

This report presents statistical estimates based on a stratified sample of approximately 140,000 unaudited returns selected from the nearly 5.5 million active corporate returns filed for Tax Year 2004 (defined to include accounting periods ending July 2004 through June 2005).

The report is divided into 6 sections. Section 1 provides statistics summarizing overall corporate activity for Tax Year 2004. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2003. Section 3 describes in detail the sample of income tax returns upon which the statistics are based, as well as the method of estimation used, the sampling variability of the data, and other limitations.

Section 4 presents basic tables that contain detailed statistics on 2004 assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data. These statistics are presented by industry, asset size, business receipts size, tax form type, accounting period ended, and other selected classifiers. Section 5 contains detailed explanations of the terms used in this report. In most instances, the explanations include definitions of terms used, as well as adjustments made in preparing the statistics and any limitations inherent in the data. Section 6 consists of the key corporation tax return forms.

The industry classification used in this report is based on the North American Industry Classification System (NAICS), which replaced the Standard Industrial Classification (SIC) system used in years prior to 1998. For this Statistics of Income report, the data are listed under 22 industrial sectors, 82 major industries, and 200 minor industries. Table 1 which begins on page 19, presents selected financial data for all minor industries.

Since 2001, corporations classified with assets of \$250 million or more are reported in three separate categories: \$250 million under \$500 million; \$500 million under \$2.5 billion and \$2.5 billion or more. In addition, corporations previously classified in the \$1

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under \$100,000; \$100,000 under \$250,000; and \$250,000 under \$500,000 ranges are now grouped under one category, \$1 under \$500,000.

The statistics in this publication present data primarily by major industries, sectors, return types, and specific categories. The statistics in the 2004 *Corporation Source Book of Statistics of Income* differ from this report by providing data by minor industry and size of total assets for balance sheet, income statement, tax, and selected other items.

Overall Corporate Summary

Figure A presents corporation summary statistics for Tax Years 2003 and 2004 for number of returns, total assets, total receipts, net income (less deficit), income subject to tax, total income tax before credits, and total income tax after credits.

The number of active corporate tax returns filed for Tax Year 2004 increased by approximately 2.9 percent. Starting with Tax Year 2003 corporations that met certain criteria could electronically file their tax return; approximately 43,000 corporate tax filers elected to do so. The number of electronically filed returns increased to approximately 211,000 in 2004. Total assets reached an all-time high of \$60.1 trillion, an increase of approximately 12 percent from Tax Year 2003. This increase was mainly found in the Finance and Insurance sector, which increased from \$24.3 trillion to \$27.1 trillion, an increase of over 12 percent; and in the Management of Companies (Holding Companies) sector, which reported an increase in assets from \$10.1 trillion to \$12.4 trillion, a 23.3 percent gain. The largest decrease in total assets was in the Utilities sector, which reported a decline in assets from \$1.5 trillion to \$1.4 trillion, a drop of nearly 3.7 percent. Total receipts from operations and investments increased from \$20.7 trillion to \$22.7 trillion, an increase of 9.8 percent. This increase was primarily reflected in business receipts which increased by 9.4 percent from \$18.3 trillion to \$20.0 trillion. Two sectors, Manufacturing and Wholesale Trade, accounted for 56.0 percent of the increase in total receipts and approximately 64.4 percent of the increase in business receipts. Total receipts for the Manufacturing sector rose from \$5.6 trillion to \$6.4 trillion in 2004, an increase of 12.6 percent; while business receipts rose from \$5.2 trillion to \$5.9 trillion, or 13.5 percent. The Wholesale Trade sector experienced an increase of 15.9 percent in total receipts, from \$2.6 trillion to \$3.0 trillion; while business receipts increased

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from \$2.6 trillion to \$3.0 trillion, an increase of approximately 15.7 percent. Total deductions rose from \$19.9 trillion to \$21.6 trillion, an increase of 8.5 percent. Cost of goods sold, the largest component of total deductions, grew from \$11.3 trillion to \$12.5 trillion in 2004, an increase of 10.4 percent. Corporate pre-tax profits, or net income (less deficit) rose for all companies by 42.5 percent, from \$780.0 billion to \$1.1 trillion. Pre-tax profits increased from \$455.4 billion to \$710.0 billion or 56.0 percent when excluding pass-through entities. Income subject to tax (the tax base), grew during 2004 from \$699.3 billion to \$857.4 billion, an increase of 22.6 percent. Total income tax before credits increased from \$243.8 billion to \$299.6 billion, an increase of 22.9 percent. Income tax increased 22.8 percent during tax year 2004, from \$241.3 billion to \$296.2 billion.

Total income tax after credits, the amount paid to the U.S. Government, increased by \$46.4 billion from \$177.5 billion to \$224.4 billion.

From the 5.6 million active corporations for Tax Year 2004, approximately 3.5 million were pass-through entities. These pass-through entities include: regulated investment companies (RIC's), real estate investment trust (REIT's) and S corporations [1]. These entities pay little or no Federal income tax at the corporate level. Instead they are required by law to pass any profits or losses to their shareholders, where they are taxed at the individual rate. Pretax profits of pass-through entities, mirrored the increase seen by all corporations rising 23.8 percent or \$77.2 billion during 2004 (Figure C).

Figure A. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Assets Tax Years 2003 and 2004

(All figures are estimates based on samples--money amounts are in thousands of dollars and size of total assets are in whole dollars)

Year and size of total assets	Number of returns	Total assets	Total receipts	Net income (less deficit) [1]	Income subject to tax [2]	Total income tax before credits [3]	Total income tax after credits [4]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2003							
Total.....	5,401,237	53,644,784,683	20,689,574,291	779,988,635	699,336,915	243,822,946	177,517,404
Zero assets.....	624,831	-	300,726,539	-7,979,840	7,476,075	2,267,366	1,987,447
\$1 under \$500,000.....	3,919,683	381,822,206	1,697,464,066	51,152,674	8,158,942	1,467,798	1,435,410
\$500,000 under \$1,000,000.....	342,834	239,855,647	569,189,486	10,034,210	3,541,277	810,658	784,941
\$1,000,000 under \$5,000,000.....	373,594	787,028,937	1,583,428,099	21,795,732	10,482,370	3,081,358	2,994,245
\$5,000,000 under \$10,000,000.....	58,714	406,240,732	826,753,046	8,633,188	6,239,638	2,120,100	2,044,527
\$10,000,000 under \$25,000,000.....	37,740	580,132,432	1,047,236,202	12,546,263	9,033,720	3,106,784	2,940,646
\$25,000,000 under \$50,000,000.....	14,086	494,318,716	656,355,817	9,320,845	8,208,384	2,838,263	2,676,827
\$50,000,000 under \$100,000,000.....	9,278	656,251,194	589,938,931	9,238,686	10,320,740	3,597,478	3,297,301
\$100,000,000 under \$250,000,000.....	8,734	1,401,825,135	821,904,279	20,778,842	20,869,774	7,334,262	6,516,081
\$250,000,000 under \$500,000,000.....	4,396	1,570,472,919	692,852,439	19,710,160	21,729,591	7,632,227	6,696,138
\$500,000,000 under \$2,500,000,000.....	5,329	6,517,082,890	2,628,829,844	105,103,934	105,746,461	37,729,599	30,901,287
\$2,500,000,000 or more.....	2,018	40,609,753,876	9,274,895,543	519,653,941	487,529,942	171,837,056	115,242,555
2004							
Total.....	5,557,965	60,117,759,331	22,711,863,939	1,111,692,655	857,391,889	299,555,304	224,435,343
Zero assets.....	701,095	-	360,362,431	3,638,790	15,385,659	4,503,520	4,076,062
\$1 under \$500,000.....	3,966,884	383,379,360	1,733,209,411	63,850,452	8,436,457	1,568,850	1,536,268
\$500,000 under \$1,000,000.....	356,184	249,055,234	597,725,892	14,816,460	4,081,325	980,508	959,562
\$1,000,000 under \$5,000,000.....	386,689	815,358,509	1,689,794,715	33,992,927	12,214,740	3,650,293	3,519,333
\$5,000,000 under \$10,000,000.....	61,121	426,030,168	888,688,357	15,832,565	7,562,341	2,548,235	2,445,679
\$10,000,000 under \$25,000,000.....	39,986	615,452,514	1,149,705,508	21,556,461	10,694,167	3,684,759	3,511,343
\$25,000,000 under \$50,000,000.....	15,012	517,736,115	736,571,938	17,698,834	10,076,304	3,492,074	3,281,627
\$50,000,000 under \$100,000,000.....	9,567	679,159,194	657,697,549	16,973,223	12,037,344	4,182,888	3,917,585
\$100,000,000 under \$250,000,000.....	8,984	1,435,685,928	880,104,503	33,894,141	23,779,435	8,393,447	7,529,446
\$250,000,000 under \$500,000,000.....	4,654	1,696,308,446	781,541,962	36,091,025	26,919,212	9,452,646	8,521,926
\$500,000,000 under \$2,500,000,000.....	5,602	6,651,534,467	2,708,116,017	152,854,905	117,538,488	41,743,088	35,658,675
\$2,500,000,000 or more.....	2,188	46,648,059,396	10,528,345,657	700,492,871	608,666,417	215,354,993	149,477,837

[1] Includes taxable income before net operating loss deduction and special deductions.

[2] Includes taxable income less net operating loss deduction and special deductions.

[3] Includes income tax, personal holding company tax, all recapture and other taxes, alternative minimum tax; excess net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, IV, and section 857 (Form 1120-REIT); tax from Schedule J, line 3b (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

[4] Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax credits and qualified zone academy bond credits.

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

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Figure B.-- Corporate Pretax Profits by North American Industry Classification System (NAICS) Sector, Tax Years 2003 and 2004

[Money amounts are in thousands of dollars]

Industrial sector	Pre-tax Profits [1],[2]			
	2003	2004	Difference	Percentage change
	(1)	(2)	(3)	(4)
All industries.....	779,988,635	1,111,692,655	331,704,020	42.53%
Agriculture, forestry, fishing, and hunting.....	1,332,547	2,580,512	1,247,965	93.65%
Mining.....	10,683,846	18,694,454	8,010,608	74.98%
Utilities.....	-4,728,496	4,162,291	8,890,787	188.03%
Construction.....	29,368,117	46,624,667	17,256,550	58.76%
Manufacturing.....	186,085,821	291,038,821	104,953,000	56.40%
Wholesale and retail trade.....	108,098,908	161,987,422	53,888,514	49.85%
Wholesale trade.....	46,641,900	80,088,103	33,446,203	71.71%
Retail trade.....	61,562,333	81,910,565	20,348,232	33.05%
Wholesale and retail trade not allocable.....	-105,324	-11,246	94,078	89.32%
Transportation and warehousing.....	1,608,015	5,724,498	4,116,483	256.00%
Information.....	-3,996,010	22,530,595	26,526,605	663.83%
Finance and insurance.....	303,014,325	363,427,888	60,413,563	19.94%
Real estate and rental and leasing.....	6,062,925	9,553,391	3,490,466	57.57%
Professional, scientific, and technical services.....	9,277,744	17,864,065	8,586,321	92.55%
Management of companies (holding companies).....	93,462,818	116,033,731	22,570,913	24.15%
Administrative and support, and waste management and remediation services.....	7,194,381	10,594,085	3,399,704	47.25%
Educational services.....	1,457,306	2,352,859	895,553	61.45%
Health care and social assistance.....	18,630,604	20,261,024	1,630,420	8.75%
Arts, entertainment, and recreation.....	1,227,441	2,759,386	1,531,945	124.81%
Accommodation and food services.....	7,157,592	12,207,573	5,049,981	70.55%
Other services.....	4,062,491	3,250,105	-812,386	-20.00%
Not allocable.....	-11,740	45,288	57,028	485.76%

[1] Pretax profits are net income (less deficit) in the statistics.

[2] Excludes net long-term capital gain reduced by net short-term capital loss of regulated investment companies and portfolio income (including capital gains) for S corporations (qualifying corporations electing to be taxed through their shareholders).

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

The remaining 2.0 million returns reported total receipts of \$17.7 trillion, an increase of 9.1 percent from 2003 to 2004. During the same time period, income subject to tax increased from \$698.3 billion to \$856.4 billion, a 22.6 percent increase; while total income tax after credits increased 26.6 percent from 177.0 billion to 224.0 billion. Excluding the pass-through entities [2], approximately 1 million corporations reported net income for Tax Year 2004 and 65.5 percent of those corporations had a tax liability, compared to 21.3 percent of all corporations with net income.

The number of returns with total assets of \$2.5 billion or more represented only 0.04 percent of the total number of returns, but 77.6 percent of total assets. These 2,188 returns for 2004 accounted for 46.4 percent of the total receipts; 63.0 percent of net income (less deficit); 71.0 percent of income subject to tax; 71.9 percent of total income tax before credits; and 66.6 percent of total income tax after credits. Roughly 63.8 percent of all returns with net income and total assets greater than \$2.5 billion, had a tax liability for 2004.

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Activities Covered

The estimates in this report encompass corporate business activities in the United States, as well as certain foreign activities as reported on returns of domestic corporations, and foreign corporations with U.S. business activities. The term domestic corporation refers to companies incorporated in the United States, but does not necessarily imply that all their activities are domestic. For instance, data for a U.S. corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries and, to a certain extent, their undistributed earnings. The effect of foreign activity on the statistics varies by type of industry and by size of assets. Income from foreign activity is reflected to a greater extent in manufacturing industries than other industries. Also, foreign activity is almost entirely concentrated among returns with assets of \$250 million or more [3]. For foreign corporations (defined as those incorporated abroad) engaged in trade or business in the United States, only income that was considered effectively connected with the conduct of a trade or business in the United States was included in the statistics; any investment income from U.S. sources was excluded from the data. Most foreign corporations are concentrated in the "Finance and Insurance" and "Real Estate and Rental and Leasing" sectors. Other foreign corporations, incorporated abroad and not engaged in trade or business in the U.S., were liable for tax only on investment income from U.S. sources, and these returns were excluded from this report.

Section 6012 of the Internal Revenue Code requires that all corporations in existence at any time during the tax year file returns, regardless of whether they had income or not. This applied to active and inactive domestic corporations, unless they were expressly exempt from filing, as well as to active

foreign corporations with insufficient taxes withheld at the source to satisfy their U.S. tax liability on income earned in the United States. However, inactive corporations have been excluded from these statistics. See Section 3 for more information on the sample.

In addition to legally defined corporations, the Internal Revenue Code recognized many types of businesses as corporations including: joint stock companies and unincorporated associations (such as business trusts, savings and loan associations, certain partnerships, mutual savings banks, and cooperative banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, centralization of management apart from ownership, limited liability of owners, and transferability of shares of capital ownership.

Time Period Employed

The estimates in this report are based on data from returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ending during the span of months July 2004 through June 2005. This span, in effect, defines the tax year in such a way that the noncalendar year accounting periods are centered at the calendar year ended in December.

There are 12 accounting periods covered in this report. Code section 441 specified that, in general, a taxpayer's accounting period ends on the last day of the month. There is a span of 23 months between the first-included accounting period, which began on August 1, 2003, and closed on July 31, 2004, and the end of the last-included accounting period, which began on July 1, 2004, and closed on June 30,

Figure C. -- Pretax profits and Pretax profits with certain inclusions for All Corporations, Regulated Investment Companies, and S Corporations, Tax Years 2003 and 2004

[Money amounts are in thousands of dollars]

Item	Tax Year	All Corporations	Regulated Investment Companies	S Corporations
Pretax profits [1].....	2004	1,111,692,655	137,018,774	217,378,830
	2003	779,988,635	111,896,953	171,574,616
Pretax profits with certain inclusions [2].....	2004	1,241,134,481	208,440,778	275,398,651
	2003	842,310,337	132,111,491	213,681,780

[1] Pretax profits are net income (less deficit) in the statistics.

[2] The inclusions to pre-tax profits are: net long-term capital gain reduced by net short-term capital loss for regulated investment companies and investment, rental, and portfolio income (including capital gains) for S corporations. The amounts listed under "All Corporations" include both aforementioned items.

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2005. This report, therefore, shows income received or expenses incurred during any or all of the months in the 23-month span. For balance sheet items, the report shows a corporation's position only at the end of its accounting period. Corporations were required by Code section 441 to file returns for the accounting period customarily used in keeping their books.

Figure D shows that calendar year returns made up 85.8 percent of the number of returns and 73.9 percent of net income (less deficit) for 2004. In addition, these returns accounted for 76.6 percent of the total assets, 74.8 percent of the total receipts, 75.6 percent of the income subject to tax, 76.1 percent of the total income tax before credits, and

73.6 percent of total income tax after credits. Corporations were usually required to file within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of an additional 6 months. In addition to returns with accounting periods that spanned 12 months, the total number of active corporations includes returns with accounting periods of shorter duration. Such returns are referred to as part-year returns and were filed, for the most part, by continuing corporations changing their accounting periods, corporations in existence less than 12 months, merging corporations, and liquidating corporations.

Figure D. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, and Total Income Tax After Credits, by Ending Accounting Period for Tax Year 2004

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

Ending Accounting Period [1]	Number of returns	Total assets	Total receipts	Net income (less deficit) [2]	Income subject to tax [3]	Total income tax before credits [4]	Total income tax after credit [5]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	5,557,965	60,117,759,331	22,711,863,939	1,111,692,655	857,391,889	299,555,304	224,435,343
December 2004.....	4,770,909	46,078,754,995	16,980,888,192	821,169,704	648,281,459	228,090,506	165,082,535
Noncalendar Year Total.....	787,057	14,039,004,337	5,730,975,747	290,522,951	209,110,429	71,464,798	59,352,809
July 2004.....	49,592	723,936,475	224,340,064	13,298,527	8,440,557	2,913,566	2,441,861
August 2004.....	49,078	1,072,250,376	277,042,787	13,136,967	8,729,484	2,987,670	2,457,132
September 2004.....	158,840	1,663,303,346	989,427,270	38,351,726	26,980,725	9,299,146	7,697,665
October 2004.....	69,064	1,718,873,607	416,663,825	28,708,268	12,602,402	4,317,226	2,939,243
November 2004.....	36,375	2,760,597,474	232,649,166	18,987,459	13,171,536	4,569,782	2,961,200
January 2005.....	43,708	905,442,576	1,018,985,409	51,881,079	47,189,147	16,485,716	15,586,242
February 2005.....	35,153	384,320,791	221,794,009	9,507,388	5,866,631	2,015,649	1,909,552
March 2005.....	102,694	2,055,972,675	940,324,446	40,331,226	25,480,990	7,999,294	7,169,747
April 2005.....	43,821	434,750,855	216,658,725	12,302,493	6,063,808	2,071,225	1,695,589
May 2005.....	44,692	544,388,359	324,021,498	20,347,823	13,618,487	4,712,283	3,222,958
June 2005.....	154,040	1,775,167,804	869,068,550	43,669,996	40,966,663	14,093,240	11,271,619

[1] Includes full and part-year returns.

[2] Includes taxable income before net operating loss deduction and special deductions.

[3] Includes taxable income less net operating loss deduction and special deductions.

[4] Includes income tax, personal holding company tax, all recapture and other taxes, alternative minimum tax, excessive net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, IV, and section 857 (Form 1120-REIT); tax from Schedule J, line 3b (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

[5] Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax and qualified zone academy bond credits.

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Notes and References

[1] For more detailed information on S corporations, see Luttrell, Kelly, "S Corporation Returns, 2003," *Statistics of Income Bulletin*, Volume 25, Number 4, Spring 2006, pp. 91 - 165.

[2] Includes returns filed on Forms 1120, 1120-A, 1120-F, 1120-L and 1120-PC.

[3] For more detailed information, see Masters and Oh, "Controlled Foreign Corporations, 2002," *Statistics of Income Bulletin*, Volume 25, Number 4, Spring 2006, pp. 193 - 232.