U.S. income subject to tax	468,995	1,222	28,262	13,100	4,430	4,540	20,427	383,713	9,986
Total U.S. income tax[3]	182,806	325	14,714	5,989	1,735	7,764	8,523	138,720	3,513
Foreign tax credit	25,234	—	—	—	—	—	—	25,231	3
Other credits[4]	5,129	6	1,111	1	984	42	234	972	1,780
Distributions to stockholders except in own stock	409,044	—	297,135	—	8,407	—	599	102,851	51
1984									
Number of returns, total	**10,905**	**284**	**640**	**60**	**180**	**96**	**391**	**8,609**	**519**
With net income	3,247	70	261	9	61	30	158	2,394	211
Total receipts	43,655,886	101,182	245,444	81,340	6,969,505	434,338	4,919,870	30,419,312	440,547
Business receipts	15,445,905	74,350	196,093	74,695	6,919,886	427,176	4,861,275	2,536,353	315,976
Interest[2]	25,938,814	5,162	4,972	1,253	6,057	5,118	20,972	25,890,046	4,880
Total deductions	45,003,619	138,400	381,704	104,072	6,672,472	520,269	4,921,539	31,714,830	499,151
Cost of sales and operations	12,552,248	48,650	108,856	84,226	5,826,382	419,824	4,234,797	1,683,971	134,348
Interest paid	24,790,699	31,386	31,426	3,810	63,133	9,331	67,328	24,534,015	45,828
Total receipts less total deductions	-1,347,733	-37,218	-136,260	-22,732	297,033	-85,931	-1,669	-1,295,518	-58,605
Net income (less deficit)	-1,513,345	-37,270	-137,069	-22,732	297,033	-85,931	-3,666	-1,457,087	-59,251
Net income	1,342,116	11,102	21,728	2,985	402,657	6,880	83,171	794,920	17,798
U.S. income subject to tax	902,277	8,085	4,081	280	387,203	6,353	67,562	415,110	12,952
Total U.S. income tax[3]	393,179	2,329	2,078	57	177,688	6,117	29,746	170,209	4,764
Foreign tax credit	59,042	—	—	—	—	—	—	59,039	2
Other credits[5]	16,994	74	141	—	14,005	154	336	2,008	276
Distributions to stockholders except in own stock	127,667	181	4,750	—	22,790	—	23,316	75,911	720
1985									
Number of returns, total	**11,693**	**311**	**587**	**80**	**201**	**126**	**452**	**9,334**	**489**
With net income	3,571	91	203	32	50	40	176	2,778	159
Total receipts	50,908,814	85,047	397,577	126,272	1,915,837	1,288,164	8,439,904	37,999,920	566,974
Business receipts	20,274,675	72,207	352,839	110,467	1,880,770	1,218,017	8,403,821	7,804,241	356,752
Interest[2]	27,199,483	2,149	2,404	2,556	7,737	4,507	7,512	27,152,163	19,580
Total deductions	51,928,117	127,496	513,413	161,604	1,940,231	1,609,041	8,526,743	38,354,389	607,932
Cost of sales and operations	15,032,230	37,389	176,849	102,681	1,560,796	809,659	7,827,949	4,304,043	146,001
Interest paid	25,719,467	21,408	33,678	5,271	37,567	75,962	51,379	25,437,555	53,578
Total receipts less total deductions	-1,019,304	-42,449	-115,836	-35,333	-24,393	-320,877	-86,839	-354,470	-40,959
Net income (less deficit)	-1,486,684	-42,486	-115,875	-35,343	-24,402	-320,877	-87,610	-819,204	-41,766
Net income	1,783,685	6,916	31,265	3,701	70,893	11,144	64,714	1,557,517	29,313
U.S. income subject to tax	1,024,616	719	25,507	1,856	65,280	10,610	53,117	840,607	18,907
Total U.S. income tax[3]	435,079	139	11,741	818	29,626	7,440	23,473	353,637	5,575
Foreign tax credit	65,156	—	—	—	—	—	32	65,123	1
Other credits[6]	7,996	25	1,244	164	1,605	149	670	3,972	166
Distribution to stockholders except in own stock	42,957	—	4,896	—	—	—	1,389	36,671	—

[1] Includes "Nature of business not allocable" which is not shown separately.

[2] Includes taxable interest received from obligations issued by the U.S. Government, as well as taxable amounts received on loans, notes, mortgages, bank deposits, and corporate bonds.

[3] Total U.S. income tax includes Section I tax, which was based on income from U.S. sources that was not effectively connected with a U.S. trade or business, and Section II tax, which was based on income effectively connected with a U.S. trade or business. It also includes additional tax for tax preferences and tax from recomputing prior year investment credit.

[4] Includes investment, jobs, and research activities credits.

[5] Includes nonconventional source fuel and general business credits.

[6] Includes research activities and general business credits.

NOTES: Detail may not add to totals because of rounding. Table excludes foreign corporation returns with only income from U.S. sources that was not effectively connected with a U.S. trade or business. Income statement items shown in this table pertain only to the effectively connected income of foreign corporations.