

Sole Proprietorships, 1990

by Craig Ammon

Nonfarm sole proprietorship profits for 1990 grew 6.6 percent over 1989 to \$141.4 billion. This growth rate, along with that of 1989, was well below those recorded from 1983 to 1988, showing signs of the recession that began in 1990. The real estate industrial group was hit hardest, with a decrease in profits of 15.9 percent from 1989 to 1990. In contrast, services as a whole showed significant increases; specifically, profits increased 22.0 percent for business services, 19.0 percent for legal services, and 16.9 percent for medical and health services.

Total Receipts and Profits

The number of individual income tax returns reporting nonfarm sole proprietorship activity for 1990 rose to 14.8 million, 3.4 percent more than 1989 [1]. Sole proprietorship total receipts (the sum of "income from sales and operations" and "other income") rose 5.5 percent above the level for 1989, from \$692.8 billion to \$730.6 billion [2]. Sole proprietorship receipts for 1990 did, however, decline for three of the eight industrial divisions: manufacturing; construction; and finance, insurance and real estate [Tables 1 and 2].

The increases in overall profits for both 1989 and 1990 were well below the increases recorded from 1983 to 1988 [3,4]. These earlier increases ranged from a low of 11.3 percent for 1985 to a high of 19.8 percent for 1988 (Figure A).

Figures B and C show how the relationship between total receipts and deductions affected profits and profitability over the 10-year period, 1981 to 1990. Profits increased sharply for 1983 and this trend continued through 1988 because receipts grew more rapidly than deductions. For 1989 and 1990, the slow-down that occurred in the growth of receipts was significant enough to slow the growth in profits.

Deductions and Losses

Beginning with 1983, deductions (including the cost of sales and operations) as a percentage of receipts began a decline that continued through 1990. This decline explains why profits increased by 6.6 percent, while receipts increased by only 5.5 percent.

A reduction in allowable depreciation deductions as mandated by the 1986 Tax Reform Act is reflected in the downward trend in the depreciation statistics after 1986. The Act generally lengthened the cost recovery period and changed the depreciation methods for business prop-

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Figure A

Nonfarm Sole Proprietorship Profits, Tax Years 1981-1990

[Money amounts are in billions of dollars]

| Tax year | Net income (less deficit) | Percentage increase over previous year |
|-----------|---------------------------|--|
| 1981..... | 53.1 | -3.3 |
| 1982..... | 50.6 | -4.7 |
| 1983..... | 60.4 | 19.4 |
| 1984..... | 70.8 | 17.2 |
| 1985..... | 78.8 | 11.3 |
| 1986..... | 90.4 | 14.7 |
| 1987..... | 105.5 | 16.7 |
| 1988..... | 126.3 | 19.7 |
| 1989..... | 132.7 | 5.1 |
| 1990..... | 141.4 | 6.6 |

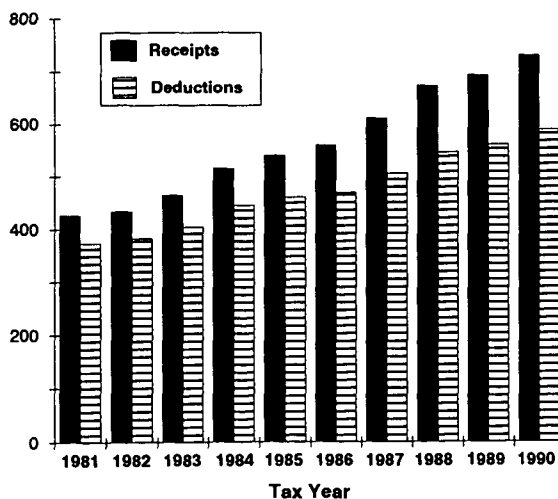
erty placed in service after 1986. For 1987, the first full year under the new rules, depreciation fell 3 percent, the first decrease since 1961. After increasing slightly for 1988, depreciation declined for 1989 and 1990. The 1990 figure, \$23.7 billion, was 3.3 percent less than 1989 (Figure D). Depreciation accounted for 4.0 percent of total deductions for 1990.

The restrictions on "passive" losses that began with 1987 in an effort to curb investments in "tax shelters" continued to have a very limited impact on overall sole proprietorship profits. The restrictions did, however, have a more significant effect on certain industrial groups (Figure E) [5,6]. The groups most affected by the restrictions were in finance, insurance and real estate, account-

Figure B

Receipts and Deductions, Tax Years 1981-1990

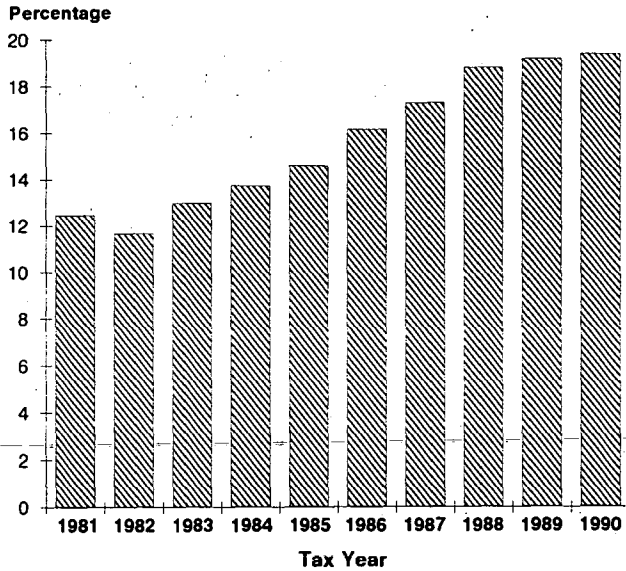
Billions of dollars



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Figure C

Profits as a Percentage of Receipts, Tax Years 1981-1990



ing for half of all disallowed passive losses, and in services, accounting for one third. Mining, dominated by oil and gas extraction, was a distant third in terms of disallowed passive losses.

Industry Trends

The services division continued to show the largest

Figure D

Nonfarm Sole Proprietorship Net Income, Net Loss (Deficit) and Depreciation, Tax Years 1981-1990

[Money amounts are in billions of dollars]

| Tax year | Net income | Net loss ¹ | Depreciation |
|-----------|------------|-----------------------|--------------|
| | (1) | (2) | (3) |
| 1981..... | 68.5 | 15.5 | 15.9 |
| 1982..... | 68.6 | 18.1 | 19.1 |
| 1983..... | 78.6 | 18.3 | 22.1 |
| 1984..... | 89.8 | 19.1 | 23.9 |
| 1985..... | 98.8 | 20.0 | 26.3 |
| 1986..... | 110.5 | 20.1 | 26.4 |
| 1987..... | 123.8 | 18.3 | 25.6 |
| 1988..... | 145.5 | 19.2 | 26.1 |
| 1989..... | 152.4 | 19.7 | 24.5 |
| 1990..... | 161.7 | 20.2 | 23.7 |

¹ Disallowed passive losses are not included in the net losses for 1987 through 1990 because they were not deductible for tax purposes. Therefore, the net losses shown are slightly understated for these years. For 1988 through 1990, the disallowed loss amounts were approximately \$0.1 billion for each year; the amount for 1987 is unavailable (see also, Figure E).

NOTE: See also footnote 6 at the end of this article.

number of businesses and the largest amount of profits, 59.5 percent of the total profits for 1990 (Figure F). Sole proprietors primarily engaged in business services reported the largest increases in receipts and profits within the division; their receipts rose 13.2 percent and profits, 22.0 percent, over 1989. They were followed closely by sole proprietors in the legal services group, who reported increases in receipts of 19.6 percent and profits of 19.0 percent. The reported increases for the medical and health services group were only slightly less — a 15.6 percent increase in receipts and a 16.9 percent increase in profits — but total profits for this group were \$28.5 billion, compared to \$14.5 billion for business services and \$9.3 billion for legal services.

The real estate industrial group reported the greatest decrease in profits of all the major groups. From 1989 to 1990, receipts dropped 18.2 percent and profits decreased by 15.9 percent. Real estate agents and brokers, who account for 90.0 percent of the receipts and profits reported for this industrial group, showed a 4.6 percent decline in business receipts and a 16.8 percent decline in

Figure E

Disallowed Passive Losses and Net Income or Deficit, Tax Year 1990

[Money amounts are in millions of dollars]

| Selected industrial group | Disallowed passive losses | Profits after disallowed passive losses | |
|---|---------------------------|---|---------------------------|
| | | Net deficit | Net income (less deficit) |
| | (1) | (2) | (3) |
| All industries..... | 80.3 | 20,227.1 | 141,430.2 |
| Mining..... | 4.0 | 793.3 | 654.5 |
| Oil and gas extraction.... | 4.0 | 771.4 | 614.6 |
| All other mining..... | (1) | 21.9 | 39.9 |
| Finance, insurance and real estate..... | 41.5 | 2,850.8 | 16,359.4 |
| Finance and insurance.. | 3.6 | 1,313.0 | 9,037.9 |
| Real estate..... | 38.0 | 1,537.7 | 7,321.5 |
| Operators and lessors of buildings.. | 9.9 | 85.0 | 84.7 |
| Operators and lessors, other than buildings..... | 4.3 | 17.0 | 60.0 |
| Subdividers and developers, except cemeteries..... | 15.6 | -490.0 | -123.7 |
| All other real estate.... | 8.1 | 945.8 | 7,300.5 |
| Services..... | 26.7 | 6,771.7 | 84,162.1 |
| Hotels, motels and tourist courts..... | 7.5 | 457.0 | -183.8 |
| Professional sports and racing, including promoters and managers..... | 10.6 | 472.9 | 128.2 |
| Offices of physicians..... | 3.3 | 128.9 | 14,884.3 |
| All other services..... | 5.4 | 5,712.9 | 69,333.4 |
| All other industrial groups..... | 8.1 | 9,811.3 | 40,254.2 |

¹ Less than \$0.05 million.

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

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Figure F

Nonfarm Sole Proprietorship Profits, by Industrial Group, Tax Years 1989 and 1990

(Money amounts are in billions of dollars)

| Industrial group | Net income (less deficit) | | Percentage increase |
|---|------------------------------|--------------|------------------------|
| | 1989 | 1990 | |
| | (1) | (2) | (3) |
| Total | 132.7 | 141.4 | 6.6 |
| Agricultural services, forestry and fishing..... | 2.2 | 2.4 | 9.1 |
| Mining..... | 0.5 | 0.7 | 40.0 |
| Construction..... | 17.2 | 16.4 | -4.7 |
| Manufacturing..... | 3.2 | 2.5 | -21.9 |
| Transportation and public utilities..... | 4.6 | 4.1 | -10.9 |
| Wholesale and retail trade..... | 13.5 | 14.1 | 4.4 |
| Finance, insurance and real estate..... | 16.4 | 16.4 | -- |
| Services..... | 73.4 | 84.2 | 14.7 |

NOTE: Detail may not add to totals because of rounding and because of proprietorships whose businesses were not allocable by industrial group.

profits. Real estate subdividers and developers reported losses of \$123.7 million, five times as great as the losses of \$21.1 million reported for 1989. Real estate operators and lessors reported profits of \$60.0 million for 1990, down 23.5 percent from 1989 profits of \$78.5 million [7].

Summary

Profits reported by nonfarm sole proprietorships for 1990 were only slightly ahead of 1989. Total deductions continued to decline as a percentage of receipts, but the small growth in receipts caused the growth in profits to lag far behind those reported for 1983 through 1988. Depreciation deductions continued the downward trend resulting from law changes contained in the Tax Reform Act of 1986. The recession hurt the real estate group, which experienced a significant decrease in profits. Disallowed passive losses for the real estate group, as a whole, were about 2.4 percent of total real estate net losses. Despite the developing recession, the profits reported for the services division were significantly higher than 1989.

Data Sources and Limitations

A general description of sampling procedures and data limitations applicable to the Statistics of Income tabulations is contained in the Appendix to this issue. Specific information applicable to sole proprietorship data for 1990 is presented below.

Sample Selection Criteria

The 1990 sole proprietorship estimates are based on data from a sample of individual income tax returns, Forms 1040, processed by the Internal Revenue Service during Calendar Year 1991. The sample was stratified based on the larger of "total income" or "total loss" amounts and the size of business plus farm receipts. Additional stratification of the sample was based on the presence of Schedule C, *Profit or Loss from Business (Sole Proprietorship)*; Schedule F, *Farm Income and Expenses*; and Form 4835, *Farm Rental Income/Loss*. The returns were selected at rates that ranged from .04 percent to 100 percent. For 1990, there were 35,000 nonfarm sole proprietorship returns included in the sample; these were drawn from a population of 14,657,690 returns. By comparison, 36,956 returns were drawn from a population of 14,297,558 for 1989.

Limitations

Because the data presented in this article are estimates based on a sample of returns, they are subject to sampling as well as nonsampling error. To insure proper use of the estimates, users should be aware of the magnitude of the potential sampling error.

Approximate coefficients of variation (CV's) for frequency estimates are presented in Figure G. These CV's can be used to obtain measures of the potential

Figure G

Coefficients of Variation for Frequency Estimates, Tax Year 1990

| Estimated number of returns | Approximate coefficient of variation |
|--------------------------------|---|
| 5,861,100..... | 0.02 |
| 937,800..... | 0.05 |
| 234,400..... | 0.10 |
| 58,600..... | 0.20 |
| 26,000..... | 0.30 |
| 19,100..... | 0.35 |
| 9,400..... | 0.50 |

sampling error. They are shown here only as a general indication of data reliability. For numbers other than those shown, the corresponding CV's can be estimated by interpolation. The reliability of estimates based on samples and the use of CV's for evaluating the precision of sample estimates are discussed in the Appendix.

Notes and References

- [1] In this article, the terms "sole proprietor" and "sole proprietorship" are used interchangeably, but, in fact, there are always more sole proprietorships than sole

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proprietors because some individuals own more than one business. For 1990, the ratio of proprietorships to proprietors continued to be approximately 1.1 to 1. For a fuller explanation of the relationship between proprietors and proprietorships, see *Statistics of Income--1981, Sole Proprietorship Returns*.

For the statistics, if a proprietor owned more than one business, the net income or deficit of each of the businesses was combined and reported under the industry of the proprietor's dominant business. Profits were calculated for the statistics as the sum of net incomes (for businesses reporting a profit) reduced by the sum of net deficits (for proprietorships reporting a deficit). Net income or net deficit for each return was calculated as business receipts minus the sum of cost of sales and operations and other business deductions. Industry profits, as well as all other industry statistics, are based on the revised *Standard Industrial Classification Manual, 1987*, issued by the U.S. Office of Management and Budget.

- [2] For sole proprietorships, the total receipts of the business, mainly the gross receipts from sales and operations, are reflected in the statistics for "income from sales and operations," under "business receipts," in Table 1. Miscellaneous business receipts, such as from sales of scrap, are also included in business receipts (under "other income"), but incidental investment income received through the business (such as interest, dividends, income, or loss from rents or royalties, and capital and ordinary gains and losses from the sale of investment property and other assets) is excluded. Incidental investment income is not considered to be income from the business and is reported on the proprietor's individual income tax return in combination with nonbusiness investment income. Sole proprietorship income also excludes deductions for salaries paid to owners and for

charitable contributions made through the business, neither of which is recognized as a sole proprietorship business expense. Salaries of owners are reported as personal income and, as such, are also part of the owner's taxable income; charitable contributions are deducted as a personal (nonbusiness) expense. Net income also reflects deductions for "additional first-year depreciation," depletion on oil and gas wells and for any foreign taxes paid (unless the owner elects to claim these taxes as a credit against U.S. income tax, instead of deducting them as a business expense).

- [3] Profits are represented by net income less deficit (net losses), before Federal income tax. Proprietors compute their tax on their total "taxable income," which includes their business profits plus any other income.
- [4] Money amounts are not adjusted for inflation.
- [5] Total disallowed passive losses reported by sole proprietors for Tax Year 1990 were \$80.3 million. They were \$102.0 million for 1989 and \$88.2 million for 1988; no estimate of these losses was made for 1987.
- [6] Passive activity losses were those losses generated by any business activity in which the taxpayer did not materially participate (i.e., was not involved regularly and substantially in the operations of the activity). The Tax Reform Act of 1986 eliminated the use of passive losses to offset nonpassive income, such as wages or dividends. A 5-year phase in of the restrictions was allowed for pre-enactment investments. Exceptions up to \$25,000 were made for certain real estate loss activities. Under prior law, all losses were fully deductible.
- [7] Statistics for finance, insurance and real estate reflect changes to the data that appeared in the Summer 1992 issue of the *Statistics of Income Bulletin*.

Table 1.--Nonfarm Sole Proprietorships: Business Receipts, Selected Deductions, Payroll and Net Income, by Industrial Groups--Continued

(All figures are estimates based on samples--money amounts are in thousands of dollars)

| Industrial group | Businesses with and without net income | | | | | | | | Businesses with net income | | | | | | | |
|--|--|-------------------|------------------------|---------------------------------|---------------------------|--|----------------------|-------------------------|----------------------------|-------------------|------------------------|---------------------------------|---------------------------|--|----------------------|------------|
| | Number of returns | Business receipts | Depreciation deduction | Rent on machinery and equipment | Rent on business property | Total interest paid deduction ¹ | Payroll ² | Net income less deficit | Number of returns | Business receipts | Depreciation deduction | Rent on machinery and equipment | Rent on business property | Total interest paid deduction ¹ | Payroll ² | Net income |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | (16) |
| Services--Continued | | | | | | | | | | | | | | | | |
| Medical and health services..... | 755,389 | 64,871,534 | 1,818,894 | 346,017 | 3,017,540 | 1,085,413 | 8,656,099 | 28,500,062 | 655,802 | 61,199,134 | 1,616,291 | 269,245 | 2,712,097 | 913,092 | 7,828,887 | 29,138,101 |
| Offices of physicians..... | 191,492 | 27,038,193 | 645,471 | 134,223 | 1,115,693 | 263,941 | 2,881,556 | 14,884,279 | 167,576 | 26,415,561 | 588,771 | 134,048 | 1,092,867 | 255,537 | 2,795,922 | 15,013,130 |
| Offices of dentists..... | 100,526 | 15,663,139 | 538,346 | 43,668 | 665,750 | 322,398 | 2,996,206 | 5,704,545 | 92,616 | 15,426,591 | 491,368 | 38,828 | 636,763 | 312,461 | 2,950,515 | 5,808,685 |
| Offices of osteopathic physicians..... | 4,681 | 816,241 | 19,929 | 1,823 | 8,370 | 12,735 | 82,932 | 495,567 | 4,158 | 814,486 | 19,929 | 1,823 | 8,370 | 12,735 | 82,932 | 496,027 |
| Offices of chiropractors..... | 31,572 | 4,608,220 | 153,230 | 88,021 | 246,870 | 121,582 | 720,510 | 1,658,185 | 26,573 | 4,042,340 | 142,593 | 21,736 | 234,205 | 91,804 | 467,637 | 1,734,087 |
| Offices of optometrists..... | 16,238 | 2,279,550 | 65,874 | 14,595 | 146,706 | 54,018 | 243,713 | 486,658 | 14,268 | 2,120,176 | 64,416 | 14,045 | 134,667 | 53,552 | 221,388 | 515,235 |
| Offices of podiatrists..... | 6,712 | 920,375 | 34,954 | 9,046 | 45,694 | 27,274 | 92,171 | 390,274 | 6,451 | 881,851 | 34,954 | 9,046 | 45,694 | 27,274 | 92,171 | 390,798 |
| Registered and practical nurses..... | 73,164 | 665,278 | 4,862 | 17 | 7,875 | 6,352 | 5,957 | 428,069 | 68,224 | 655,996 | 4,862 | 1 | 7,806 | 6,343 | 2,296 | 444,002 |
| Nursing and personal care facilities..... | 44,399 | 3,120,695 | 93,368 | 1,175 | 82,115 | 149,675 | 748,454 | 267,535 | 36,692 | 2,087,110 | 64,196 | 626 | 63,221 | 65,814 | 608,862 | 383,449 |
| Medical and dental laboratories..... | 29,532 | 1,778,322 | 41,632 | 13,364 | 173,881 | 43,347 | 149,198 | 527,927 | 24,818 | 1,584,491 | 40,891 | 13,364 | 141,464 | 43,007 | 77,361 | 530,354 |
| Other medical and health services..... | 257,073 | 7,981,520 | 221,226 | 40,085 | 524,585 | 84,089 | 735,402 | 3,657,021 | 214,424 | 7,170,531 | 164,309 | 35,730 | 347,040 | 44,563 | 529,803 | 3,822,333 |
| Legal services..... | 259,991 | 21,123,383 | 546,063 | 178,661 | 940,963 | 316,709 | 2,394,910 | 9,289,592 | 218,352 | 19,497,322 | 453,198 | 61,155 | 859,086 | 268,634 | 2,022,690 | 9,562,283 |
| Educational services..... | 192,544 | 1,799,454 | 92,060 | 8,741 | 113,534 | 37,697 | 244,469 | 388,092 | 145,863 | 1,273,358 | 45,972 | 1,545 | 43,520 | 18,556 | 100,253 | 579,993 |
| Child day care..... | 460,735 | 3,786,912 | 165,740 | 6,453 | 47,648 | 235,254 | 364,764 | 1,249,534 | 413,022 | 3,397,805 | 125,881 | 5,350 | 35,654 | 170,256 | 266,563 | 1,346,232 |
| Ministers and chaplains..... | 250,695 | 3,253,005 | 42,384 | 1,254 | 52,578 | 53,075 | 4,162 | 2,056,260 | 220,559 | 3,170,890 | 39,751 | 2 | 51,923 | 45,971 | 4,162 | 2,125,211 |
| Engineering services..... | 108,843 | 4,673,999 | 193,650 | 61,763 | 94,850 | 80,730 | 759,234 | 1,672,353 | 93,431 | 4,398,253 | 171,822 | 61,140 | 74,062 | 65,143 | 668,967 | 1,837,051 |
| Architectural services..... | 82,614 | 2,137,198 | 68,982 | 4,257 | 60,825 | 12,022 | 210,131 | 793,336 | 63,817 | 2,079,473 | 57,758 | 470 | 57,866 | 11,174 | 193,943 | 888,581 |
| Surveying services..... | 17,045 | 292,677 | 9,780 | 4,206 | 1,512 | 1,697 | 55,035 | 121,886 | *12,290 | *285,175 | *8,443 | *4,206 | *1,512 | *1,004 | *55,035 | *133,174 |
| Accounting, auditing and bookkeeping services..... | 271,475 | 6,594,380 | 348,877 | 37,504 | 438,813 | 169,290 | 655,926 | 2,790,061 | 242,813 | 6,467,290 | 308,109 | 24,530 | 423,366 | 155,718 | 649,185 | 2,885,365 |
| Management services..... | 65,633 | 1,837,932 | 54,009 | 8,595 | 39,598 | 52,837 | 63,528 | 971,341 | 61,474 | 1,783,895 | 48,220 | 8,204 | 34,319 | 44,464 | 50,122 | 1,042,555 |
| Consulting services..... | 601,298 | 15,218,156 | 430,712 | 48,213 | 300,276 | 215,468 | 333,708 | 8,506,779 | 476,714 | 14,032,916 | 301,810 | 36,125 | 200,820 | 141,530 | 243,727 | 9,168,317 |
| Public relations..... | 26,197 | 481,317 | 15,728 | 5,276 | 9,160 | 1,578 | 34,243 | 186,052 | 20,549 | 467,362 | 15,071 | 5,276 | 9,157 | 1,562 | 34,229 | 190,945 |
| Counseling, except health practitioners..... | 67,009 | 1,560,867 | 58,830 | 28,939 | 70,445 | 13,899 | 14,539 | 782,303 | 55,209 | 1,542,309 | 52,698 | 28,753 | 66,559 | 12,128 | 14,539 | 801,168 |
| Nature of business not allocable..... | 195,361 | 2,456,006 | 57,125 | 11,457 | 28,903 | 39,400 | 104,591 | 846,224 | 155,104 | 1,698,688 | 38,084 | 6,836 | 4,945 | 16,825 | 59,892 | 1,069,791 |

¹ Interest paid is the sum of mortgage interest and other interest on indebtedness (see Table 2).

² Payroll is the sum of net salaries and wages paid plus the cost of labor reported as part of cost of sales and operations (see Table 2).

* Less than \$500.

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

Where data for an industrial group are not shown in order to avoid disclosure of information about specific taxpayers, the data deleted have been combined with those shown for a related industrial group, also indicated by a double asterisk.

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

Table 2.--Nonfarm Sole Proprietorships: Income Statements, by Selected Industrial Groups--Continued
(All figures are estimates based on samples -- money amounts are in thousands of dollars)

Table with 14 columns representing different industrial groups and 14 rows representing various income statement items. The columns are: Wholesale and retail trade--Cont'd, Retail trade--Continued, Finance, Finance, insurance and real estate, and Services. The rows include items like Number of returns, Business receipts, total, Income from sales and operations, Business deductions, total, and Net income.

Footnotes at end of table.

Table 2.--Nonfarm Sole Proprietorships: Income Statements, by Selected Industrial Groups--Continued
 (All figures are estimates based on samples -- money amounts are in thousands of dollars)

| Net income status, item | Services--Continued | | | | | Nature of business not allocable |
|---|---------------------|----------------------|---|---|--------------------|----------------------------------|
| | Legal services | Educational services | Accounting, auditing and bookkeeping services | Counseling, except health practitioners | All other services | |
| | (96) | (97) | (98) | (99) | (100) | (101) |
| BUSINESSES WITH AND WITHOUT NET INCOME | | | | | | |
| Number of returns | 259,991 | 192,544 | 271,475 | 67,009 | 1,613,060 | 195,361 |
| Business receipts, total | 21,123,383 | 1,799,454 | 6,594,380 | 1,560,847 | 1,481,196 | 2,456,006 |
| Income from sales and operations | 20,750,510 | 1,784,516 | 6,497,982 | 1,551,085 | 30,550,953 | 2,383,287 |
| Other business income | 372,873 | 14,938 | 96,398 | *9,762 | 1,130,243 | 72,719 |
| Business deductions, total | 11,833,822 | 1,411,517 | 3,804,346 | 778,544 | 16,125,149 | 1,610,402 |
| Cost of sales and operations | 734,988 | 61,028 | 157,273 | 10,931 | 2,092,211 | 655,670 |
| Inventory, beginning of year | 24,673 | *2,434 | *2,428 | *16 | 201,279 | 56,439 |
| Cost of labor | 24,277 | *4,241 | *68,136 | *146 | 751,467 | 18,466 |
| Purchases | 55,285 | *13,204 | *7,486 | *7,486 | 520,809 | 567,009 |
| Materials and supplies | 6,897 | 19,822 | 32,485 | *1,114 | 305,116 | 33,130 |
| Other costs | 645,717 | *31,325 | 43,445 | *2,272 | 587,153 | 64,944 |
| Inventory, end of year | 21,961 | 9,015 | *2,265 | *104 | 273,612 | 84,325 |
| Advertising expenses | 189,255 | 28,322 | 67,613 | 16,945 | 150,065 | 16,546 |
| Bad debts from sales or services | 22,545 | *3,490 | *2,064 | "(1) | 74,564 | 6,108 |
| Car and truck expenses | 394,671 | 120,504 | 249,575 | 32,012 | 1,453,573 | 68,906 |
| Commissions | 52,793 | 1,451 | 89,132 | *20,801 | 359,139 | 9,823 |
| Depreciation | 1,680 | *103 | 6,355 | -- | 6,303 | *89 |
| Employee benefit programs | 546,063 | 92,060 | 348,877 | 58,830 | 980,985 | 57,125 |
| Insurance | 57,024 | *1,154 | 27,184 | *1,878 | 40,008 | 557 |
| Legal and professional services | 481,837 | 30,966 | 94,983 | 18,604 | 286,444 | 28,559 |
| Meals and entertainment deducted | 580,175 | 28,859 | 82,866 | 15,030 | 637,332 | 16,283 |
| Total meals and entertainment expenses | 275,958 | 29,208 | 100,382 | 17,165 | 397,399 | 28,630 |
| Mortgage interest | 344,974 | 36,519 | 125,497 | 21,459 | 496,836 | 35,801 |
| Other interest on business indebtedness | 146,584 | 26,538 | 70,214 | 6,514 | 416,122 | 24,225 |
| Office expenses | 170,125 | 11,159 | 99,076 | 7,385 | 236,539 | 15,175 |
| Pension and profit-sharing plans | 585,743 | 29,810 | 185,998 | 37,029 | 618,281 | 20,855 |
| Rent on machinery and equipment | 50,026 | *566 | 9,070 | *102 | 42,582 | *173 |
| Rent on business property | 178,661 | 8,741 | 37,504 | *28,939 | 140,018 | 11,457 |
| Repairs | 940,963 | 113,534 | 438,813 | 70,445 | 606,448 | 28,903 |
| Net salaries and wages | 170,691 | 64,843 | 50,995 | 9,995 | 161,025 | 19,002 |
| Taxes paid | 2,370,533 | 240,228 | 587,790 | 14,393 | 1,063,338 | 86,126 |
| Travel | 314,875 | 28,242 | 72,287 | 16,619 | 294,653 | 13,927 |
| Utilities | 195,146 | 45,637 | 82,003 | 34,000 | 853,981 | 40,975 |
| Other business deductions | 423,183 | 75,266 | 147,655 | 45,752 | 556,497 | 21,468 |
| Net income less deficit ¹ | 2,930,502 | 369,701 | 796,340 | 315,176 | 4,657,944 | 429,703 |
| Net income ² | 9,289,892 | 388,093 | 2,790,061 | 783,393 | 18,857,541 | 846,224 |
| Deficit ³ | 9,562,283 | 579,993 | 2,885,365 | 801,168 | 16,732,066 | 1,049,791 |
| | 272,691 | 191,901 | 95,304 | 10,865 | 1,174,525 | 223,567 |
| BUSINESSES WITH NET INCOME | | | | | | |
| Number of returns | 218,352 | 145,843 | 242,813 | 55,209 | 1,361,856 | 155,104 |
| Business receipts, total | 19,497,322 | 1,273,258 | 4,467,390 | 1,542,309 | 29,615,749 | 1,698,688 |
| Income from sales and operations | 19,157,539 | 1,263,246 | 4,371,113 | 1,532,528 | 28,528,609 | 1,633,682 |
| Other business income | 339,783 | *10,112 | 96,278 | *9,781 | 1,087,140 | 65,006 |
| Business deductions, total | 9,935,045 | 693,522 | 3,581,953 | 741,142 | 12,885,216 | 628,897 |
| Cost of sales and operations | 727,740 | 41,141 | 153,063 | *10,917 | 1,976,092 | 136,784 |
| Inventory, beginning of year | 18,754 | *1,896 | *2,428 | *16 | 139,211 | *10,624 |
| Cost of labor | 24,029 | *4,241 | *68,136 | *146 | 744,240 | *648 |
| Purchases | 55,173 | *4,261 | *10,352 | *7,486 | 449,220 | 85,596 |
| Materials and supplies | 6,427 | 17,804 | *31,718 | *1,114 | 278,228 | 26,983 |
| Other costs | 640,882 | *16,580 | 42,694 | *2,257 | 571,143 | 31,645 |
| Inventory, end of year | 17,525 | *3,641 | *2,265 | *104 | 205,950 | 18,712 |
| Advertising expenses | 134,573 | 9,183 | 63,350 | 16,876 | 94,409 | 8,823 |
| Bad debts from sales or services | 9,016 | *2,418 | -- | "(1) | 26,752 | *18 |
| Car and truck expenses | 353,180 | 65,131 | 229,725 | 26,290 | 1,222,704 | 44,702 |
| Commissions | 43,186 | 1,413 | 86,987 | *20,801 | 173,856 | 3,649 |
| Depreciation | 1,318 | *103 | *6,352 | -- | 5,728 | *75 |
| Employee benefit programs | 453,198 | 45,972 | 308,109 | 52,898 | 768,756 | 36,084 |
| Insurance | 48,832 | *21 | 27,153 | *1,878 | 28,711 | *510 |
| Legal and professional services | 356,787 | 13,903 | 91,137 | 18,228 | 326,077 | 24,213 |
| Meals and entertainment deducted | 405,473 | 12,746 | 82,261 | 13,571 | 503,874 | 8,843 |
| Total meals and entertainment expenses | 233,547 | 15,859 | 97,284 | 16,765 | 337,683 | 19,649 |
| Mortgage interest | 291,956 | 19,829 | 121,621 | 20,958 | 421,272 | 24,562 |
| Other interest on business indebtedness | 122,237 | 10,119 | 58,789 | 6,514 | 304,585 | 8,788 |
| Office expenses | 146,297 | 8,437 | 96,930 | 5,614 | 176,519 | 8,037 |
| Pension and profit-sharing plans | 503,128 | 16,150 | 178,591 | 33,472 | 469,947 | 10,275 |
| Rent on machinery and equipment | 60,018 | *565 | 9,044 | *102 | 42,219 | *173 |
| Rent on business property | 61,155 | 1,545 | 24,530 | *28,753 | 120,774 | 4,836 |
| Repairs | 859,086 | 43,520 | 423,366 | 66,559 | 665,313 | 4,945 |
| Net salaries and wages | 140,409 | 20,487 | 47,826 | 9,268 | 127,713 | 13,025 |
| Taxes paid | 1,998,661 | 96,012 | 581,049 | 14,393 | 772,509 | 59,244 |
| Travel | 276,894 | 16,646 | 69,134 | 15,910 | 327,016 | 5,870 |
| Utilities | 152,241 | 32,013 | 80,209 | 33,440 | 702,552 | 110,727 |
| Other business deductions | 353,242 | 38,056 | 134,810 | 46,148 | 435,970 | 13,010 |
| Net income ² | 2,494,747 | 202,082 | 730,056 | 304,945 | 3,675,457 | 203,870 |
| Net income ¹ | 9,562,283 | 579,993 | 2,885,365 | 801,168 | 16,732,066 | 1,049,791 |

¹ Total deductions are before subtraction of nonallowable passive losses and any passive loss carryover from the prior year. However, these losses and any carryover are reflected in net income or deficit. Therefore, business receipts minus total deductions may not always equal net income or deficit.

² Less than \$500.

³ Estimate should be used with caution because of the small number of sample returns on which it is based.

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