

**BEA Advisory Committee Meeting  
May 9, 2003**

**BEA/ACCOUNTING/TAX  
MEASURES OF  
CORPORATE PROFITS**

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# Effects of the Job Creation and Worker Assistance Act of 2002 on Selected Measures of Corporate Profits

[Seasonally adjusted at annual rates]

	Billions of dollars						
	Level						
	Q 2, 2001	Q 3, 2001	Q 4, 2001	Q 1, 2002	Q 2, 2002	Q 3, 2002	Q 4, 2002
Profits from current production 1/	\$721.4	\$687.2	\$811.4	\$797.6	\$785.0	\$771.0	\$796.1
Tax effect *	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Excluding tax effect	\$721.4	\$687.2	\$811.4	\$797.6	\$785.0	\$771.0	\$796.1
Profits before tax	\$720.2	\$654.3	\$599.1	\$639.4	\$657.9	\$668.5	\$694.9
Tax effect *	\$0.0	(\$34.5)	(\$181.0)	(\$160.0)	(\$146.8)	(\$133.7)	(\$120.6)
Excluding tax effect	\$720.2	\$688.8	\$780.1	\$799.4	\$804.7	\$802.2	\$815.5
Tax liability	\$213.1	\$196.2	\$170.6	\$202.4	\$213.7	\$214.7	\$222.4
Tax effect *	\$0.0	(\$11.6)	(\$61.0)	(\$42.1)	(\$38.6)	(\$35.2)	(\$31.7)
Excluding tax effect	\$213.1	\$207.8	\$231.6	\$244.5	\$252.3	\$249.9	\$254.1
Profits after tax	\$507.1	\$458.1	\$428.5	\$437.0	\$444.3	\$453.8	\$472.5
Tax effect *	\$0.0	(\$22.9)	(\$120.0)	(\$117.9)	(\$108.2)	(\$98.5)	(\$88.9)
Excluding tax effect	\$507.1	\$481.0	\$548.5	\$554.9	\$552.5	\$552.3	\$561.4
Profits from current production less tax liability 1/	\$508.3	\$490.9	\$640.8	\$595.2	\$571.3	\$556.3	\$573.7
Tax effect *	\$0.0	\$11.6	\$61.0	\$42.1	\$38.6	\$35.2	\$31.7
Excluding tax effect	\$508.3	\$479.3	\$579.8	\$553.1	\$532.7	\$521.1	\$542.0

NIPA Component (Billions)	-- REVISION IN LEVEL --				Revised 2001 Level
	1998	1999	2000	2001	
<b><u>Corporate profits with IVA and CCAdj.</u></b>	.0	<b><u>-19.4</u></b>	<b><u>-88.3</u></b>	<b><u>-35.5</u></b>	<b><u>731.6</u></b>
<b><u>Profits before taxes</u></b>	.0	<b><u>-14.2</u></b>	<b><u>-63.1</u></b>	<b><u>-28.3</u></b>	<b><u>670.2</u></b>
Agriculture	.0	-0.1	-0.9	-0.7	5.1
Mining	.0	.0	6.8	9.4	15.8
Construction	.0	-0.3	-3.0	-4.6	39.4
Manufacturing	.0	-4.9	7.4	4.0	84.1
Nondurable goods	.0	1.9	7.6	2.7	72.1
Durable goods	.0	-6.8	-0.2	1.3	12.1
Transportation	.0	-0.1	-0.9	0.3	0.7
Communication	.0	0.2	-18.1	-14.6	-6.0
Electric, gas and sanitary services	.0	-1.8	-11.7	-11.1	31.6
Trade	.0	-1.0	-7.3	-3.4	120.1
Wholesale Trade	.0	0.5	1.5	3.5	41.2
Retail trade	.0	-1.5	-8.8	-6.9	79.0
Finance, insurance and real estate	.0	-9.2	2.5	15.8	211.1
Financial	.0	-9.3	-3.4	10.6	190.6
Nonfinancial	.0	.0	5.9	5.2	20.5
Services	.0	-2.6	-44.4	-25.1	17.6
Rest of World	.0	5.6	6.5	1.5	150.8
Receipts from the rest of the world	.0	2.2	-1.0	-18.4	172.4
Less: Payments to the rest of the world	.0	-3.4	-7.6	-19.9	21.6
<b><u>IVA</u></b>	<b><u>.0</u></b>	<b><u>-1.3</u></b>	<b><u>-2.6</u></b>	<b><u>2.7</u></b>	<b><u>5.0</u></b>
<b><u>CCADDj</u></b>	<b><u>.0</u></b>	<b><u>-3.8</u></b>	<b><u>-22.6</u></b>	<b><u>-10.0</u></b>	<b><u>56.5</u></b>
<b><u>Profits tax liability</u></b>	.0	<b><u>-5.2</u></b>	<b><u>-12.1</u></b>	<b><u>-16.7</u></b>	<b><u>199.3</u></b>
Federal	.0	-5.3	-10.8	-16.3	170.2
State and local	.0	0.1	-1.3	-0.4	29.1
<b><u>Dividends</u></b>	.0	<b><u>-15.1</u></b>	<b><u>-3.5</u></b>	<b><u>-7.0</u></b>	<b><u>409.6</u></b>
<b><u>Undistributed Profits</u></b>	.0	<b><u>6.1</u></b>	<b><u>-47.5</u></b>	<b><u>-4.6</u></b>	<b><u>61.2</u></b>

**Major source data incorporated**

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IRS tabulations of corporate tax return data, revised 1999 and new 2000

New profit sample for 2001

New profit sample for 2001

Department of Transportation, airline and railroad for 2001

Quarterly Financial Report, profits for 2001

Investment Company Institute for 2001, new profit sample for 2001. New profit sample for 2001.

New profit sample for 2001.

Revised Balance of Payments

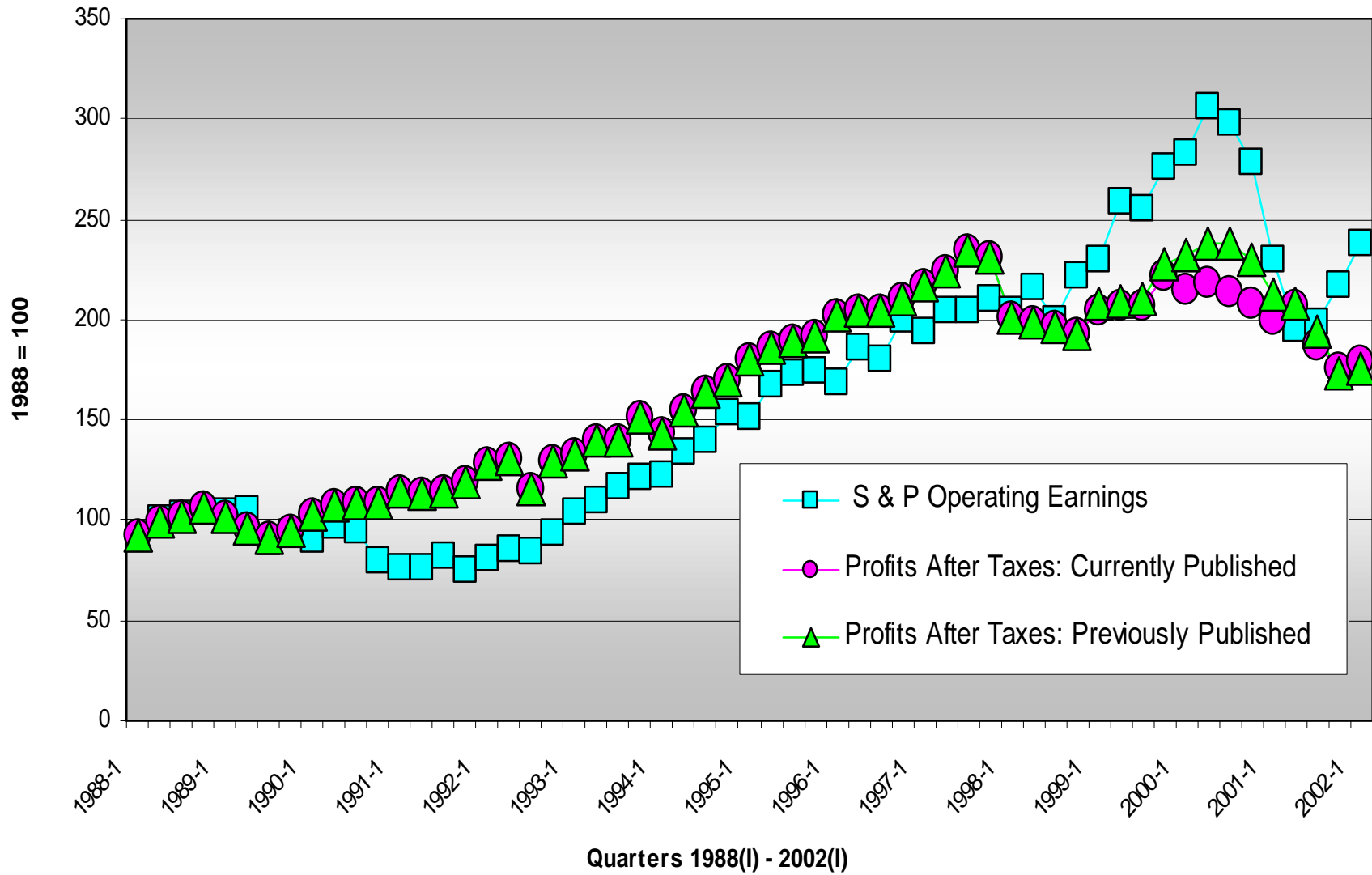
IRS tabulations of corporate tax return data, revised 1999 and new 2000. Treasury corporate collections 2001. Census Bureau Quarterly Collection Survey, revised 2000 and new 2001.

IRS tabulations of corporate tax return data, revised 1999 and new 2000. Investment Company Institute for 2001.

# Corporate Profits

Profits After Tax

1988 = 100



**NIPA PROFITS BEFORE TAX**

(BILLIONS)

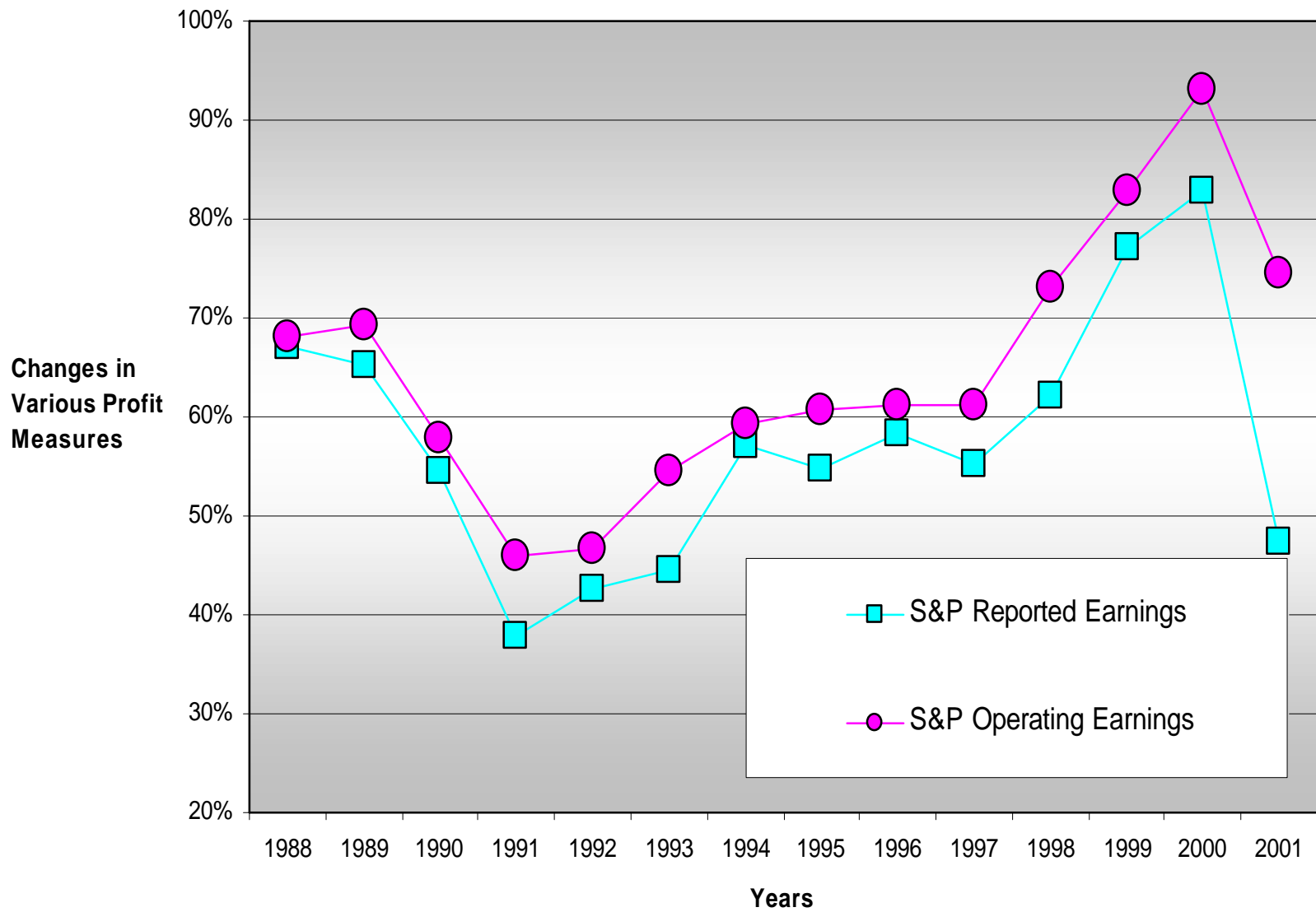
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>NIPA PBT</b>	<b>416.1</b>	<b>451.6</b>	<b>510.4</b>	<b>573.4</b>	<b>668.5</b>	<b>726.3</b>	<b>792.4</b>	<b>721.1</b>	<b>762.1</b>	<b>782.3</b>	<b>670.2</b>
- Bad debt expense	100.9	89.6	80.7	67.9	67.8	74.7	83.6	86.4	100.2	107.5	N.A.
+ Capital gains	62.2	70.9	90.8	71.0	115.5	132.9	201.1	201.4	269.2	299.9	N.A.
<b>= Adjusted NIPA PBT</b>	<b>377.4</b>	<b>432.9</b>	<b>520.5</b>	<b>576.5</b>	<b>716.2</b>	<b>784.5</b>	<b>909.9</b>	<b>836.1</b>	<b>931.1</b>	<b>974.7</b>	<b>N.A.</b>

**CHANGES FROM PRIOR YEAR IN VARIOUS PROFIT MEASURES**

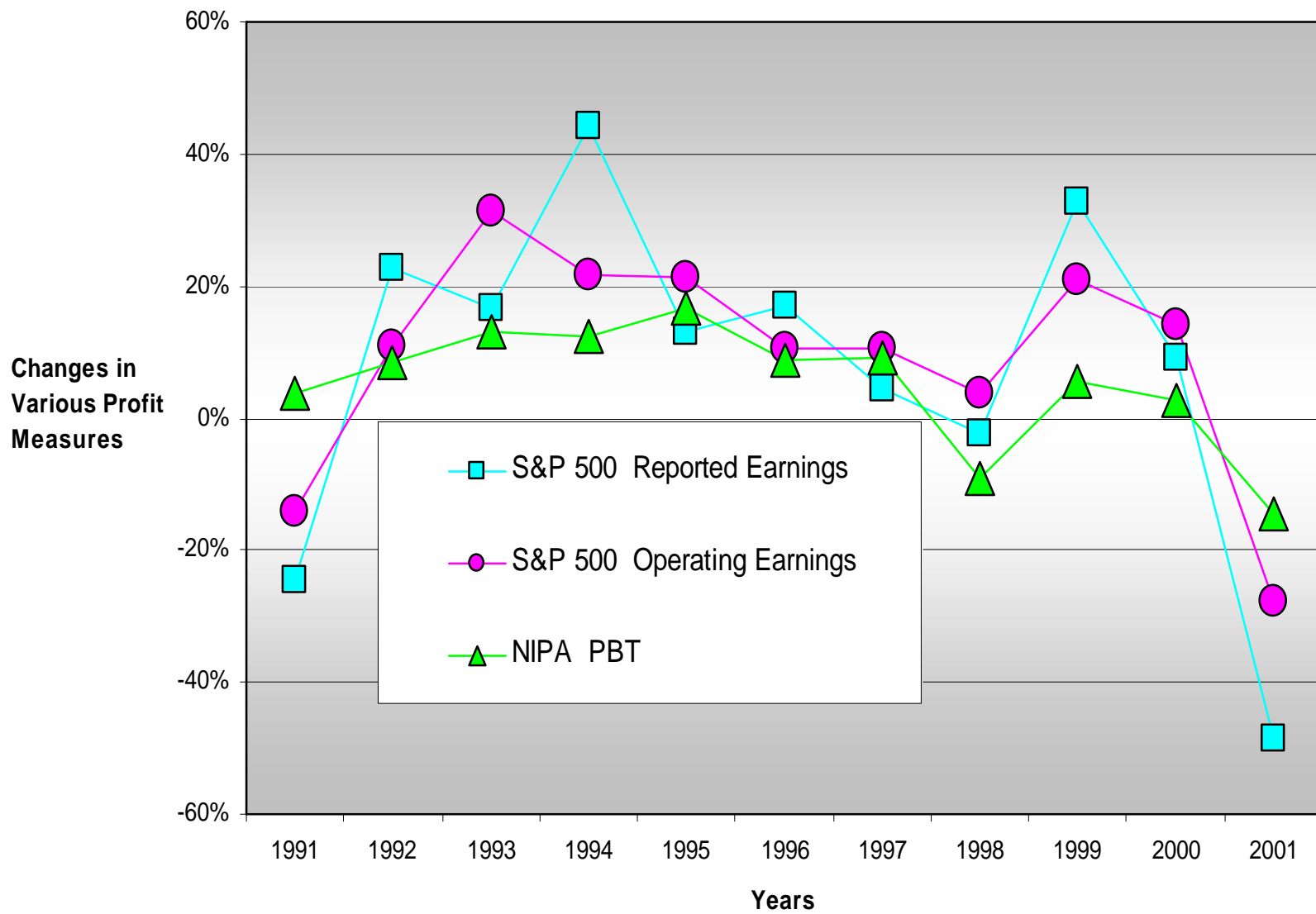
(PERCENTAGE)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
<b>Business Week</b>	-19.0%	20.0%	19.0%	40.0%	16.0%	14.0%	9.0%	2.0%	19.0%	14.0%	-59.0%
<b>S&amp;P 500 (reported)</b>											
Earnings Per Share	-25.2%	19.5%	14.7%	39.8%	11.0%	14.0%	2.6%	-5.1%	27.7%	3.8%	-50.6%
Earnings	-24.7%	22.6%	16.8%	44.3%	13.2%	17.0%	4.6%	-2.2%	32.6%	9.0%	-48.5%
<b>S&amp;P 500 (operating)</b>											
Earnings Per Share	-18.8%	8.1%	28.9%	18.0%	18.7%	7.8%	8.3%	0.6%	16.7%	8.6%	-30.8%
Earnings	-14.1%	10.9%	31.3%	21.7%	21.2%	10.5%	10.6%	3.7%	21.0%	14.2%	-27.9%
<b>COMPUSTAT (as reported)</b>	-19.6%	21.1%	18.3%	38.3%	13.6%	16.4%	8.6%	1.5%	16.9%	7.9%	-75.5%
<b>COMPUSTAT (ex spec chgs)</b>	-8.8%	13.8%	19.7%	19.5%	18.8%	11.0%	14.1%	1.2%	7.2%	9.9%	-16.8%
Number of matched corporations	5,613	6,092	6,656	6,585	7,284	6,125	7,806	7,781	7,568	7,925	7,517
<b>SOI Total receipts-deductions</b>	<b>-7.3%</b>	<b>18.0%</b>	<b>22.5%</b>	<b>15.9%</b>	<b>22.7%</b>	<b>11.1%</b>	<b>13.5%</b>	<b>-7.8%</b>	<b>10.9%</b>	<b>0.0%</b>	<b>N.A.</b>
<b>NIPA PBT</b>	<b>3.6%</b>	<b>8.5%</b>	<b>13.0%</b>	<b>12.3%</b>	<b>16.6%</b>	<b>8.6%</b>	<b>9.1%</b>	<b>-9.0%</b>	<b>5.7%</b>	<b>2.6%</b>	<b>-14.3%</b>
<b>Adjusted NIPA PBT</b>	<b>-3.5%</b>	<b>14.7%</b>	<b>20.2%</b>	<b>10.8%</b>	<b>24.2%</b>	<b>9.5%</b>	<b>16.0%</b>	<b>-8.1%</b>	<b>11.4%</b>	<b>4.7%</b>	<b>N.A.</b>

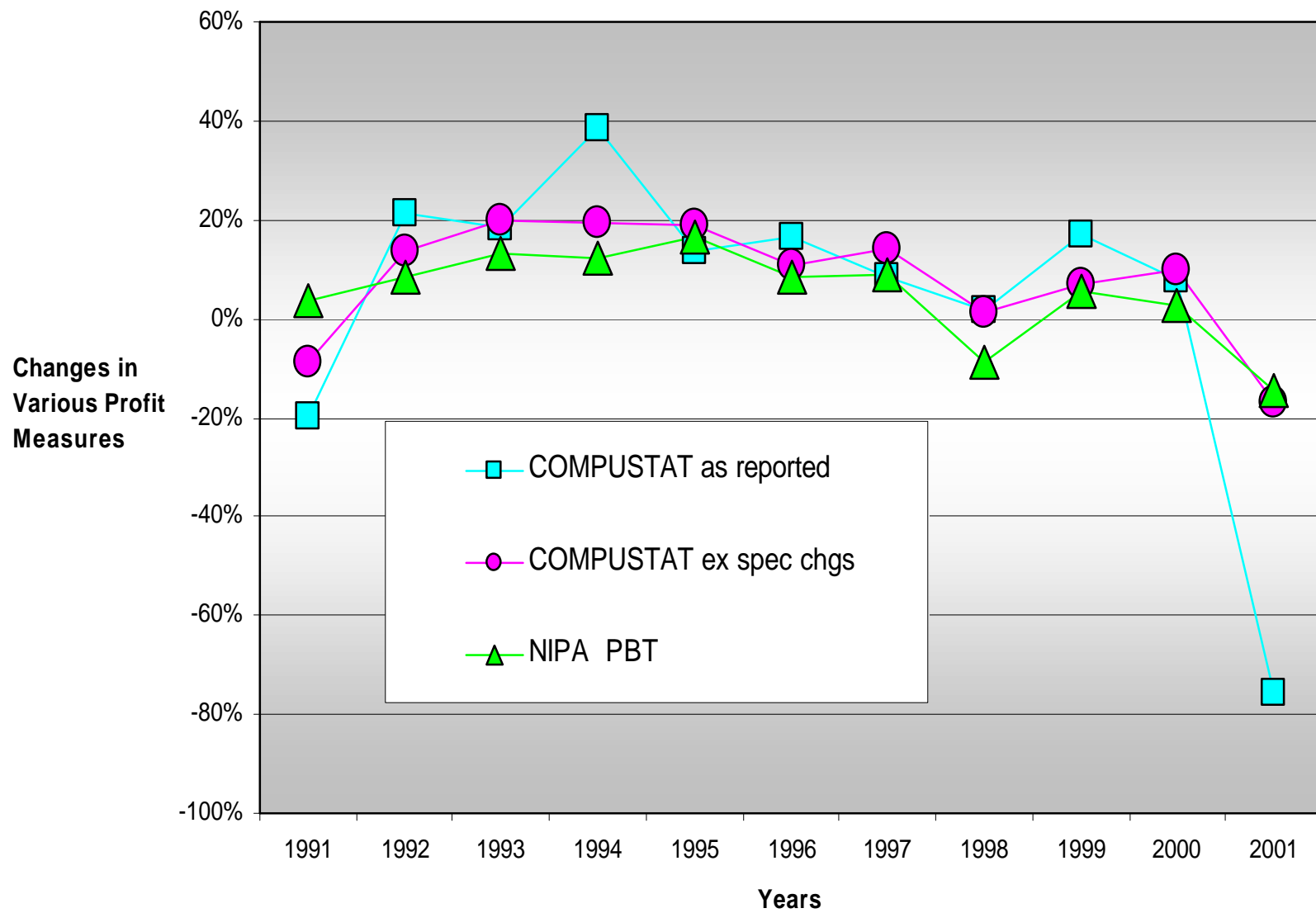
## S&P Coverage Ratios as Percent of Profits After Tax



# Profits Before Tax Comparison

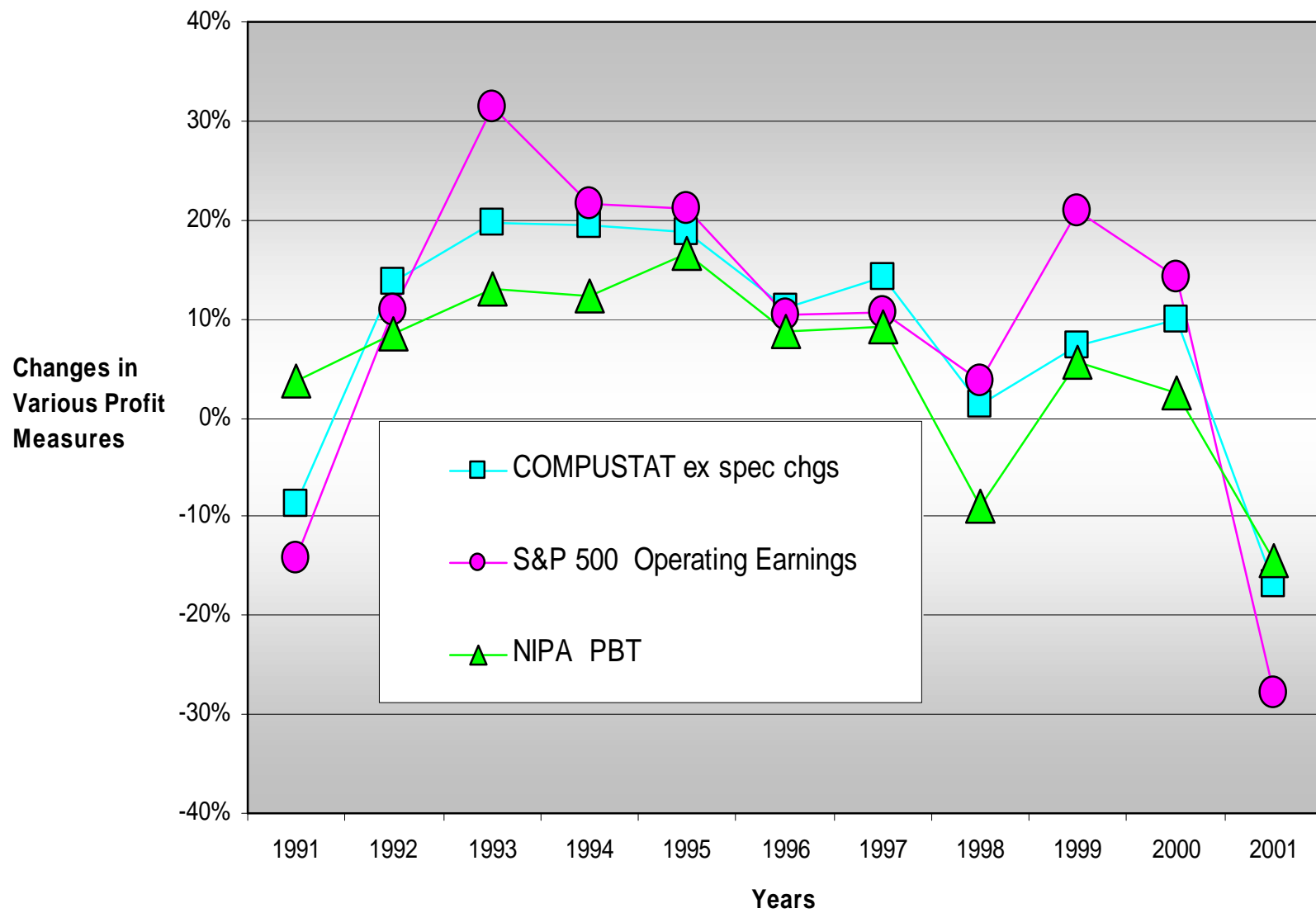


# Profits Before Tax Comparison

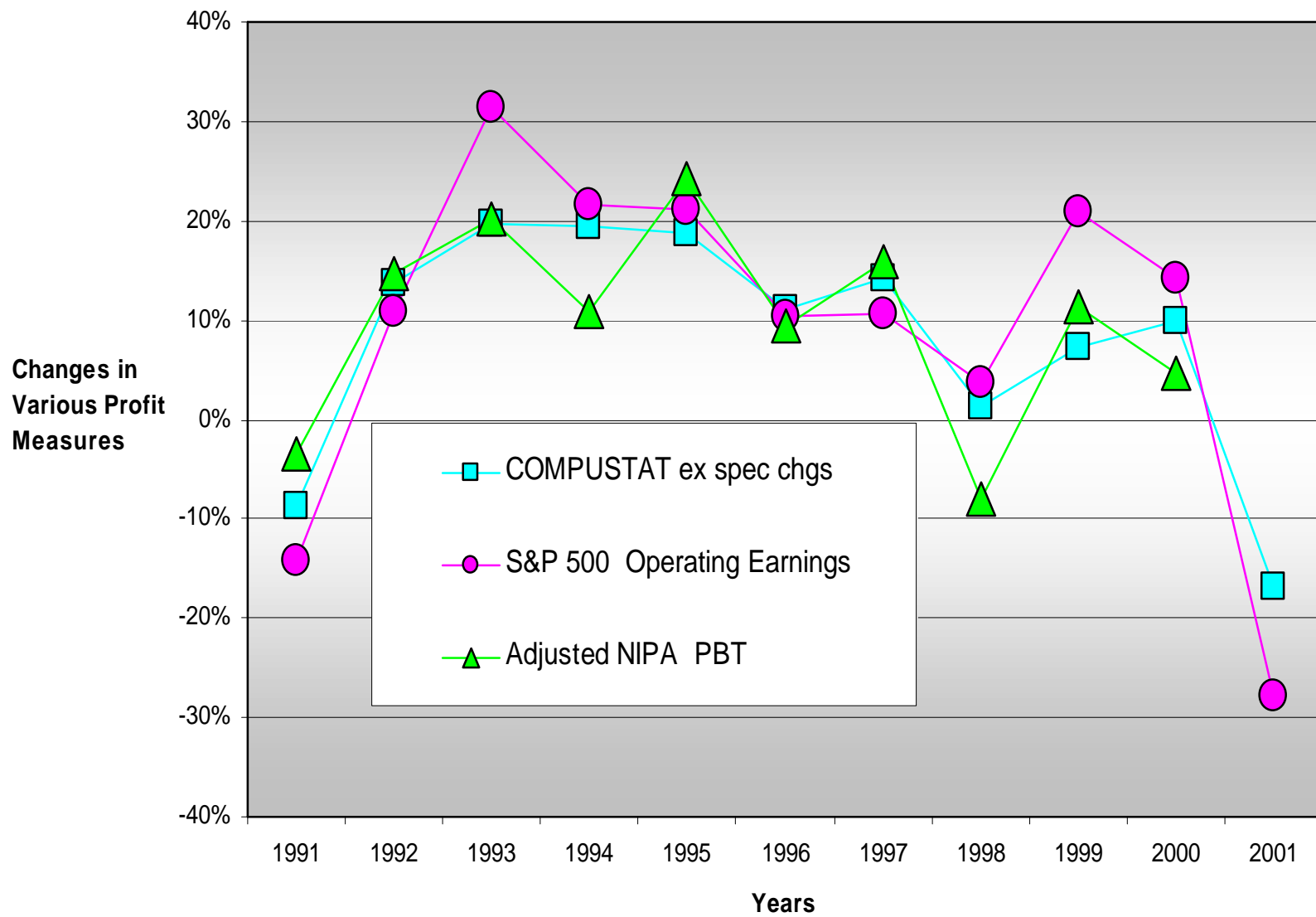




# Profits Before Tax Comparison



# Profits Before Tax Comparison



# Cash Distributions

<u>(MILLIONS)</u>	<u>SOI CASH DISTRIBUTIONS</u>	<u>RIC CASH DISTRIBUTIONS</u> <sup>1/</sup>	<u>NON-RIC CASH DISTRIBUTIONS</u>	<u>1120-S CASH DISTRIBUTIONS</u>	<u>OTHER CASH DISTRIBUTIONS</u>
1992	304,135	89,132	215,003	42,594	172,409
1993	341,705	110,236	231,469	50,241	181,228
1994	380,887	128,583	252,304	67,444	184,860
1995	445,102	160,417	284,685	80,755	203,930
1996	530,828	200,751	330,077	102,563	227,514
1997	655,101	285,672	369,429	118,073	251,356
1998	718,332	325,214	393,118	149,954	243,164
1999	769,844	384,249	385,595	157,319	228,276
2000	891,586	459,095	432,491	176,646	255,845
2001 EST.	678,266	216,787	461,479	195,000	266,479
<b><u>(PERCENTAGE CHANGE)</u></b>					
1992					
1993	12.4%	23.7%	7.7%	18.0%	5.1%
1994	11.5%	16.6%	9.0%	34.2%	2.0%
1995	16.9%	24.8%	12.8%	19.7%	10.3%
1996	19.3%	25.1%	15.9%	27.0%	11.6%
1997	23.4%	42.3%	11.9%	15.1%	10.5%
1998	9.7%	13.8%	6.4%	27.0%	-3.3%
1999	7.2%	18.2%	-1.9%	<b>4.9%</b>	<b>-6.1%</b>
2000	15.8%	19.5%	12.2%	<b>12.3%</b>	<b>12.1%</b>
2001	-23.9%	-52.8%	6.7%	<b>10.4%</b>	<b>4.2%</b>

<sup>1/</sup> Regulated Investment Companies

## Statistics Of Income -- Deficits

(MILLIONS)	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b><u>TOTAL DEFICITS</u></b>	<b><u>168,832</u></b>	<b><u>160,507</u></b>	<b><u>162,225</u></b>	<b><u>166,460</u></b>	<b><u>180,298</u></b>	<b><u>202,429</u></b>	<b><u>252,928</u></b>	<b><u>300,341</u></b>	<b><u>406,175</u></b>
<u>1120-S Corps</u>	<u>33,452</u>	<u>32,610</u>	<u>32,616</u>	<u>37,391</u>	<u>39,107</u>	<u>42,982</u>	<u>46,237</u>	<u>50,027</u>	<u>59,111</u>
<u>All Other Corporations</u>	<u>135,380</u>	<u>127,897</u>	<u>129,609</u>	<u>129,069</u>	<u>141,191</u>	<u>159,447</u>	<u>206,691</u>	<u>250,314</u>	<u>347,064</u>
INDUSTRIAL MACHINERY MFG.	4,118	5,223	3,870	3,094	4,137	4,688	7,944	9,583	11,262
ELECTRICAL MACHINERY MFG.	5,529	6,327	3,618	4,334	6,856	8,956	12,348	15,225	21,393
TELEPHONE & COMMUNICATION SERVICES	1,828	1,435	2,192	3,037	5,085	9,219	16,122	24,097	36,120
SECURITY & COMMODITY BROKERS	1,067	1,114	1,662	1,928	1,973	2,646	7,943	5,620	9,408
<b>BUSINESS SERVICES 1/</b>	<b>7,637</b>	<b>7,228</b>	<b>7,841</b>	<b>9,313</b>	<b>11,826</b>	<b>14,896</b>	<b>25,956</b>	<b>41,579</b>	<b>80,874</b>
<b>SUBTOTAL</b>	<b>20,179</b>	<b>21,327</b>	<b>19,183</b>	<b>21,706</b>	<b>29,877</b>	<b>40,405</b>	<b>70,313</b>	<b>96,104</b>	<b>159,057</b>
ALL OTHER INDUSTRIES	148,653	139,180	143,042	144,754	150,421	162,024	182,615	204,237	247,118

1/ Includes SIC 737: Computer Programming, Data Processing, and Other Computer Related Services

## Statistics Of Income -- Deficits

<u>ANNUAL DOLLAR CHANGE</u>	1992	1993	1994	1995	1996	1997	1998	1999	2000
<b><u>TOTAL DEFICITS</u></b>		<b><u>(8,325)</u></b>	<b><u>1,718</u></b>	<b><u>4,235</u></b>	<b><u>13,838</u></b>	<b><u>22,131</u></b>	<b><u>50,499</u></b>	<b><u>47,413</u></b>	<b><u>105,834</u></b>
<u>1120-S Corps</u>		<b><u>(842)</u></b>	<b><u>6</u></b>	<b><u>4,775</u></b>	<b><u>1,716</u></b>	<b><u>3,875</u></b>	<b><u>3,255</u></b>	<b><u>3,790</u></b>	<b><u>9,084</u></b>
<u>All Other Corporations</u>		<b><u>(7,483)</u></b>	<b><u>1,712</u></b>	<b><u>(540)</u></b>	<b><u>12,122</u></b>	<b><u>18,256</u></b>	<b><u>47,244</u></b>	<b><u>43,623</u></b>	<b><u>96,750</u></b>
INDUSTRIAL MACHINERY MFG.		1,105	(1,353)	(776)	1,043	551	3,256	1,639	1,679
ELECTRICAL MACHINERY MFG.		798	(2,709)	716	2,522	2,100	3,392	2,877	6,168
TELEPHONE & COMMUNICATION SERVICES		(393)	757	845	2,048	4,134	6,903	7,975	12,023
SECURITY & COMMODITY BROKERS		47	548	266	45	673	5,297	(2,323)	3,788
<b>BUSINESS SERVICES</b>		<b>(409)</b>	<b>613</b>	<b>1,472</b>	<b>2,513</b>	<b>3,070</b>	<b>11,060</b>	<b>15,623</b>	<b>39,295</b>
<b>SUBTOTAL</b>		<b>1,148</b>	<b>(2,144)</b>	<b>2,523</b>	<b>8,171</b>	<b>10,528</b>	<b>29,908</b>	<b>25,791</b>	<b>62,953</b>
ALL OTHER INDUSTRIES		(9,473)	3,862	1,712	5,667	11,603	32,194	42,213	64,503

## Statistics Of Income -- Deficits

<b><u>PERCENTAGE DISTRIBUTION</u></b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>TOTAL DEFICITS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b><u>1120-S Corps</u></b>	19.8%	20.3%	20.1%	22.5%	21.7%	21.2%	18.3%	16.7%	14.6%
<b><u>All Other Corporations</u></b>	80.2%	79.7%	79.9%	77.5%	78.3%	78.8%	81.7%	83.3%	85.4%
INDUSTRIAL MACHINERY MFG.	2.4%	3.3%	2.4%	1.9%	2.3%	2.3%	3.1%	3.2%	2.8%
ELECTRICAL MACHINERY MFG.	3.3%	3.9%	2.2%	2.6%	3.8%	4.4%	4.9%	5.1%	5.3%
TELEPHONE & COMMUNICATION SERVICES	1.1%	0.9%	1.4%	1.8%	2.8%	4.6%	6.4%	8.0%	8.9%
SECURITY & COMMODITY BROKERS	0.6%	0.7%	1.0%	1.2%	1.1%	1.3%	3.1%	1.9%	2.3%
<b>BUSINESS SERVICES</b>	<b>4.5%</b>	<b>4.5%</b>	<b>4.8%</b>	<b>5.6%</b>	<b>6.6%</b>	<b>7.4%</b>	<b>10.3%</b>	<b>13.8%</b>	<b>19.9%</b>
<b>SUBTOTAL</b>	<b>12.0%</b>	<b>13.3%</b>	<b>11.8%</b>	<b>13.0%</b>	<b>16.6%</b>	<b>20.0%</b>	<b>27.8%</b>	<b>32.0%</b>	<b>39.2%</b>
<b>ALL OTHER INDUSTRIES</b>	<b>88.0%</b>	<b>86.7%</b>	<b>88.2%</b>	<b>87.0%</b>	<b>83.4%</b>	<b>80.0%</b>	<b>72.2%</b>	<b>68.0%</b>	<b>60.8%</b>

## S&P Coverage Ratios as Percent of Profits After Tax

