

Foreign-Controlled Domestic Corporations, 2002

by James R. Hobbs

For Tax Year 2002, the 61,615 domestic corporations each controlled by a foreign “person” generated \$2.5 trillion of total receipts and reported \$6.4 trillion of total assets on income tax returns filed with the Internal Revenue Service (IRS). While total receipts for 2002 were slightly larger than those reported for 2001, total assets decreased somewhat during this time period [1]. These corporations were relatively few in numbers, just 1.2 percent of the U.S. total. However, they accounted for 12.7 percent of both the receipts and assets reported on all U.S. corporation income tax returns.

The profits (i.e., “net income (less deficit)” shown in the statistics of this article) reported by foreign-controlled domestic corporations (FCDC’s) for tax purposes under the Internal Revenue Code were \$7.8 billion for 2002. This was a slight decrease from the \$8.3 billion reported for the prior year. Placed in context, the profits reported on all corporation income tax returns also declined to \$563.7 billion for 2002 from \$603.6 billion for 2001 [2]. FCDC’s accounted for 1.4 percent of the profits reported by all corporations for both 2001 and 2002.

Of all the FCDC’s, 26,617 reported positive profits (i.e., net income) for 2002, totaling \$82.7 billion. This was a 12.4-percent decrease from the \$94.3 billion reported for the prior year. The profitable companies for 2002 also reported \$64.6 billion of taxable income (i.e., “income subject to tax”), another significant decrease of 15.1 percent from the \$76.1 billion for the prior year. The U.S. tax liability (i.e., “total income tax after credits”) of FCDC’s was \$17.8 billion for 2002, 18.2 percent less than the \$21.8 billion for the prior year.

For 2002, there were 3,232 “large” foreign-controlled domestic corporations, each with at least \$250 million of assets, or with at least \$50 million of receipts, or with both. These large FCDC’s accounted for most of the key financial items of all FCDC’s: 95.6 percent of total assets, 93.4 percent of total receipts, 89.8 percent of taxable income, and 88.5 percent of total income tax after credits. After an overview of all FCDC’s, this article focuses on the large foreign-controlled domestic companies and

compares them to the large domestic corporations not controlled by foreign persons.

Tables showing selected balance sheet, income statement, and tax items for FCDC’s are included at the end of this article. Table 1 shows historical FCDC data for selected tax years between 1971 and 2002. Table 2 includes information for all FCDC’s, classified by major industries that conform to the North American Industry Classification System (NAICS). Table 3 also presents data for all FCDC’s, classified by countries of the foreign owners, as well as age of the corporations. Table 4 presents information on the “large” FCDC’s, classified by industrial sectors. For comparison purposes, this table also contains data for the large domestic corporations not controlled by foreign persons.

Foreign Investment in the United States

Foreign investment in the United States can take several forms, including corporations. With regard to corporations, a foreign investor may own stock of a domestic (i.e., United States) company or operate in the United States through a branch of a foreign corporation [3]. This article focuses on domestic corporations that are “controlled” by foreign persons. For the foreign-controlled domestic corporations covered in this article, control is defined as ownership by one foreign “person,” directly or indirectly, of 50 percent or more of the U.S. corporation’s voting stock, or of 50 percent or more of the value of all of the corporation’s stock, at any time during the accounting period. A person is an entity, including an individual, corporation, partnership, estate, or trust. (This is discussed in greater depth in the Data Sources and Limitations section. See also “constructive ownership rules” and “foreign persons” in the Explanation of Selected Terms section.)

As specified in the above paragraph, this study excludes returns of domestic corporations with stock owned by a single foreign person of 49 percent or less. However, the tax return forms filed by domestic corporations do indicate the presence of 25-percent to 49-percent foreign owners, and the Statistics of Income program does separately compile unpublished data on these domestic corporations [4].

Returns of certain domestic companies that are effectively controlled by foreign persons, i.e., those public companies in which “control” may be exer-

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cised with as little as 10 percent to 20 percent of the stock holdings, are excluded from both the 50-percent-or-more and the 25-percent to 49-percent tabulations. Tax return forms filed by domestic corporations do not include information about foreign persons with less than 25-percent stock holdings.

The foreign-controlled domestic corporation statistics shown in this article, as well as the unpublished tabulations for domestic corporations with 25-percent to 49-percent foreign owners, exclude domestic corporations with only foreign “portfolio” investment. A foreign portfolio investor, having only a minimal interest in a domestic company, exerts no control over the management of the domestic corporation, except to the extent, for example, of rights to vote periodically in stockholder meetings of the corporation. A foreign portfolio investor is primarily seeking dividend payments, an increase in the value of the shares of stock, or both. The Statistics of Income program does not conduct studies covering foreign portfolio investors of domestic corporations.

The assets and receipts of foreign-controlled domestic corporations grew steadily during 1993-2002.

In addition to the foreign-controlled domestic corporations study discussed in this article, the Statistics of Income program conducts a separate study covering branches of foreign corporations operating in the United States. Statistics from that study are available to the public [5].

Foreign-controlled domestic corporations can file tax returns on: (1) Form 1120, *U.S. Corporation Income Tax Return*; (2) Form 1120-L, *U.S. Life Insurance Company Income Tax Return*; (3) Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*; (4) Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; and (5) Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*. The FCDC statistics shown in this article, unless otherwise stated, include all of these return types. Data for all corporation income tax returns discussed in this article include (unless otherwise stated) the five form types listed above, plus two types filed by

domestic corporations: Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*, and Form 1120S, *U.S. Income Tax Return for an S Corporation*. Also included in the corporate total is Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, for foreign corporations with income effectively connected with a U.S. trade or business. All of these form types are included in the Statistics of Income Corporate Study, from which FCDC statistics are derived [6]. However, FCDC’s cannot file Forms 1120-A, 1120-F, or 1120S.

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Growth of Corporations

Foreign investment in the United States through foreign-controlled domestic corporations grew steadily, for the most part, during the 1993-2002 period [7]. This growth was evident in most of the financial items. In particular, the percentages of both assets and receipts accounted for by FCDC’s increased over this time period (discussed below).

In contrast to the growth of financial items, the number of returns filed by FCDC’s remained rather constant. There were an estimated 61,615 returns of foreign-controlled domestic corporations for 2002, a slight increase from the 60,618 returns for the prior year. Returns of FCDC’s comprised a rather constant percentage of all U.S. corporation income tax returns, between 1.2 percent and 1.4 percent for each year between 1993 and 2002.

To the extent that FCDC’s filed consolidated income tax returns, the data included in this article actually represent more corporations than the stated number of returns. FCDC’s, like most other corporations, could elect to file consolidated returns for affiliated groups of domestic corporations. Consolidated returns contained the combined financial data of two or more corporations in which a common parent corporation owned at least 80 percent of the stock of at least one member of the group, and at least 80 percent of the stock of each other member of the group was owned within the group. A consolidated return filed by a common parent was treated as a unit, with each statistical item being determined on the basis of the combined data of the affiliated group. For 2002, there were 6,522 consolidated returns filed by FCDC’s, 10.6 percent of all FCDC returns.

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These returns accounted for \$5.9 trillion of assets (92.2 percent of the total for all FCDC's), \$2.2 trillion of receipts (88.5 percent of the total), \$7.1 billion of net income less deficits (91.2 percent of the total), \$55.1 billion of taxable income (85.3 percent of the total), and \$15.0 billion of total income tax after credits (83.9 percent of the total).

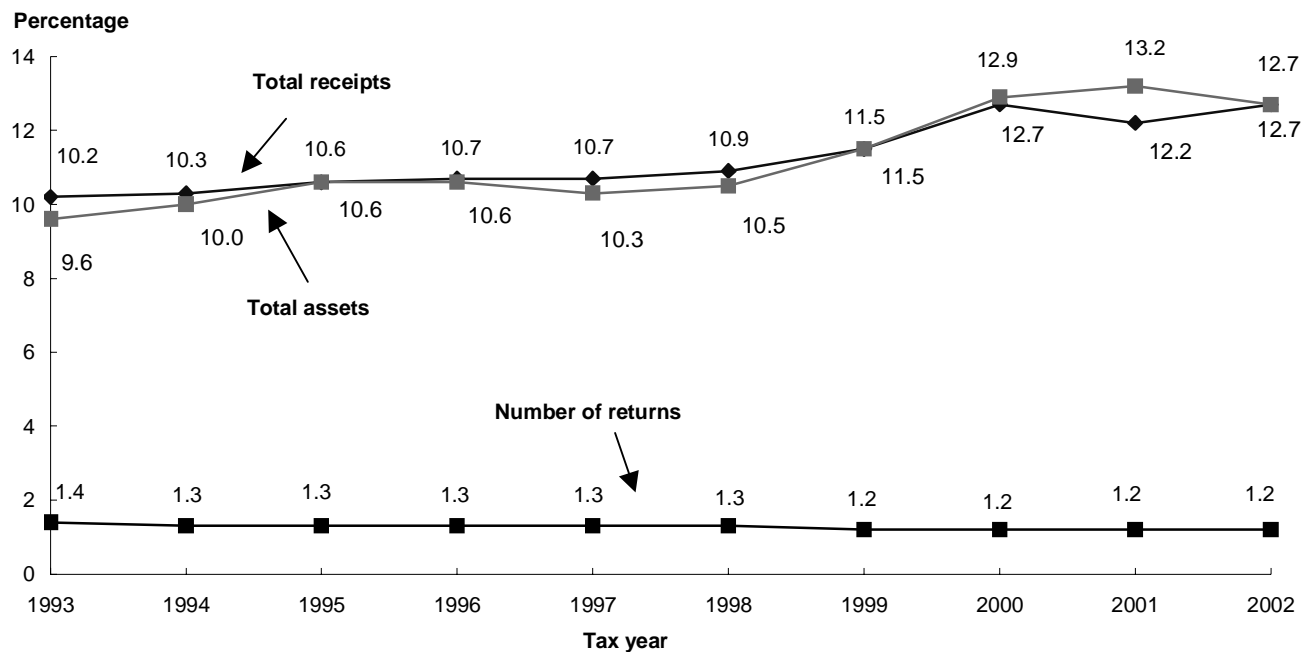
The assets of domestic corporations controlled by foreign persons decreased by 1.8 percent between 2001 and 2002, as compared to the 2.6-percent increase for the assets reported on all U.S. corporation income tax returns [8]. This decline was an exception to the general rise in FCDC assets during the previous 10 years. As a result of the decline, the percentage of total corporate assets accounted for by FCDC's dropped from 13.2 percent for 2001 to 12.7 percent for 2002. However, this new level is a considerable increase from the 9.6 percent for 1993 (see Figure A).

Total receipts of FCDC's increased by 1.1 percent between 2001 and 2002, as compared to the decrease of 2.6 percent for all corporations over that time period. Clearly, in this respect, FCDC's performed better than other corporations. FCDC's reported \$2.5 trillion of receipts for 2002. Using a longer time period, the level of receipts for 2002 was an increase of 100.8 percent (using current dollars) from the \$1.3 trillion of FCDC receipts for 1993. In comparison, total receipts reported on all U.S. corporation income tax returns grew from \$12.3 trillion for 1993 to \$19.7 trillion for 2002, a 70.0-percent increase. As a result of the relative rapid growth rate of FCDC's, their share of the receipts reported on all corporate returns increased from 10.2 percent for 1993 to 12.7 percent for 2002.

The growth of FCDC's can also be measured from the early 1970's, when a question concerning foreign ownership of corporations was first placed on the income tax return. For 1971, the 5,154 FCDC's

Figure A

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations, Tax Years 1993-2002



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reported \$36.7 billion of total assets and \$39.2 billion of total receipts. They accounted for just 0.3 percent of the returns, 1.3 percent of the assets, and 2.1 percent of the receipts reported by all corporations for that year (see Table 1).

Industry Characteristics

For 2002, foreign-controlled domestic corporations were involved in each of the 19 industrial sectors (treating wholesale trade and retail trade as separate sectors) listed in Figure B. However, 41,076 of the 61,615 returns, two-thirds of the total, had primary business activities in one of the following four industrial sectors: (1) wholesale trade (15,837 returns); (2) real estate and rental and leasing (11,459 returns); (3) manufacturing (7,197 returns); and (4) professional, scientific, and technical services (6,583 returns). By comparison, relatively few FCDC's were involved in health care or social assistance (149 returns) or as utilities (72 returns). The Data Sources and Limitations section discusses how returns were classified by industry.

Corporations classified as wholesalers accounted for 22.6 percent of the receipts for all FCDC's, a percentage somewhat similar to the 25.7 percent of the total returns they comprised. However, these companies reported only 5.3 percent of the total FCDC assets.

Corporations classified in the real estate and rental and leasing industrial sector reported only 1.3 percent of the assets and 0.8 percent of the receipts of all FCDC's. These percentages were both substantially less than the 18.6 percent of the FCDC returns that they filed.

Manufacturing corporations filed 11.7 percent of the FCDC returns for 2002. These capital-intensive goods-producing companies accounted for far greater percentages of the total FCDC assets (26.2 percent) and receipts (44.2 percent). These corporations were often large, with reported average amounts of assets and receipts of \$232.2 million and \$154.3 million, respectively.

Corporations classified in the professional, scientific, and technical services industrial sector reported

Figure B

Foreign-Controlled Domestic Corporations: Selected Items, by Industrial Sector, Tax Year 2002

[Money amounts are in millions of dollars]

Industrial sector	Returns		Total assets		Total receipts	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries¹	61,615	100.00	6,382,309	100.00	2,510,781	100.00
Agriculture, forestry, fishing, and hunting.....	867	1.41	6,714	0.11	5,534	0.22
Mining.....	838	1.36	121,165	1.90	29,887	1.19
Utilities.....	72	0.12	64,677	1.01	23,596	0.94
Construction.....	1,621	2.63	45,654	0.72	41,042	1.63
Manufacturing.....	7,197	11.68	1,671,262	26.19	1,110,751	44.24
Wholesale and retail trade ²	19,001	30.84	424,587	6.65	703,013	28.00
Wholesale trade.....	15,837	25.70	339,318	5.32	568,021	22.62
Retail trade.....	3,162	5.13	85,252	1.34	134,967	5.38
Transportation and warehousing.....	2,063	3.35	41,570	0.65	38,606	1.54
Information.....	2,223	3.61	706,146	11.06	92,594	3.69
Finance and insurance.....	2,015	3.27	2,406,691	37.71	286,409	11.41
Real estate and rental and leasing.....	11,459	18.60	80,599	1.26	19,148	0.76
Professional, scientific, and technical services.....	6,583	10.68	97,298	1.52	47,454	1.89
Management of companies (holding companies).....	2,623	4.26	602,627	9.44	40,537	1.61
Administrative and support and waste management and remediation services.....	1,468	2.38	37,862	0.59	28,158	1.12
Educational services.....	602	0.98	1,226	0.02	867	0.03
Health care and social assistance.....	149	0.24	13,234	0.21	8,922	0.36
Arts, entertainment, and recreation.....	629	1.02	5,828	0.09	4,319	0.17
Accommodation and food services.....	1,790	2.91	48,794	0.76	25,480	1.01
Other services.....	414	0.67	6,376	0.10	4,461	0.18

¹ Includes "Not allocable," which is not shown separately.

² Includes "Wholesale and retail trade not allocable," which is not shown separately.

NOTE: Percentages are computed using rounded data.

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Figure C

Total Receipts of All Corporations and Foreign-Controlled Domestic Corporations, by Industrial Sector, Tax Year 2002

[Money amounts are in millions of dollars]

Industrial sector	Total receipts		
	All corporations	Foreign-controlled domestic corporations	Percentage
	(1)	(2)	(3)
All industries ¹	19,749,426	2,510,781	12.71
Agriculture, forestry, fishing, and hunting.....	119,151	5,534	4.64
Mining.....	157,299	29,887	19.00
Utilities.....	578,343	23,596	4.08
Construction.....	1,098,819	41,042	3.74
Manufacturing.....	5,257,106	1,110,751	21.13
Wholesale and retail trade ²	5,403,354	703,013	13.01
Wholesale trade.....	2,495,041	568,021	22.77
Retail trade.....	2,907,224	134,967	4.64
Transportation and warehousing.....	533,613	38,606	7.23
Information.....	909,195	92,594	10.18
Finance and insurance.....	2,605,572	286,409	10.99
Real estate and rental and leasing.....	230,647	19,148	8.30
Professional, scientific, and technical services.....	683,880	47,454	6.94
Management of companies (holding companies).....	689,799	40,537	5.88
Administrative and support and waste management and remediation services.....	350,217	28,158	8.04
Educational services.....	25,972	867	3.34
Health care and social assistance.....	463,254	8,922	1.93
Arts, entertainment, and recreation.....	78,918	4,319	5.47
Accommodation and food services.....	399,787	25,480	6.37
Other services.....	164,353	4,461	2.71

¹ Includes "Not allocable," which is not shown separately.

² Includes "Wholesale and retail trade not allocable," which is not shown separately.

NOTE: Percentages are computed using rounded data.

only 1.5 percent of the assets and 1.9 percent of the receipts of all FCDC's. Both of these percentages are significantly lower than the percentage (10.7 percent) of total FCDC returns this services sector represented. This sector is opposite the manufacturing sector in this regard. The service corporations were generally smaller than those in manufacturing, with reported average amounts of assets and receipts of \$14.8 million and \$7.2 million, respectively.

Three additional sectors warrant discussion at this point. While corporations classified in the finance and insurance industrial sector composed only 3.3 percent of the total returns filed by FCDC's for 2002, they accounted for a very large portion of the FCDC assets (37.7 percent). In fact, this was the largest share of the total assets by any of the industrial sectors. Additionally, finance and insurance companies accounted for 11.4 percent of the total FCDC receipts.

Two additional sectors contributed substantial amounts of assets to the FCDC total: information

companies with 11.1 percent and management (or holding) companies with 9.4 percent. However, neither of these sectors accounted for significant portions of the number of returns filed by FCDC's, nor the receipts reported by them.

While foreign-controlled domestic corporations accounted for 12.7 percent of the \$19.7 trillion of total receipts reported by all corporations filing U.S. income tax returns for 2002, these companies played disproportionately larger roles in certain industries. For instance, FCDC's produced substantial portions of the total receipts reported for wholesale trade (22.8 percent), manufacturing (21.1 percent), and mining (19.0 percent). Conversely, FCDC involvement in a number of other business activities was relatively low and accounted for a small percent of the receipts for all companies classified in the following industries: educational services (3.3 percent); "other" services (2.7 percent); and health care and social assistance (1.9 percent). See Figure C.

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Companies in different industries often have different financial characteristics. For instance, the relative levels of assets and receipts of companies primarily engaged in wholesale trade differ significantly from those primarily engaged in credit intermediation (e.g., commercial banks, credit card issuers, credit unions, mortgage banks, and savings institutions). FCDC wholesalers produced large amounts of receipts with relatively small amounts of assets (as of the end of their accounting periods), resulting in \$1.67 of receipts for each dollar of assets for 2002. By comparison, credit intermediation companies reported large amounts of assets, but relatively small amounts of receipts. These FCDC's produced only \$.09 of receipts for each dollar of assets. See Table 2.

Statistics classified by industry do have certain limitations. For example, FCDC's accounted for 22.8 percent and 21.1 percent of the receipts of all companies classified as wholesalers and manufacturers, respectively. However, these percentages may overstate the FCDC portion of wholesaling and understate the FCDC portion of manufacturing. This is because certain U.S. companies (not foreign-controlled) and their subsidiaries may have been involved in both manufacturing and wholesaling of the same product(s) and reported tax information for these activities on a single (consolidated) income tax return, which was statistically classified under the industry of its principal business activity, that being manufacturing, rather than trade. Conversely, many FCDC's acted as wholesalers in the United States for products manufactured overseas by their parent, or other related, companies. These foreign-controlled domestic companies would have been classified in the wholesale trade industrial sector. (See the Data Sources and Limitations section, below, for additional information about industrial classification limitations.)

Country Characteristics

Persons (including individuals, corporations, and other entities) resident in any country throughout the world can control U.S. corporations. As reported on the U.S. income tax returns of the foreign-controlled domestic corporations, the countries represent the geographic location of the foreign owner's place of residence in the case of individuals; and place of incorporation, organization, creation, or administration in the case of corporations or other entities. A foreign corporation, or a chain of related foreign

corporations, is frequently the owner of a U.S. subsidiary corporation. Because a holding company located in a country different from that of the ultimate owner may directly own the stock of a U.S. affiliate, the country reported on the tax return may not necessarily reflect the country of the ultimate owner. No data on the extent of this potential limitation are available. (See the Data Sources and Limitations section of this article for a brief discussion of the possible limitations of the data classified on a country basis.)

For 2002, residents of 40 countries accounted for 91.3 percent of the 61,615 domestic corporations classified as 50-percent-or-more controlled by a foreign person. The 56,259 corporations controlled by persons resident in the 40 countries shown in Table 3 accounted for nearly all of the total FCDC financial items, including 99.2 percent of total assets, 98.7 percent of total receipts, and 98.8 percent of both taxable income and total income tax after credits.

Domestic corporations controlled by Japanese persons reported total receipts of \$487 billion for 2002, an amount substantially larger than that for any other country. These receipts represented 19.4 percent of the total for all FCDC's (see Figure D). Companies controlled by Japanese persons also accounted for the largest amount of receipts for each of the years in the 1993-2001 period. However, Japan's portion of the total receipts did fall from 28.1 percent for 1993 to 19.4 percent for 2002.

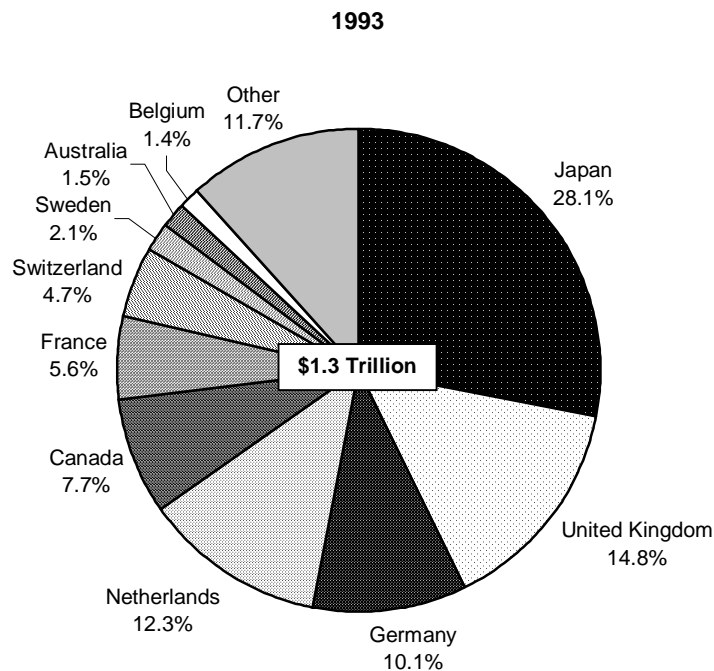
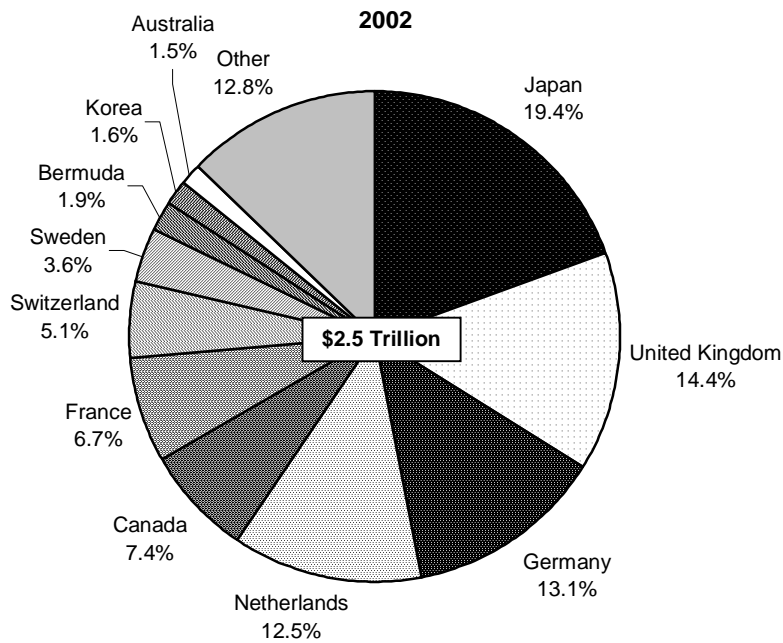
For 2002, domestic corporations with owners resident in the United Kingdom (\$362 billion), Germany (\$328 billion), the Netherlands (\$314 billion), Canada (\$185 billion), France (\$168 billion), and Switzerland (\$129 billion) also accounted for significant amounts of receipts. Of these six countries, Germany's portion of total receipts increased the most between 1993 and 2002 (from 10.1 percent to 13.1 percent), while the portions for the Netherlands, France, and Switzerland increased less dramatically. The portions for the United Kingdom and Canada each decreased slightly over this time period.

Domestic corporations controlled by persons resident in the United Kingdom accounted for \$1.1 trillion of assets, the largest portion held by any country. Corporations controlled by persons resident in the Netherlands (\$1.0 trillion), Switzerland (\$0.7 trillion), France (\$0.7 trillion), Germany (\$0.7 trillion),

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Figure D

Foreign-Controlled Domestic Corporations: Distribution of Total Receipts by Country of Foreign Owner, Tax Years 1993 and 2002



NOTE: All amounts are in current dollars.

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Japan (\$0.6 trillion), and Canada (\$0.4 trillion) also accounted for significant amounts of assets. While Japan had the largest receipts of any country, it was only sixth in the amount of assets it controlled. This is a reflection of the fact that the leading industry for Japanese-controlled corporations was wholesale trade, while the capital-intensive manufacturing industry was the predominant activity for corporations from the other countries. Country and industry combinations are more thoroughly discussed in the next section of this article.

Although Japanese-controlled domestic corporations accounted for the largest part of the total FCDC receipts for 2002, and corporations controlled by persons resident in the United Kingdom accounted for the largest part of the FCDC assets, neither country was responsible for the largest number of returns filed for FCDC's. Canadian-controlled domestic corporations filed the most returns, 10,440. Japanese-controlled domestic corporations were second with 5,841 returns; United Kingdom-controlled domestic corporations were third with 5,047; and German-controlled domestic corporations were fourth with 4,079. There were only 1,735 Netherlands-controlled domestic corporations. Yet the Netherlands accounted for the second largest amount of assets and the fourth largest amount of receipts.

For 2002, Japanese-controlled domestic corporations reported the largest amount of U.S. tax liability (\$3.8 billion). U.K.-controlled corporations, with \$3.1 billion of tax liability, and Swiss-controlled corporations, with \$1.8 billion of tax liability, followed. The levels of receipts that the tax liabilities resulted from were somewhat different between the Japanese-controlled, U.K.-controlled, and Swiss-controlled corporations. For the Japanese-controlled corporations, tax liabilities were 0.8 percent of the \$487 billion of receipts. Tax liabilities were slightly higher at 0.9 percent of the \$362 billion of receipts for the U.K.-controlled corporations. However, by comparison, tax liabilities were substantially higher for the Swiss-controlled corporations, comprising 1.4 percent of the \$129 billion of receipts. Many factors, including differences in industrial distributions and age distributions (discussed later in this article), may have caused the resulting differences in tax as a percentage of receipts.

Combined Country and Industry Characteristics

There were some similarities, but also important differences, among the primary industrial activities of the corporations with owners from the top seven countries mentioned above. Japanese-controlled corporations were concentrated in two industrial sectors, which produced most of the \$487 billion of receipts: wholesale trade (54.6 percent of the total) and manufacturing (34.5 percent). More specifically, wholesale trade of durable goods was the leading industry, producing nearly half of the total receipts. Japan was the only one of the seven countries in which capital-intensive manufacturing was not the leading industrial sector in producing receipts.

United Kingdom-controlled corporations were concentrated in industries differently than those of the Japanese-controlled corporations. For the United Kingdom, manufacturing was the predominant industrial sector with 59.8 percent of the \$362 billion of receipts. More specifically, petroleum and coal products manufacturers produced the most receipts, accounting for more than a third of the total. The finance and insurance (8.3 percent) and wholesale trade (7.1 percent) sectors also generated substantial receipts.

Like the United Kingdom, German-controlled corporations were primarily concentrated in manufacturing with 62.2 percent of the \$328 billion of receipts for that country. More specifically, transportation equipment manufacturers produced the most receipts, accounting for more than a third of the total. Wholesale trade (16.2 percent) and finance and insurance (6.2 percent) were the other predominant industrial sectors.

For the Netherlands, manufacturing was again the largest industrial sector with 31.2 percent of the total receipts (\$314 billion), but not by much. This sector was followed closely by finance and insurance (28.8 percent), retail trade (17.2 percent), and wholesale trade (7.4 percent). More specifically, insurance carriers accounted for over a fourth of the total receipts, the primary industry for the Netherlands. Within manufacturing, petroleum and coal products were the leading industry.

Canadian-controlled corporations were primarily concentrated in manufacturing with 42.0 percent of the \$185 billion of receipts for that country. This was

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followed by finance and insurance (13.6 percent), wholesale trade (13.2 percent), and information (6.3 percent). More specifically, Canada was similar to the Netherlands in that insurance carriers produced the most receipts, but they accounted for less than a tenth of the total. Other important industries were wholesale trade of nondurable goods, computer and electronic product manufacturing, transportation equipment manufacturing, and publishing industries.

France had three of the same leading industrial sectors as did Canada, with manufacturers producing 47.3 percent of the \$168 billion of receipts for that country. This was followed by finance and insurance (15.9 percent) and wholesale trade (14.1 percent). More specifically, insurance carriers once again produced the most receipts, but with just over one-tenth of the total. Wholesale trade of nondurable goods, chemical manufacturing, petroleum and coal products manufacturing, and nonmetallic mineral products manufacturing were other important industries in the United States for French owners.

In turn, Switzerland had the same three leading industrial sectors as did France. Manufacturing was the predominant sector in the United States for Swiss owners with 44.6 percent of the \$129 billion of receipts, followed by finance and insurance with 34.6 percent and wholesale trade with 9.7 percent. More specifically, chemical manufacturing was the leading industry, accounting for nearly one-fourth of the total. Other important industries were insurance carriers; companies that handled investments and exchanges of securities and commodity contracts; and food manufacturers.

Age Characteristics

Table 3 presents data for two groups of FCDC's based on the age of the corporations. "New" corporations are those with years of incorporation of 2000 and after reported on their income tax returns. "Old" corporations are those incorporated in or prior to 1999, or with unknown (i.e., unreported) dates of incorporation [9].

The year of incorporation may be somewhat unreliable as an indicator of the true age of corporations. For example, a consolidated return may include companies that fall into both the new and old categories. However, the return (including all of the financial information contained in it) was classified into just one of the categories based on the year of

incorporation of the parent company. Another example is a reorganization of an existing old corporation into a new corporation that results in it reporting a recent year of incorporation, even though it is an "old" business. An additional limitation is that the year of incorporation is difficult to verify during statistical processing because there are no other items to which it can be compared on a tax return form, and recourse to other sources is not always practical. Thus, it is subject to greater levels of taxpayer reporting and data entry errors.

Just over three-fourths of the foreign-controlled domestic corporations were incorporated prior to 2000, i.e., considered to be "old" corporations. These corporations tended to be larger than the "new" corporations, accounting for 91.6 percent of the FCDC assets and 93.3 percent of the receipts.

Old corporations were generally more profitable than the newer corporations. For 2002, old corporations reported \$19.1 billion of net profits on \$2.3 trillion of receipts, while the new corporations reported \$11.3 billion of net losses on \$0.2 trillion of receipts. Thus, net profits or losses (i.e., net income less deficit) as a percentage of total receipts were 0.8 percent (positive) for old corporations, versus -6.7 percent (negative) for new corporations.

As a result of reporting most of the profits, old corporations also accounted for most of U.S. taxable income (95.5 percent) and U.S. tax liabilities (95.4 percent) of all FCDC's. The old corporations had \$17.0 billion of tax liabilities after credits, equaling 0.7 percent of their total receipts. By comparison, the new corporations had \$0.8 billion of tax liabilities after credits, equaling 0.5 percent of their total receipts.

Receipts, Deductions, and Profits

Total receipts comprise all of the income "actually" received by corporations. (Corporate "constructive" income for tax purposes is discussed below.) These receipts include business receipts, as well as investment and incidental income. Business receipts are gross receipts from sales and operations and frequently make up most of a corporation's receipts. Investment income includes interest, dividends, and gains on the sale or exchange of both capital and noncapital assets. Interest, in turn, includes both taxable interest from all sources and nontaxable interest on State and local government obligations.

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A domestic corporation, whether controlled by a foreign person or not, could have business activities in foreign countries, as well as in the United States. The estimates for total receipts shown in this article include business activities in the United States, as well as certain foreign activities as reported on tax returns of domestic corporations. Total receipts include the receipts of foreign branch operations of U.S. companies. Also included in these receipts are dividends remitted to U.S. corporations by their foreign subsidiaries.

The receipts and deductions of foreign-controlled domestic corporations that are shown in this article do not include amounts generated by their foreign parents or other related foreign companies. However, FCDC's could have had business transactions with their related foreign companies, and FCDC receipts and deductions stemming from these transactions are included in the statistics [10].

Between 2001 and 2002, the net profits of FCDC's declined in a similar fashion to all other corporations, by about 6 percent to 7 percent.

An FCDC that transacts business with a related foreign company must determine "transfer prices" for those transactions. These transactions include the sale and purchase of tangible goods, fees for services, interest payments on debts,

leasing expenses, and royalties. How transfer prices are determined for these transactions may affect the amount of profits (i.e., net income or deficit), taxable income, and taxes reported on the U.S. income tax return of an FCDC. Section 482 of the Internal Revenue Code, and the related regulations, provide guidance in determining transfer prices. In general, the objective is to use "arm's length prices," which means prices that would be used for transactions between independent enterprises and determined by market forces.

Nearly 90 percent of the \$2.5 trillion of total receipts reported by domestic corporations controlled by a foreign person consisted of "business receipts" (i.e., receipts from sales and operations). These same companies reported \$2.5 trillion of total deductions. Cost of goods sold was 62 percent of that

total. (See the Explanation of Selected Terms section.) Complete income statement statistics of FCDC's are shown in tables included in *Statistics of Income--2002, Corporation Income Tax Returns*.

It is noteworthy to look at the "gross profit" of FCDC's. Gross profit is the difference between business receipts and cost of goods sold. Two important industrial sectors for FCDC's, manufacturing and wholesale trade, accounted for most of the reported amounts of business receipts and cost of goods sold. For every dollar of business receipts, manufacturers reported \$.72 of cost of goods sold. By comparison, wholesalers reported \$.81 of cost of goods sold for each dollar of business receipts. FCDC's were similar to other domestic corporations in this respect. For all corporation returns, cost of goods sold equaled \$.70 for every dollar of business receipts reported by manufacturers, and \$.81 by wholesalers.

Total receipts less total deductions for FCDC's equaled \$4.5 billion for 2002. By comparison, net income (less deficit) amounted to \$7.8 billion. The statistics for total receipts less total deductions include all income actually received by corporations, while the statistics for net income (less deficit) focus on taxable sources of corporate income, including "constructive" taxable income. Thus, unlike total receipts less total deductions, net income (less deficit) includes two items of constructive taxable income from related foreign corporations and excludes nontaxable interest on State and local government obligations [11]. The two items of constructive taxable income from related foreign corporations are includable income from foreign corporations owned by U.S. shareholders and foreign dividend grossup. (See "constructive taxable income from related foreign corporations" in the Explanation of Selected Terms section.) For 2002, FCDC's reported \$4.3 billion of constructive taxable income and received \$1.0 billion of nontaxable interest on State and local government obligations.

Net income (less deficit) for foreign-controlled domestic corporations was down somewhat from the \$8.3 billion for 2001, to \$7.8 billion for 2002. By comparison, net income (less deficit) reported on all corporation income tax returns also decreased somewhat between 2001 and 2002, from \$603.6 billion to \$563.7 billion. Thus, the net profits of FCDC's and all other corporations declined in similar fashion, by

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about 6 percent to 7 percent.

The \$7.8 billion of total FCDC net income (less deficit) were the result of 26,617 corporations reporting \$82.7 billion of positive net income and 34,998 companies reporting \$74.8 billion of deficits [12]. Thus, substantially less than one out of every two (43.2 percent) domestic corporations with foreign owners reported a positive net income for 2002. In comparison, 53.2 percent of all corporations filing U.S. income tax returns for the same year reported a positive net income.

The percentage of companies reporting positive net income varied greatly among the different industrial groups. At the industrial sector level, the fraction reporting positive net income ranged from a low of 17.6 percent for construction to a high of 65.3 percent for utilities. For the more predominant sectors of FCDC's, the percentages of profitable companies were: 45.1 percent (manufacturing) and 47.8 percent (wholesale trade).

The \$74.8 billion of deficits for 2002 could be carried back or forward to other tax years, under prescribed rules, to reduce the taxable income of those years (see "net operating loss deduction" in the Explanation of Selected Terms section). When a company carried back a deficit to a previous tax year, it could file either Form 1120X, *Amended U.S. Corporation Income Tax Return*, or Form 1139, *Corporation Application for Tentative Refund*. Net operating losses carried back to Tax Year 2002 from 2003 and beyond, reported on Forms 1120X and 1139, are not included in the statistics shown in this article. However, NOL's carried forward to Tax Year 2002 from prior years are included in the statistics and discussed in the next section.

Taxable Income and Taxes

Taxable income (i.e., "income subject to tax") is generally equal to positive net income less statutory special deductions [13]. Statutory special deductions include deductions for net operating loss (NOL) carryovers from prior years and the special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code. For 2002, the difference between the \$82.7 billion of positive net income and \$64.6 billion of taxable income was, for the most part, the result of statutory special deductions. The net operating loss deduction was \$13.9 billion and accounted for 72.2 percent of the \$19.3

billion of total statutory special deductions. In calculating taxable income for 2002, FCDC's reduced their positive net incomes by 16.8 percent using NOL's carried over from prior years.

For 2002, foreign-controlled domestic corporations reported \$64.6 billion of taxable income. This was the base on which \$22.4 billion of income tax were computed. The \$22.7 billion of total income tax before credits reported by FCDC's consisted primarily of the income tax, plus the alternative minimum tax and certain other taxes. The alternative minimum tax was \$0.3 billion, and the remaining taxes comprised a very small part of the total.

Tax credits totaling \$4.9 billion reduced the U.S. income tax liability of foreign-controlled domestic corporations to \$17.8 billion for 2002. The largest credits claimed were \$3.8 billion of foreign tax credits, \$0.8 billion of general business credits, and \$0.2 billion of prior-year minimum tax credits. The \$17.8 billion of total U.S. income tax after credits represent the tax liability as originally reported by taxpayers. However, this amount may differ from the actual income tax collected and the final income tax liability of corporations for Tax Year 2002. The originally-reported tax liability does not take into account either of the following possible changes: (1) amended returns filed by the corporations, or (2) adjustments made by IRS as a result of tax examination or enforcement activities. Among other reasons, corporations could file amended returns to use carryback provisions for net operating losses and unused foreign tax and general business credits.

The percentage of FCDC's reporting tax liabilities (i.e., total income tax after credits) for 2002 was 28.5 percent, up slightly from the 27.9 percent reported for the previous year. However, the amount of tax liability reported by FCDC's decreased to \$17.8 billion for 2002 from \$21.8 billion for 2001, an 18.2-percent decline.

The "Largest" Foreign-Controlled Domestic Corporations

This article defines the largest companies as those with at least \$250 million of total assets, or \$50 million of business receipts, or both. Within the finance and insurance, and management of companies (holding companies) industrial sectors, total receipts were used in place of business receipts for selecting the largest companies.

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Both size of assets and size of receipts were used to select the largest companies in order to ensure coverage of all industries. As previously discussed, financial structure varies across industries. For instance, companies classified in wholesale trade generally report large amounts of receipts compared to their assets. By comparison, credit intermediation corporations generally report large amounts of assets compared to their receipts. If either assets or receipts were used exclusively to select the largest companies, then the largest companies in one of these industrial groups would have been undercovered in comparison to the other group.

Table 4 shows that there were 16,794 large domestic corporations for 2002. (See the discussion on returns excluded from Table 4, below.) Of this total, foreign persons controlled 3,232 corporations, or 19.2 percent.

The 3,232 large foreign-controlled domestic corporations comprised just 5.2 percent of the number of income tax returns filed by FCDC's. However, these large companies accounted for the majority of the key FCDC financial items, reporting 95.6 percent of the total assets, 93.4 percent of the total receipts, 89.8 percent of the taxable income, and 88.5 percent of the total income tax after credits, of all FCDC's.

There were 13,562 large domestic corporations that did not have controlling foreign owners for 2002. Similar to FCDC's, these large companies also accounted for a small portion of the total number of income tax returns filed by domestic corporations without foreign owners, but did comprise a significant portion of the key financial items (total assets, total receipts, etc.) of this group of returns.

The largest companies generally report profits that are greater than those of the rest of the companies. For 2002, the largest FCDC's reported a combined profit of \$12.3 billion, while the smaller FCDC's reported a combined loss of \$4.4 billion.

Table 4 shows data for the largest FCDC's by industrial sectors. This table also contains data for "other large domestic corporations." These other large domestic corporations (ODC's) were not foreign-controlled or owned (i.e., they were either owned by domestic persons, or no separate foreign person owned 25 percent or more of the corporation's stock). This definition of other large domestic corporations is used throughout this article, including the data shown in Figures E through G.

Thus, domestic corporations with a foreign person who owned between 25 percent and 49 percent of the corporation's stock are not included in either of the two groups shown in Figures E through G, and Table 4. These corporations are identified from Schedule K of Form 1120 during Statistics of Income processing. However, they are neither FCDC's nor ODC's, as defined.

Data for domestic corporations that filed Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations) are excluded from the comparisons between large FCDC's and other large domestic corporations shown in Figures E through G, and Table 4. (However, returns filed on these forms are included in the data of other figures and tables contained in this article, as appropriate.) While corporations filing these income tax returns report their incomes, they generally have little or no tax liabilities. Through separate special provisions of the Internal Revenue Code applicable to each of these types of corporations, the incomes of these corporations are generally taxed at the shareholder level. The Explanation of Selected Terms section discusses in greater detail the nature of real estate investment trusts (REIT's), regulated investment companies (RIC's), and S corporations.

Industry Characteristics

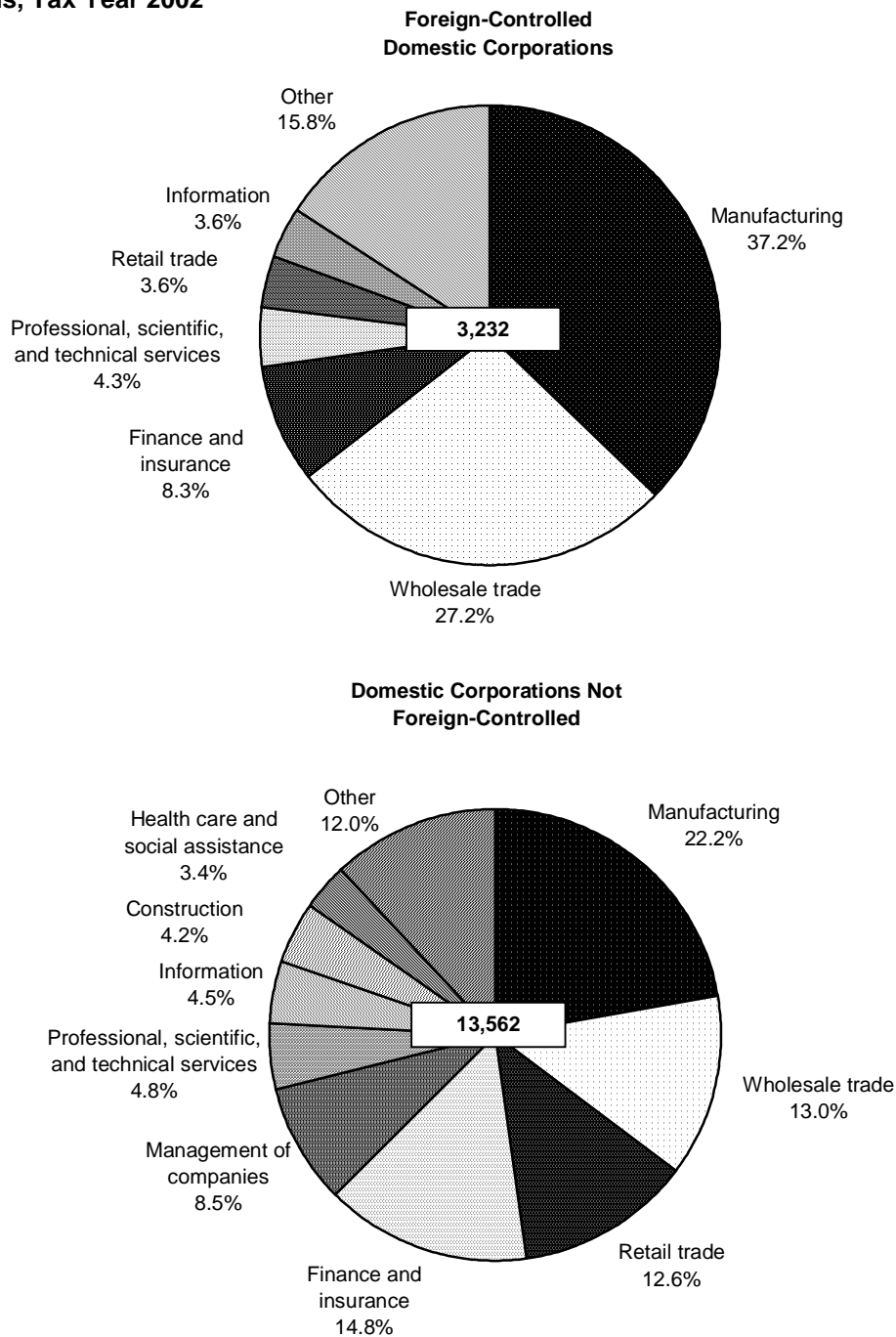
The industrial makeup of the largest foreign-controlled companies is somewhat different than that for other domestic corporations. For 2002, about 37.2 percent of the largest FCDC's were classified as manufacturers, while 22.2 percent of the largest domestic companies that were not foreign-controlled were manufacturers. Similarly, wholesalers were a larger share of the FCDC's (27.2 percent) than of the other large domestic corporations (13.0 percent). Conversely, 12.6 percent of the largest domestic companies that were not foreign-controlled were retailers, while only 3.6 percent of the largest FCDC's were similarly classified. See Figure E for other differences in the industrial makeup of these two groups of corporations.

Using the total 16,794 corporations shown in Table 4, FCDC's accounted for 33.2 percent of large wholesalers, 28.5 percent of large manufacturers, and 26.4 percent of large real estate companies. By contrast, just 6.4 percent of large retailers, 6.2 per-

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Figure E

Distribution of Returns by Industry for "Large" Foreign-Controlled and Other Domestic Corporations, Tax Year 2002



NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more. (Total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors.) Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent.

Foreign-Controlled Domestic Corporations, 2002

cent of large management (holding) companies, and 3.2 percent of large health care and social assistance corporations were FCDC's.

Table 4 presents industrial-level data for selected items for the largest domestic corporations, both foreign- and non-foreign-controlled. Column 43 of this table shows the percentage of returns that reported profits (i.e., positive net income). While 60.7 percent of large FCDC's reported profits, 68.7 percent of other large domestic corporations were similarly profitable. Of the 19 different industrial sectors shown in the table, other domestic corporations (ODC's) had higher percentages of profitable companies in 12 sectors. Within each group of corporations, the percentage of corporations that reported a profit varied substantially across the industrial sectors. For this reason, it is important to compare the two types of corporations for a specific industry, rather than for all industries. This will be discussed later in this article, specifically looking at the manufacturing and wholesale trade industrial sectors.

Column 57 of Table 4 shows the ratio of net income (less deficit) to total receipts. Overall, net income (less deficit) as a percentage of receipts for large FCDC's (0.5 percent) was considerably smaller than for ODC's (2.9 percent). Other domestic corporations had higher ratios of net income (less deficit) to receipts than FCDC's in 14 out of 19 industrial sectors. Within each group of corporations, the ratio of profits to receipts varied across the industrial sectors.

Net profits (i.e., net income (less deficit)) is one of the key factors that affect the amount of retained earnings of corporations. Columns 12-14 of Table 4 show corporate total, appropriated, and unappropriated retained earnings, respectively. The amounts of retained earnings were reported in the end-of-year balance sheets of the corporation's books of account. They represent earnings and profits of the corporations retained from normal and discontinued operations of previous years, as well as "extraordinary" gains and losses, and prior period adjustments. The amounts are also after reductions for dividends and distributions made to stockholders. (For a more extensive discussion of retained earnings, see *Statistics of Income--2002, Corporation Income Tax Returns*.) Appropriated retained earnings were earnings set aside for specific purposes, such as reserves for plant expansion or bond retirements, and

not available for distribution to stockholders. For 2002, the largest FCDC's reported a negative \$87.0 billion of total retained earnings, while other large domestic corporations reported \$2.1 trillion of positive retained earnings. Retained earnings are a component of net worth and thus affect the ratio of net income (less deficit) to net worth, which is shown in column 56 of Table 4.

The ratio of taxable income (i.e., "income subject to tax") to total receipts is shown in column 61 of Table 4. This ratio, unlike the ratio of net income (less deficit) to total receipts discussed earlier, excludes deficits and includes the amount of statutory special deductions reported on tax returns.

FCDC's generally had lower ratios of taxable income to receipts than those of other domestic corporations, 2.5 percent for FCDC's versus 4.6 percent for ODC's for all industries. Of the 19 different industrial sectors shown in the table, ODC's had higher taxable income as a percentage of receipts in 16 sectors. For each group of large corporations, the ratio of taxable income to receipts varied among the different industrial sectors.

Table 4 also includes the ratio of total U.S. income tax after credits to total receipts (column 64). The total income tax after credits reported by both FCDC's (\$15.8 billion) and ODC's (\$121.5 billion) represents the tax liability of these companies as reported on their originally-filed U.S. income tax returns; see column 42.

In using total income tax after credits as a percentage of total receipts, it should also be noted that a small portion of total income tax after credits (for example, the tax recapture of prior-year investment credits) does not relate to the current-year total receipts reported by corporations. However, this is not considered to be a major limitation in using the percentage because the regular income tax and the alternative minimum tax represented about 99 percent or more of the total income tax for both FCDC's and ODC's.

The ratio of tax to receipts shown in column 64 of Table 4 takes into account only the U.S. tax liabilities of the corporations. Additional data would be required to examine the worldwide tax liabilities of the corporations, which are beyond the scope of this article [14].

Before looking at total income tax after credits for specific industries, it is useful to examine the

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Figure F

"Large" Domestic Corporations: Selected Items, by Control Status and Total Income Tax After Credits as a Percentage of Total Receipts, Tax Year 2002

[Money amounts are in millions of dollars]

Control status and percentage of total income tax after credits divided by total receipts	Returns			Total assets	Total receipts	Net income (less deficit)	Income subject to tax	Total income tax after credits
	Number	Percentage of total	Cumulative percentage					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
"LARGE" FOREIGN-CONTROLLED DOMESTIC CORPORATIONS								
Total.....	3,232	100.0	N/A	6,099,390	2,345,001	12,259	58,028	15,762
Percentage of total income tax after credits divided by total receipts:								
Zero ¹	1,604	49.6	49.6	2,760,023	1,048,285	-50,687	121	--
Greater than zero and under 0.5 percent.....	582	18.0	67.6	1,757,325	657,556	11,674	9,453	1,263
0.5 percent under 1.0 percent.....	256	7.9	75.6	355,103	185,958	5,770	5,052	1,407
1.0 percent under 1.5 percent.....	168	5.2	80.8	303,956	134,229	6,047	5,812	1,653
1.5 percent under 2.0 percent.....	134	4.1	84.9	134,523	73,651	4,269	4,017	1,265
2.0 percent under 3.0 percent.....	171	5.3	90.2	191,525	111,548	10,901	10,464	2,734
3.0 percent under 4.0 percent.....	81	2.5	92.7	106,928	43,845	5,109	4,834	1,517
4.0 percent under 5.0 percent.....	68	2.1	94.8	170,468	43,275	6,339	6,290	1,977
5.0 percent under 7.5 percent.....	75	2.3	97.1	185,873	27,329	5,077	5,048	1,571
7.5 percent under 10.0 percent.....	29	0.9	98.0	41,600	8,295	2,850	2,121	715
10.0 percent or more.....	63	1.9	100.0	92,066	11,030	4,912	4,816	1,660
"LARGE" DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED								
Total.....	13,562	100.0	N/A	32,280,599	10,588,058	307,420	483,897	121,477
Percentage of total income tax after credits divided by total receipts:								
Zero ¹	5,100	37.6	37.6	5,396,966	2,666,655	-178,517	1,026	1
Greater than zero and under 0.5 percent.....	2,889	21.3	58.9	9,850,548	3,308,141	74,482	84,870	5,669
0.5 percent under 1.0 percent.....	1,214	9.0	67.9	1,831,763	1,203,788	35,943	32,740	8,643
1.0 percent under 1.5 percent.....	726	5.4	73.2	1,498,350	716,533	35,279	32,370	8,974
1.5 percent under 2.0 percent.....	517	3.8	77.0	969,450	744,853	51,463	49,712	12,875
2.0 percent under 3.0 percent.....	749	5.5	82.5	4,516,395	828,820	78,659	77,470	21,105
3.0 percent under 4.0 percent.....	446	3.3	85.8	752,674	276,434	32,217	31,142	9,718
4.0 percent under 5.0 percent.....	344	2.5	88.4	3,189,711	382,175	59,075	57,755	17,075
5.0 percent under 7.5 percent.....	765	5.6	94.0	2,538,907	279,326	53,053	51,904	16,372
7.5 percent under 10.0 percent.....	471	3.5	97.5	798,645	86,828	23,928	23,573	7,482
10.0 percent or more.....	340	2.5	100.0	937,190	94,505	41,838	41,336	13,565

N/A - Not applicable.

¹ Includes returns with zero total receipts. These returns may have amounts of total income tax after credits.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent. Detail may not add to totals due to rounding.

amount of tax liability as a percentage of the total receipts for all large domestic corporations. Figure F presents such data classified by 11 size categories of this percentage. For 2002, large FCDC's reported \$15.8 billion of total income tax after credits, 0.7 percent of their total receipts. Column 3 of Figure F shows that nearly one-half (49.6 percent) of these companies had no tax liability, that three-fourths of the companies had tax liabilities of less than 1.0 percent of their receipts, and that nine out of ten companies had tax liabilities of less than 3.0 percent

of their receipts. Only 63 of the 3,232 companies (1.9 percent) reported tax liabilities of 10 percent or more of their receipts. By comparison, large domestic corporations not foreign-controlled reported \$121.5 billion of total income tax after credits, 1.2 percent of their total receipts. For these companies, 37.6 percent had no tax liabilities, 67.9 percent had tax liabilities of less than 1.0 percent of their receipts, and 82.5 percent had tax liabilities of less than 3.0 percent of their receipts. There were 340 domestic corporations not foreign-controlled that reported tax

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liabilities of 10 percent or more of their receipts, 2.5 percent of the 13,562 corporations.

ODC's claimed relatively more credits than did FCDC's. Thus, tax credits were some of the factors that caused the ratios of total income tax after credits to total receipts for FCDC's to become more similar to those of the ODC's. For 2002, large FCDC's claimed \$4.8 billion of credits, equaling 23.2 percent of their income tax liabilities before credits. Other large domestic corporations claimed \$49.9 billion of credits during the same period, equaling 29.1 percent of their income tax liabilities before credits. The largest credit claimed by each group of corporations was the foreign tax credit, \$3.7 billion by large FCDC's and \$37.5 billion by other large domestic corporations.

Overall, while FCDC's reported tax liabilities after credits of 0.7 percent of their receipts, other domestic corporations reported tax liabilities equal to 1.2 percent of receipts. Of the 17 different industrial sectors shown in Table 4 (because of disclosure considerations, percentages have been suppressed for two FCDC sectors), ODC's had higher tax to receipts ratios in 13 sectors.

Table 4 highlights once again the differences in financial characteristics of different industries. For instance, looking at large ODC's, finance and insurance companies have a substantially higher ratio of net income (less deficit) to receipts (4.8 percent) than do wholesalers (1.4 percent); see column 57. However, when total assets are used as the denominator in place of total receipts (column 55), the difference is reversed (the largest ODC's in finance and insurance have a 0.8 percentage, and those in wholesale trade have a 2.4 percentage). Because the distribution of industrial activities based on principal businesses is not the same for the largest ODC's as it is for FCDC's, this, again, illustrates the importance of comparing the two groups of corporations on an industrial basis. This article will now look at two specific industrial sectors that are important to FCDC's: manufacturing and wholesale trade.

Manufacturing was a significant industrial sector for large FCDC's, accounting for 45.5 percent of the total receipts of the group of corporations. Large ODC manufacturers had higher percentages than those of large FCDC manufacturers in each of the four calculations previously discussed. Specifically, the percentage of ODC's in this industrial sector that

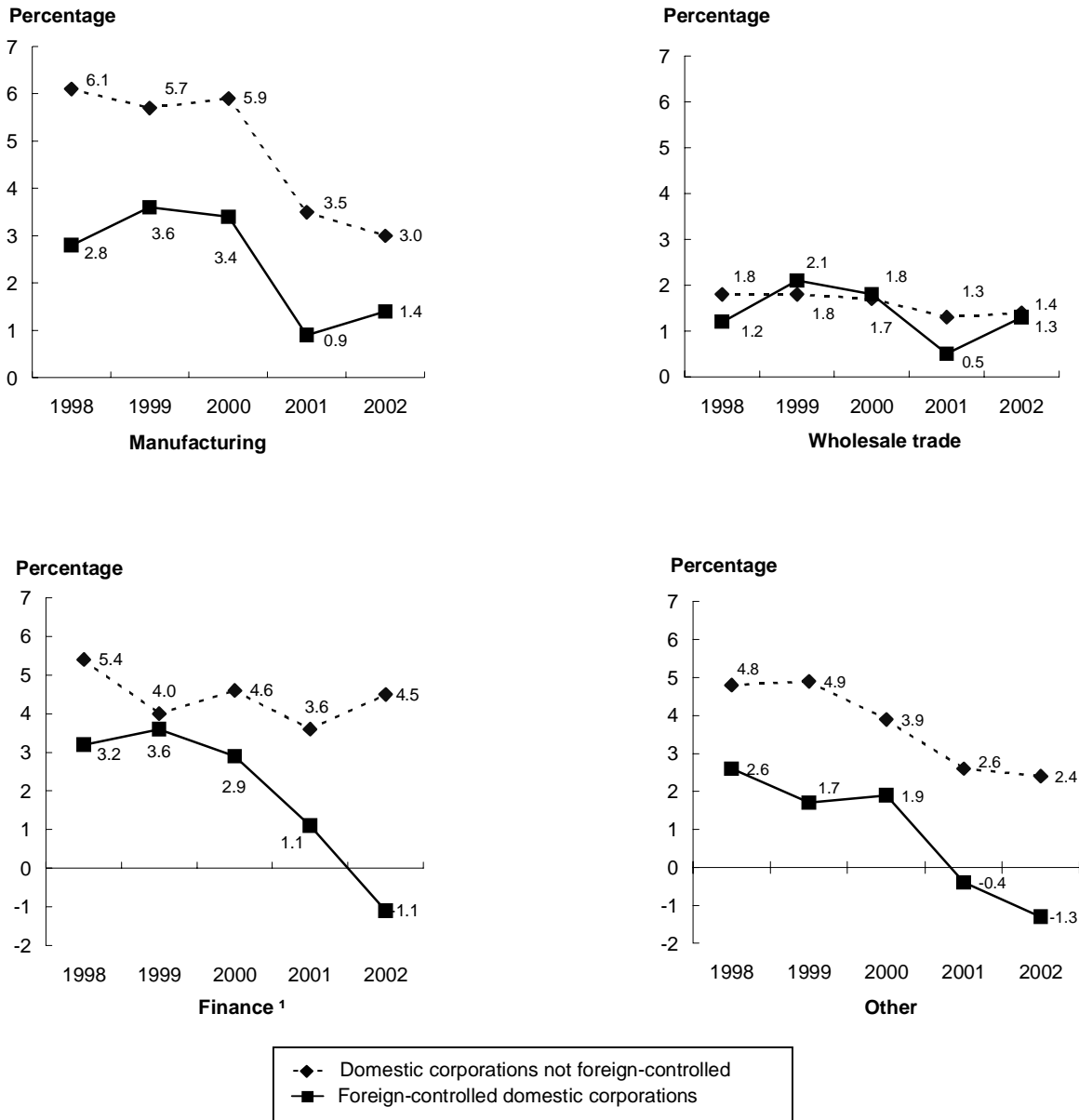
reported positive profits was higher, but somewhat similar to that for the FCDC's, 61.3 percent and 59.9 percent, respectively. Looking at the actual amounts of those positive profits and also accounting for losses reported by the remaining companies, the percentage of net income (less deficit) to total receipts was significantly higher for ODC's (3.0 percent) than it was for FCDC's (1.4 percent). (See Figure G, which shows manufacturing, wholesale trade, and two other industry groups. This figure includes historical data.) Similarly, large manufacturing ODC's reported taxable incomes of 4.7 percent of their receipts, while the percentage for FCDC's was smaller at 2.8 percent. The ratios of total income tax after credits to total receipts for ODC's and FCDC's were 0.8 percent and 0.7 percent, respectively. The similarity of these tax to receipts ratios is largely explained by the difference in the amounts of credits that the two groups of corporations reported. ODC's reported much larger credits than did the FCDC's, thereby reducing their post-credit tax liabilities by a larger portion. ODC's reported credits equaling 54.9 percent of their pre-credit income tax liabilities. For FCDC's, the percentage was much less, at 32.3 percent. For both groups of corporations, foreign tax credits accounted for most of the total credits.

Wholesale trade was also a significant industrial sector for large FCDC's, accounting for 21.7 percent of the total receipts of the group of corporations. The percentage of ODC's in this industrial sector that reported positive profits was higher, but again somewhat similar to that for the FCDC's, 70.3 percent and 67.3 percent, respectively. Looking at the actual amounts of those positive profits and also accounting for losses reported by the remaining companies, the percentage of net income (less deficit) to total receipts was marginally higher for ODC's (1.4 percent) than it was for FCDC's (1.3 percent). This small difference disappears when looking at the ratio of taxable income to total receipts. Large wholesale ODC's reported taxable incomes of 1.8 percent of their receipts, the same as those for FCDC's. The final ratio of total income tax after credits to total receipts shows the FCDC percentage being marginally higher than the ODC percentage, at 0.6 percent and 0.5 percent, respectively. These last percentages are once again impacted by the amount of credits claimed by both groups of corporations.

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Figure G

"Large" Domestic Corporations: Net Income (Less Deficit) as a Percentage of Total Receipts, by Control Status and Industry, Tax Years 1998-2002



¹ Includes returns classified in the "finance and insurance" and "real estate and rental and leasing" industrial sectors of the North American Industry Classification System.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent.

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ODC's reported much larger credits than did the FCDC's, thereby reducing their postcredit tax liabilities by a larger portion. ODC's reported credits equaling 17.1 percent of their precredit income tax liabilities. For FCDC's, the percentage was much smaller, at 8.0 percent. For both groups of corporations, foreign tax credits accounted for most of the total credits.

Age Characteristics

As previously discussed, this study classifies companies into one of two age categories: new or old. For 2002, most of the largest corporations were old corporations. For the FCDC's, 2,874 of the 3,232 largest corporations were old corporations (88.9 percent). The other large domestic corporations were similar to FCDC's in this respect, with 93.2 percent classified as old corporations (i.e., 12,644 out of 13,562).

For 2002, there were 358 new large FCDC's. Manufacturers accounted for the greatest portion of these new corporations with 138 corporations, followed by wholesalers with 72 corporations.

In general, new FCDC's reported lower profits (or losses) than did their older large counterparts. These new corporations reported a cumulative net loss of \$8.5 billion (i.e., losses exceeded profits), which was a negative 5.7 percent of their \$148.9 billion of receipts. By comparison, the older FCDC's reported a cumulative net profit of \$20.8 billion (i.e., profits exceeded losses), which was a positive 0.9 percent of their \$2.2 trillion of receipts. There was also a difference in the profitability of new and old ODC's, but not as great as the difference for the two groups of FCDC's. In fact, the new ODC's reported a cumulative net profit of \$8.0 billion, which was a positive 2.0 percent of their \$406.7 billion of receipts. The older ODC's reported a cumulative net profit of 2.9 percent of their receipts.

In addition to comparing FCDC's to other domestic corporations on the bases of industry and size, a thorough analysis would include comparisons based on the same age groupings. This article has briefly looked at the age characteristics of FCDC's and other domestic corporations.

Country Characteristics

The owners of over 70 percent of the 3,232 large FCDC's resided in just seven countries: Japan (700 FCDC's), the United Kingdom (356), Canada (344),

Germany (308), the Netherlands (225), France (199), and Switzerland (146). Japanese persons alone controlled 22 percent of these large domestic corporations.

The 2,278 corporations from the seven countries noted above tended to be larger than the 954 corporations with owners from other countries. For instance, while these 2,278 corporations accounted for 70 percent of the large FCDC's, they also accounted for over 81 percent of the \$6.1 trillion of assets for all of the large FCDC's. Domestic corporations controlled by persons from the United Kingdom reported the largest assets (\$1.1 trillion), followed by the Netherlands (\$0.9 trillion), Switzerland (\$0.7 trillion), Germany (\$0.6 trillion), France (\$0.6 trillion), Japan (\$0.5 trillion), and Canada (\$0.4 trillion).

Corporations with owners from the same seven countries accounted for nearly 80 percent of the \$2.3 trillion of receipts for all of the large FCDC's. Domestic corporations controlled by persons from Japan reported the largest receipts (\$0.5 trillion), followed by the United Kingdom (\$0.3 trillion), Germany (\$0.3 trillion), the Netherlands (\$0.3 trillion), Canada (\$0.2 trillion), France (\$0.2 trillion), and Switzerland (\$0.1 trillion).

Summary

Foreign investment and activity in the United States through FCDC's showed mixed growth for 2002. FCDC's reported \$2.5 trillion of total receipts for that year, an increase of \$27.9 billion from the 2001 level. While total receipts reported on all U.S. corporation income tax returns actually decreased by 2.6 percent from the previous year, receipts of domestic corporations controlled by foreign persons increased, by 1.1 percent. As a result, the share of total corporate receipts accounted for by FCDC's rose from 12.2 percent to 12.7 percent.

However, FCDC assets fell for 2002, while assets for all corporations rose. FCDC's had assets that totaled \$6.4 trillion for 2002, a 1.8-percent decrease from the previous year. By comparison, all corporations reported a total of \$50.4 trillion of assets for 2002, a 2.6-percent increase over the previous year. FCDC's accounted for 12.7 percent of total corporate assets for 2002, down from 13.2 percent for the previous year.

Two of the 19 industrial sectors, manufacturing and wholesale trade, generated over two-thirds of the \$2.5 trillion of total receipts for all FCDC's. Manu-

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facturers produced \$1.1 trillion of receipts, while wholesalers accounted for an additional \$0.6 trillion.

From a country perspective, domestic corporations controlled by persons in Japan reported total receipts of \$0.5 trillion, 19.4 percent of the FCDC total. In addition, the United Kingdom (14.4 percent), Germany (13.1 percent), the Netherlands (12.5 percent), Canada (7.4 percent), France (6.7 percent), and Switzerland (5.1 percent) accounted for significant portions of receipts.

Corporate profits were meager for the second year in a row, as compared to other recent years. The collective net income (less deficit) reported by foreign-controlled domestic corporations dropped from \$8.3 billion for 2001 to \$7.8 billion for 2002. Both of these years were far below the \$60.2 billion and \$66.3 billion reported for 1999 and 2000, respectively. To place the performance of FCDC's in context, total corporate profits also dropped from \$603.6 billion for 2001 to \$563.7 billion for 2002. Both of these amounts were comparatively low to the \$929.0 billion and \$927.5 billion reported by all corporations for 1999 and 2000, respectively.

The U.S. tax liability of FCDC's (i.e., total income tax after credits) moved in the same direction as did profits, decreasing from \$21.8 billion for 2001 to \$17.8 billion for 2002, or by 18.2 percent. To place this in perspective, the 2002 U.S. tax liabilities of all corporations were 7.9 percent less than the previous year.

Of the 61,615 foreign-controlled domestic corporations, the 3,232 "largest" companies accounted for most of the total amounts of key financial items (e.g., 95.6 percent of the total assets, 93.4 percent of the total receipts, 89.8 percent of the taxable income, and 88.5 percent of the total income tax after credits).

In comparing the 3,232 large foreign-controlled domestic corporations to the 13,562 other large domestic companies on the basis of industry, FCDC's had lower percentages than ODC's in most sectors using each of the following four criteria: (1) percentage of corporations that reported profits, (2) percentage of net income (less deficit) to total receipts, (3) percentage of taxable income to total receipts, and (4) percentage of total income tax after credits to total receipts.

For two important segments of the FCDC population, the performance of FCDC's compared to ODC's was somewhat mixed. These segments were specified using the age, size, and industry of the

corporations, resulting in the study of the following two segments: old large manufacturers and old large wholesalers. The manufacturing group accounted for 40.6 percent of the receipts of all FCDC's, while the wholesale trade group produced 18.8 percent of those receipts. For manufacturers, ODC's had higher percentages than FCDC's in three of the four criteria specified in the previous paragraph, but they were equal in the percentage of tax liabilities that they reported. For wholesalers, the percentages for ODC's and FCDC's were nearly similar for all four of the criteria.

While this article has been able to compare several key ratios related to the profits and taxes reported by foreign-controlled domestic corporations and other domestic corporations on the same bases of size, industry, and age, additional research is needed to explain the differences in those ratios [15].

Explanation of Selected Terms

The following are brief explanations of some of the terms used in this article. For more extensive definitions, see *Statistics of Income--2002, Corporation Income Tax Returns*.

Alternative Minimum Tax.--This tax was designed to ensure that a taxpayer with substantial economic income would not avoid significant tax liability through a legitimate use of exclusions, deductions, and credits. In effect, it provided a second tax system that curtailed or eliminated many of the means of reducing taxes allowed in the regular tax system and taxed the resulting alternative taxable income at a reduced rate. The AMT is included in the amounts reported for both total income tax before (and after) credits.

Balance Sheets.--The balance sheet data presented in this article were the amounts reported by the taxpayer as of the end of the taxpayer's accounting year. Taxpayers were instructed to provide data that agreed with their books of account but were given very few other guidelines. Since balance sheet data were from the taxpayer's books, they were generally governed by general accounting principles rather than the special rules of tax accounting. A number of steps were taken during statistical processing to reduce the variability due to taxpayer reporting practices. Misreported amounts were transferred to their proper accounts. Missing balance sheets were either supplied from reference books or statistically

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imputed based on other data and the company's characteristics. Some balance sheets were suppressed for final returns of corporations going out of existence and for most part-year returns (because the same company's end-of-year data could have been subject to inclusion from its full-year return).

Business Receipts.--These receipts were, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. They represented all of a corporation's receipts except investment and incidental income. Business receipts also exclude gains from the sale of assets. Some corporations reported sales and excise taxes as part of their gross receipts from sales (and deducted these taxes as part of "cost of goods sold" or as "taxes paid"); others reported their receipts after adjustment for these taxes. Business receipts include rents reported by real estate operators and other corporations for which rent made up a significant portion of income. The latter corporations included manufacturers who rented their products, lessors of public utility facilities, and companies engaged in rental services, such as lodging places and the rental of automobiles. Business receipts include such banking items as fees, commissions, and credit card income. Interest, the principal operating income of banking and financial institutions, was excluded from business receipts; rather, it was included in the separate statistics for interest received. Also, premium income of most insurance companies was included in business receipts. Security dealers included profits from security trades in business receipts.

Constructive Ownership Rules.--The constructive ownership rules of Internal Revenue Code section 318 apply in determining if a U.S. corporation is foreign-owned. However, if a corporation is owned by two or more "unrelated" foreign persons, neither of whom owned 50 percent or more of the corporation, then that corporation was excluded from the FCDC statistics even though, together, these persons may have met the 50-percent-or-more ownership criterion. See also, Foreign Person, defined below.

Constructive Taxable Income from Related Foreign Corporations.--This item is the sum of includable income from Controlled Foreign Corporations (CFC's) and foreign dividend grossup. IRC sections 951-964 ("Subpart F") created an exception to the general rule that the earnings and profits of CFC's were subject to U.S. taxation only when the

income was actually distributed to U.S. shareholders [16]. Under Subpart F, some types of foreign income are required to be included in the income of the U.S. shareholders, although not actually distributed. This includable income comprises passive investment income, income from sources thought especially easy to shift between tax jurisdictions, and income from sources contrary to public policy. Foreign dividend grossup is constructive taxable income to corporations that claim a foreign tax credit. A U.S. corporation could claim a foreign tax credit for a share of the foreign taxes actually paid by its related foreign corporations. The share of foreign taxes was treated as deemed paid by the U.S. corporation. In order to receive credit against U.S. tax, the foreign taxes deemed paid need to be included in the corporation's worldwide income. The dividend grossup, which is the equivalent amount of the foreign taxes deemed paid by the U.S. corporation, is included as income of the U.S. corporation.

Cost of Goods Sold.--This item generally consisted of the costs incurred by corporations in producing the goods or providing the services that generated the business receipts. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and a share of overhead expenses, such as rent, utilities, supplies, maintenance, and repairs. For statistical processing purposes, however, certain items (such as advertising, amortization, bad debts, compensation of officers, depletion, depreciation, interest paid, taxes, and contributions to charitable organizations, employee benefit programs, and pension plans) reported by taxpayers in cost of goods sold schedules were transferred to their respective and separate deduction categories.

Current and Noncurrent Assets.--In this article, current assets plus noncurrent assets equal total assets. Table 4 of this article includes separate data for current assets and noncurrent assets. Current assets include cash, notes and accounts receivable (less the allowance for bad debts), inventories, investments in Government obligations, tax-exempt securities, and other current assets, such as short-term prepaid expenses and nontrade receivables. Noncurrent assets include loans to stockholders, mortgage and real estate loans, other investments, depreciable assets (less accumulated depreciation), depletable assets (less accumulated depletion), land, intangible assets (less accumulated amortization), and other

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assets, including those not identified on the tax return as either current or long-term.

Current and Noncurrent Liabilities.--In this article, current liabilities include accounts payable; mortgages, notes, and bonds payable in less than 1 year; and other current liabilities, such as accrued taxes, payrolls, and other expenses. Noncurrent liabilities include loans from stockholders; mortgages, notes, and bonds payable in 1 year or more; and other liabilities, including those not identified on the tax return as either current or long-term.

Foreign Person.--A foreign person (or entity) includes: (1) a foreign citizen or nonresident alien, (2) an individual who is a citizen of a U.S. possession (but who is not a U.S. citizen or resident), (3) a foreign corporation, (4) a foreign partnership, (5) a foreign estate or trust within the meaning of Internal Revenue Code (IRC) section 7701(a)(31), and (5) a foreign government (or one of its agencies or instrumentalities) to the extent that it is engaged in the conduct of a commercial activity as described in IRC section 892.

Foreign Tax Credit.--Although the United States taxes the worldwide income of U.S. persons (including corporations), foreign source income is often taxed as well by the country where the income is earned. The foreign tax credit provisions were enacted to mitigate the potential impact of the double taxation of foreign-source income. U.S. persons are allowed a credit against U.S. income tax for income taxes paid (or accrued) to foreign countries or U.S. possessions, subject to a limitation that prevented corporations from using foreign tax credits to reduce U.S. tax liability on U.S.-sourced income. A corporation that claimed the foreign tax credit could not also claim a business deduction for the same foreign taxes paid. The foreign tax credit was not allowed for taxes paid to certain foreign countries whose governments were not recognized by the United States, with which the United States severed or did not conduct diplomatic relations, or which provided support for international terrorism.

Income Subject to Tax.--For most corporations, income subject to tax, i.e., taxable income, consisted of (positive) net income minus certain statutory special deductions. However, there were special provisions in the Internal Revenue Code for determining the taxable incomes of S corporations, insur-

ance companies, regulated investment companies, and real estate investment trusts.

Income Tax.--This item was the amount of a corporation's tax liability calculated at the regular corporate tax rates. It is included in the amounts reported for both total income tax before (and after) credits.

Interest.--This item is taxable interest, a component of total receipts. It includes interest on U.S. government obligations, loans, notes, mortgages, corporate bonds, bank deposits, and dividends from savings and loans and mutual savings banks. This item does not include interest received from certain government obligations not subject to U.S. income tax, including those issued by States, local governments, the District of Columbia, and U.S. possessions.

Net Income (or Deficit).--This is a company's net profit or loss from taxable sources of income reduced by deductions allowed by the Internal Revenue Code. It reflects not only actual receipts, but "constructive" receipts as well (i.e., includable income from Controlled Foreign Corporations and the foreign dividend "grossup"). Tax-exempt interest on State and local government obligations is excluded from this item but is included in "total receipts." The deductions include ordinary and necessary business deductions but do not include statutory special deductions. The statistics for (positive) net income are generally larger than those for "income subject to tax" because the latter is reduced by the amount of statutory special deductions, including the net operating loss deduction. In this article, for a group of returns, this item may be referred to as either "profits" (i.e., net income exceeds deficits) or "losses" (deficits exceed net income). On Form 1120, net income (or deficit) was reported on page 1, line 28, entitled "Taxable income before net operating loss deduction and special deductions."

Net Operating Loss Deduction (NOLD).--For tax years beginning after August 5, 1997, a statutory "net operating loss" (NOL) for a given tax year could be carried back, in general, 2 years to reduce the taxable income of those years, and any amount of the NOL not offset against income during that time could be carried forward to offset income for a period not exceeding 20 years. (For tax years beginning before August 6, 1997, NOL's could be carried back 3 years, but forward for only 15 years.) A "net operating loss" is calculated using the laws and IRS regula-

tions in effect for a given tax year, and is the excess of allowable deductions over taxable income, with certain adjustments. The amount of the deduction included in the statistics of this article, however, consists only of losses from prior years carried forward and actually used to reduce taxable income for the current (2002) tax year. Losses incurred after Tax Year 2002 and carried back to that year at a later date were not reported on the tax returns used for this article. Net operating losses on which the 2002 deduction was based include: (1) the excess of ordinary and necessary business expenses over income for previous loss years, and (2) statutory special deductions claimed for a loss year for dividends received and for dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

Net Worth.--This item represented the stockholders' equity in the corporation, i.e., total assets less the claims of creditors. It is the net sum of capital stock, additional paid-in capital, appropriated retained earnings, and unappropriated retained earnings (including adjustments to shareholders' equity), minus the cost of treasury stock. Adjustments to shareholders' equity could be either positive or negative and included unrealized gains and losses on securities held "available for sale." Treasury stock is common or preferred stock originally issued by the corporation that has been reacquired and held at the end of the accounting period by the issuing corporation.

Number of Returns.--The data contained in this article include the number of returns filed for Tax Year 2002. For simplicity, the number of returns is sometimes referred to in this article as the number of corporations. However, the actual number of corporations may be larger than the number of returns because most domestic corporations could elect to file consolidated income tax returns. These returns were filed by common parent corporations and contained combined financial data of two or more affiliated domestic corporations meeting certain stock ownership requirements. Each consolidated return was treated for statistical purposes as a single unit.

Real Estate Investment Trusts.--Domestic corporations, trusts, and associations that meet certain ownership, purpose, income, and diversification requirements may elect to be taxed as a real estate investment trust (REIT). Foreign-controlled domestic corporations can be REIT's. However, REIT's

played a much larger role for ODC's than for FCDC's [17]. REIT's generally invest in real estate and mortgages. A beneficial ownership of the trust is established through transferable shares or transferable certificates of beneficial interest. Among the income requirements, at least 95 percent of the total gross income of a REIT must come from dividends; interest; rents from real property; gains from the sale of stock, securities, and real property; etc. Additionally, at least 75 percent of total gross income must be derived from rents from real property; interest on mortgages on real property; gains from sales of real property and mortgages; dividends and gains from the sale of transferable shares in other REIT's; etc. The tax liability of REIT's is generally very low. This is because, through a statutory special deduction for dividends paid, REIT's are not taxed on amounts distributed to shareholders. In general, REIT's must distribute to their shareholders at least 90 percent of their taxable incomes; for tax years beginning before 2001, the requirement was 95 percent. Such distributions are taxed to the shareholders (i.e., beneficiaries).

Regulated Investment Companies.--A regulated investment company (RIC) is a domestic corporation registered with the Securities and Exchange Commission as a management company, business development company, unit investment trust, common trust fund, or a similar fund. Typically, it is a mutual fund. Foreign-controlled domestic corporations can be RIC's. However, RIC's played a much larger role for ODC's than for FCDC's [17]. A RIC must meet certain Internal Revenue Code requirements, including deriving at least 90 percent of its gross income from dividends, interest, payments related to securities loans, and gains from the sale of stock or securities, foreign currencies, or other income related to its business of investing in such stock, securities, or currencies. The tax liability of RIC's is generally very low. This is because, through a statutory special deduction for dividends paid, RIC's are not taxed on amounts distributed to shareholders. In general, RIC's must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed at the shareholder level.

S Corporations.--An S corporation has elected to be taxed through its shareholders under Internal Revenue Code section 1362. The IRC contains restrictive criteria that a company must meet in order to qualify as an S corporation, which include

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the number and types of shareholders. These companies are involved in numerous industrial activities. They report corporate income and deductions from their conduct of trades and businesses, but generally allocate any income or loss to their shareholders to be taxed only at the individual level. S corporations comprise a very large part of the corporate population. However, foreign-controlled domestic corporations cannot elect to be treated as S corporations [17].

Statutory Special Deductions.--In general, net income less statutory special deductions equals income subject to tax. This item is the sum of: (1) deductions for net operating loss carryovers from prior years, and (2) special deductions for dividends and other corporate attributes allowed by the Internal Revenue Code, which include: (a) dividends received deductions, (b) deductions for dividends paid on certain stock of public utilities, (c) deductions for dividends paid by regulated investment companies and real estate investment trusts, (d) Internal Revenue Code section 857(b)(2)(E) deductions reported by real estate investment trusts, and (e) Code section 806(a) small life insurance company deductions. These deductions were in addition to ordinary and necessary business deductions.

Total Assets.--This item represented those assets reported in the end-of-year balance sheets of the corporations' books of account. Total assets were net amounts after reduction by accumulated depreciation, accumulated amortization, accumulated depletion, and the reserve for bad debts.

Total Income Tax Before and After Credits.--For 2002, total income tax of FCDC's was primarily comprised of the income tax imposed on corporate income subject to tax (98.8 percent of the total tax). The alternative minimum tax accounted for 1.2 percent of the total. A small number of corporation income tax returns without net income reported amounts of income tax. The income tax, in these cases, resulted from special provisions of the Internal Revenue Code applicable to life insurance operations. These provisions applied to FCDC's with life insurance operations. Additionally, some taxes included in total income tax were not imposed directly on a corporation's income subject to tax, such as the recapture taxes. Thus, a small number of corporations without net income and income tax may have reported such taxes on their income tax returns.

These taxes were included in the statistics for total income tax. Also included in total income tax were personal holding company taxes and the taxes on undistributed net capital gains of regulated investment companies. For 2002, the credits used to reduce the total income tax of FCDC's primarily included the foreign tax credit (78.0 percent of the \$4.9 billion of total credits), the general business credit (15.7 percent), and the prior-year minimum tax credit (4.8 percent), as well as the nonconventional source fuel credit and the U.S. possessions tax credit.

Total Receipts.--This item includes all of the income actually (as opposed to constructively) received by a corporation and reported on its income tax return. It includes gross taxable receipts before the deduction of cost of goods sold and ordinary and necessary business expenses. It also includes tax-exempt interest received on State and local government obligations. A domestic corporation (i.e., one incorporated in the United States), whether controlled by a foreign person or not, could have business activities in a foreign country, as well as in the United States. Thus, total receipts may include those from foreign branch operations of the U.S. company. Also, the total receipts of a domestic corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries. However, total receipts exclude certain taxable income from related foreign corporations that is only constructively received by the domestic corporation. Long-term capital gains of regulated investment companies, as well as both short-term and long-term capital gains of S corporations, are also excluded.

Total Receipts Less Total Deductions.--This item differs from the "net income (less deficit)" shown in the statistics in that it includes nontaxable interest received on State and local government obligations and excludes constructive taxable income from related foreign corporations.

Data Sources and Limitations

Time Period Covered

Data for Tax Year 2002 are based on returns with accounting periods that ended between July 2002 and June 2003. These accounting periods were 12 months in length, or less for part-year accounting periods. As a result of the 12-month span for ending accounting periods, the statistics shown in this article

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include accounting periods that began and ended within a 23-month span. For Tax Year 2002, that span was from August 2001 through June 2003. Nevertheless, most of the income and expense data are, in fact, associated with Calendar Year 2002. Of the 61,615 FCDC returns filed for Tax Year 2002, some 40,112 had accounting periods that ended in December 2002, about 65 percent of the total. These returns accounted for 74 percent of both the receipts and deductions reported by all FCDC's, as well as nearly 80 percent of the FCDC assets.

The sampling frame for the 2002 statistics consisted, in general, of tax returns with accounting periods that ended between July 2002 and June 2003, and that posted to the IRS Business Master File between July 2002 and June 2004. A 24-month sampling period was needed for several reasons. First, some corporations had noncalendar year accounting periods ending as late as June 2003. Second, while corporation returns were usually required to be filed within 2 1/2 months after the close of the accounting period, many requested filing extensions of 6 months. Third, normal administrative processing time lags required that the sampling process remain open until June 2004.

Returns Covered

The number of returns shown in this article represents returns of "active" corporations, i.e., those that reported any income or deduction items. While any corporation in existence during any portion of the taxable year was required to file an income tax return (even though it may have been inactive, not having any income or deductions), the great majority of returns filed with the Internal Revenue Service were for active corporations. Nonprofit corporations, exempt farmers' cooperatives, and certain other incorporated organizations did not file corporation income tax returns and are not included in the statistics shown in this article. Part-year returns, those filed for accounting periods of less than 12 months, were included in the number of returns and other data shown in this article. Continuing corporations changing their accounting periods, new corporations in existence less than 12 months, merging corporations, and liquidating corporations filed such returns. To avoid double counting, data from the balance sheets of part-year returns were

not included in the statistics, except for those from initial returns of newly incorporated businesses.

Sample

This article presents statistical estimates based on a stratified sample of more than 10,500 unaudited tax returns selected from over 61,600 returns of active domestic corporations controlled by a foreign person filed for Tax Year 2002. The statistics for FCDC's are based on samples of corporation income tax returns filed primarily on Form 1120, *U.S. Corporation Income Tax Return*. In addition, the statistics for all FCDC's include data from the small numbers of other domestic corporation income tax returns filed on Forms 1120L, *U.S. Life Insurance Company Income Tax Return*; 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*; 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; and 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*. For Tax Year 2002, FCDC's filed only 54 Forms 1120L, 104 Forms 1120-RIC, 51 Forms 1120-REIT, and 43 Forms 1120-PC [18]. As previously mentioned, FCDC's could not file Forms 1120-A, 1120-F, and 1120S. The statistics for the largest FCDC's shown in Figures E through G, and in Table 4, exclude Forms 1120-RIC and 1120-REIT.

Form 1120 sampled returns were stratified based on the size of total assets and the size of "proceeds" (which was used as a measure of income and was the larger of the absolute value of net income or deficit or the absolute value of "cash flow," i.e., net income plus depreciation plus depletion). Forms 1120L, 1120-RIC, 1120-REIT, and 1120-PC were sampled based solely on the size of total assets.

For 2002, the sampling rates for Forms 1120 alone (the majority of returns included in the sample) ranged from less than 1 percent to 100 percent. In general, Form 1120 returns with assets of \$10 million or more, or with "proceeds" of \$2.5 million or more, were selected for the Statistics of Income study at the 100-percent sampling rate. Thus, most if not all of the "largest" FCDC's (and other domestic corporations as well) were selected at the 100-percent rate. Therefore, sampling error is not considered to be a major concern for the large-corporation data shown in this article. For additional information on the sampling rates, see *Statistics of Income--2002, Corporation Income Tax Returns*.

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Figure H

Foreign-Controlled Domestic Corporations: Coefficients of Variation for Selected Items, by Selected Industrial Sectors and Selected Countries of Foreign Owners, Tax Year 2002

Selected industrial sector or country	Coefficients of variation (percentages)						
	Number of returns	Total assets	Total receipts	Net income	Deficit	Income subject to tax	Total income tax after credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	4.14	0.02	0.14	0.19	0.33	0.23	0.27
Selected industrial sectors:							
Manufacturing.....	9.61	0.04	0.10	0.19	0.44	0.16	0.22
Wholesale trade.....	7.96	0.24	0.43	0.70	1.54	0.76	0.76
Information.....	22.40	0.03	0.65	1.84	0.68	2.40	2.43
Finance and insurance.....	17.45	0.01	0.15	0.27	0.41	0.30	0.32
Real estate and rental and leasing.....	8.98	0.88	1.80	2.96	3.69	3.60	3.56
Professional, scientific, and technical services.....	14.43	0.41	1.80	3.17	2.35	3.83	4.40
Management of companies (holding companies).....	20.08	0.06	0.12	0.68	1.20	0.74	0.80
Selected countries of foreign owners:							
Bermuda.....	14.89	0.04	0.30	2.28	0.52	4.10	5.06
Canada.....	11.37	0.14	0.69	1.57	0.83	1.86	1.84
France.....	19.18	0.04	0.27	0.85	1.36	1.03	1.33
Germany.....	14.50	0.07	0.23	0.92	0.55	0.89	1.12
Japan.....	11.26	0.11	0.28	0.38	0.98	0.36	0.36
Netherlands.....	22.53	0.03	0.17	0.43	0.98	0.48	0.62
Sweden.....	17.27	0.10	0.13	0.29	4.63	0.31	0.44
Switzerland.....	17.93	0.05	0.45	0.47	0.90	0.34	0.35
United Kingdom.....	14.29	0.04	0.40	0.36	1.14	0.32	0.47

Because the data presented are estimates based on samples, they are subject to sampling error. To properly use these data, the magnitude of the sampling error should be known. Coefficients of variation (CV's) are used to measure that magnitude. Figure H shows CV's for selected financial data of selected industrial sectors and selected countries of the foreign owners. For a general discussion of sampling procedures and CV's, see the Appendix ("SOI Sampling Methodology and Data Limitations") located near the back of this issue of the *Statistics of Income Bulletin*.

Nonsampling Limitations

Nonsampling errors can be categorized as coverage errors, nonresponse errors, processing errors, or response errors. These errors can be the result of the inability to obtain information about all returns in the sample, differing interpretations of tax concepts or instructions by the taxpayer, inability of a corporation to provide accurate information at the time of filing (data are collected before auditing), inability to obtain all tax schedules and attachments, errors in recording or coding the data, errors in collecting or

cleaning the data, errors made in estimating for missing data, and failure to represent all population units.

Returns were selected for this study based on taxpayers' responses to two questions that appeared on the various types of Form 1120. The first question asked whether one "foreign person" owned, directly or indirectly, 25 percent or more of the filing corporation's voting stock or of the total value of all the corporation's stock, at any time during the tax year. If this question was answered "Yes," then a second question asked for the percentage owned [19]. If the first question was answered "Yes," and the second question was answered with a percentage between 50 and 100, then the return was included in the FCDC statistics. Taxpayers sometimes incorrectly answered these questions or did not answer them at all [20]. However, prior to tabulation, corporations with large amounts of assets or receipts, and with changes in foreign ownership status between 2001 and 2002, were researched, and the answers to the questions were verified. These large corporations had a dominating effect on the estimates for balance sheet, income statement, and tax items.

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Each return used for the statistics had an industry code reported, or was assigned one during administrative or statistical processing. For 2002, the North American Industry Classification System (NAICS) was used as a classifier of the returns. The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of the total receipts) of the corporation filing the return. However, a given return may summarize the activity of a company engaged in several businesses or may have been a consolidated return filed for an affiliated group of corporations that conducted different business activities. To the extent that some consolidated (and nonconsolidated) returns covered corporations that 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.

There is an additional limitation related to data presented by industrial classification. Companies that sell similar products may not be classified in the same industry. For instance, those FCDC's that were primarily U.S. distributors of products made in foreign countries by their parent or other related companies were classified as wholesalers. However, other domestic corporations that were also distributors may have been included in consolidated returns covering both the manufacture and distribution of similar products and classified as manufacturers.

Each return was assigned a foreign country code during statistical processing that identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country in which the foreign entity was incorporated, organized, created, or administered. To the extent that a holding company or other affiliated entity was part of a chain between a U.S. subsidiary company and the ultimate foreign parent, the country data may be related to the holding company and, thus, not be related to the foreign country of the ultimate parent.

Notes and References

[1] For additional 2002 statistics covering foreign-controlled domestic corporations (FCDC's), see Tables 24 and 25 of *Statistics of Income--2002, Corporation Income Tax Returns*, IRS Publication 16. This publication is expected to be available in September 2005. Statistics for tax years prior to 2002 are available in earlier

editions of Publication 16. For 2001 statistics covering FCDC's, see Hobbs, James R., "Foreign-Controlled Domestic Corporations, 2001," *Statistics of Income Bulletin*, Summer 2004, Volume 24, Number 1. In addition, FCDC data are included on the IRS Internet site at www.irs.gov, under Tax Stats.

- [2] Total corporate data referenced throughout this article come from: (1) *Statistics of Income Bulletin*, Spring 2005, Volume 24, Number 4; (2) *Statistics of Income--Corporation Income Tax Returns*, selected years; (3) *Source Book of Statistics of Income--Corporation Income Tax Returns*, selected years; and (4) unpublished Statistics of Income tabulations.
- [3] Sections 7701(a)(4) and (5) of the Internal Revenue Code define 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 is "one which is not domestic."
- [4] For 2002, there were only 4,671 returns that indicated a level of foreign ownership between 25 percent and 49 percent. These companies reported \$152 billion of assets, \$64 billion of receipts, \$3 billion of taxable income, and less than \$1 billion of total income tax after credits. All of these amounts were small in comparison to data for the corporations with at least 50-percent foreign ownership.
- [5] For the most recent statistics, there will be tabulations covering branch operations of foreign corporations with income "effectively connected" with a U.S. trade or business in *Statistics of Income--2002, Corporation Income Tax Returns*, IRS Publication 16. This publication is expected to be available in September 2005. See Tables 10 and 11 of this publication. Statistics for tax years prior to 2002 are available in earlier editions of Publication 16.
- [6] As a result of the Statistics of Income (SOI) sampling process, data shown in this article for "all corporations" exclude certain out-of-scope returns, such as returns for homeowners' associations (Form 1120-H) and certain political

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organizations (Form 1120-POL). For a more complete listing of the returns excluded from the SOI corporation sample, see the Description of the Sample and Limitations of the Data section of *Statistics of Income--2002, Corporation Income Tax Returns*. On the other hand, in addition to legally defined corporations, the Internal Revenue Code recognizes many types of businesses as corporations, including joint stock companies and unincorporated associations (e.g., certain partnerships, savings and loan associations, and mutual savings banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, limited liability of owners, and transferability of shares of capital ownership. They filed Forms 1120 and were included in the SOI corporation sample.

- [7] For additional information on foreign investment in the United States, see *Survey of Current Business* reports, produced by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA periodically produces several articles related to this subject, including: (a) "Foreign Direct Investment in the United States: Detail for Historical-Cost Position and Related Capital and Income Flows, 2003," September 2004; (b) "Operations of U.S. Affiliates of Foreign Companies: Preliminary Results From the 2002 Benchmark Survey," August 2004; and (c) "Foreign Direct Investment in the United States: New Investment in 2003," June 2004. In addition to the printed versions of these articles, electronic versions can be obtained from the Internet at: www.bea.doc.gov. The data in these reports may not be directly comparable to the information shown in this article because of definitional differences, such as those relating to time periods covered and levels of foreign ownership.
- [8] The percent changes in the assets between 2001 and 2002 of domestic corporations controlled by foreign persons, as well as those of all

corporations, may overstate the actual "growth in investment." Assets are generally reported at book value on tax returns (i.e., at the value at the time of acquisition). The book value of newly-acquired assets is generally greater than the book value of similar assets they replaced. Therefore, new corporations may tend to have a greater percentage of new assets with greater book values. To the extent that new corporations comprised a different portion of FCDC's than they did for other companies, the comparability of the two percentages may be limited.

- [9] Dates of incorporation are reported on Form 1120, page 1, question C. Forms 1120L, 1120-PC, 1120-REIT, and 1120-RIC also contain this question in different locations on those forms.
- [10] For the most recent detailed information on transactions between "foreign-owned domestic corporations" and their related foreign persons, see Duffy, Heather R. and Jauquet, William P., "Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 2000," *Statistics of Income Bulletin*, Fall 2003, Volume 23, Number 2. The data contained in that article are not completely comparable to the data contained in this article, since they cover different time periods and are for U.S. corporations that were owned, 25 percent or more, by a foreign person. By contrast, the foreign ownership level used for the FCDC statistics shown in this article was 50 percent or more. Additionally, returns included in the "foreign-owned" study showed total receipts of \$500 million or more and reported transactions with related foreign persons on Form 5472, *Information Return of a 25 Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business*. Neither of these conditions was a requirement for inclusion in the FCDC study.
- [11] In general, the computation of net income (less deficit) can be shown as follows:

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Begin With: Total Receipts
(Includes Business Receipts)
Less: Total Deductions
(Includes Cost of Goods Sold)
Equals: Total Receipts Less Total Deductions
Plus: Constructive Taxable Income from
Related Foreign Corporations
(Includes Includable Income from
Controlled Foreign Corporations and
Foreign Dividend Grossup)
Less: Tax-exempt Interest on State and Local
Government Obligations (Included in Total
Receipts, above)
Equals: Net Income (Less Deficit)

- [12] The 34,998 companies reporting a deficit may include a small number of “break-even” companies, i.e., those whose receipts and deductions were equal.
- [13] There were certain exceptions to the relationship of positive net income minus statutory special deductions equaling taxable income. In some cases, the statutory special deductions for dividends received and for dividends paid on certain preferred stock of public utilities exceeded net income. Also, the tax bases of S corporations, life insurance companies, regulated investment companies, and real estate investment trusts were not defined as net income less statutory special deductions. Rather, these types of corporations computed taxable income using special provisions of the Internal Revenue Code.
- [14] One focus of this article is U.S. total income tax after credits. The reader might choose to focus instead on total worldwide taxes, which may be approximated by adding the foreign tax credits claimed by corporations to the U.S. tax

liabilities (i.e., total income tax after credits) of these corporations. There are limitations in using this procedure, and the foreign tax credit only approximates the foreign tax liabilities of the corporations. Table 4 shows amounts of foreign tax credits in addition to U.S. total income tax after credits. For 2000 statistics covering corporate foreign tax credits, see Luttrell, Scott, “Corporate Foreign Tax Credit, 2000,” *Statistics of Income Bulletin*, Fall 2004, Volume 24, Number 2. In addition, foreign tax credit data are included on the IRS Internet site at www.irs.gov, under Tax Stats.

- [15] See “Tax Administration: Comparison of the Reported Tax Liabilities of Foreign- and U.S.-Controlled Corporations, 1996-2000,” U.S. General Accounting Office, GAO-04-358, February 2004. Also, see Grubert, Harry, “Another Look at the Low Taxable Income of Foreign-Controlled Companies in the United States,” U.S. Department of the Treasury, Office of Tax Analysis, Paper 74, 1997; and Mataloni, Raymond J., Jr., “An Examination of the Low Rates of Return of Foreign-Owned U.S. Companies,” U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, March 2000.
- [16] For 2000 statistics covering CFC’s, see Mahony, Lee and Wenrich, Jason, “Controlled Foreign Corporations, 2000” *Statistics of Income Bulletin*, Summer 2004, Volume 24, Number 1. In addition, CFC data are included on the IRS Internet site at www.irs.gov, under Tax Stats.
- [17] Shown below are Tax Year 2002 data for all REIT’s, RIC’s, and S corporations, regardless of size, filed by foreign-controlled domestic

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corporations (FCDC's) and by other domestic corporations (ODC's). Money amounts are in millions of dollars.

Type of corporation and item	FCDC's	ODC's
Real Estate Investment Trusts:		
Number of returns	51	1,038
Total assets	29,221	741,131
Total receipts	3,203	61,079
Net income (less deficit)	2,071	37,188
Income subject to tax	9	92
Total income tax after credits	3	68
Regulated Investment Companies:		
Number of returns	104	10,963
Total assets	41,193	7,148,815
Total receipts	785	190,831
Net income (less deficit)	512	114,601
Income subject to tax	—	12
Total income tax after credits	—	1
S Corporations:		
Number of returns	—	3,154,377
Total assets	—	2,016,708
Total receipts	—	3,910,927
Net income (less deficit)	—	150,611
Income subject to tax	—	804
Total income tax after credits	—	368

[18] The counts of 54 Forms 1120L and 43 Forms 1120-PC do not include returns of life insurance companies and property/casualty insurance companies, respectively, that were filed as part of consolidated returns under IRC section

1504(c). Under this section, a nonlife insurance parent company could include a domestic life insurance subsidiary in a consolidated return. For 2002, there were 91 section 1504(c) returns of foreign-controlled domestic corporations. Of this number, 46 returns had a property/casualty insurance company as the largest subsidiary, 11 returns had a life insurance company as the largest subsidiary, and the remainder (34) had a noninsurance company as the largest subsidiary.

[19] On Form 1120, Page 3, Schedule K, the actual questions were: "(7) At any time during the tax year, did one foreign person own, directly or indirectly, at least 25 percent of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation?" and "(7a) If 'Yes,' enter percentage owned." There was an additional question used for the country distribution of these statistics, which was: "(7b) If 'Yes,' enter owner's country."

[20] The FCDC statistics include data from returns in which the first question (see footnote 19) was answered "Yes," and the second question covering percentage owned was not answered. There were 1,287 returns for Tax Year 2002 that were included in the FCDC data, although the exact foreign ownership percentage was not specified. These returns reported \$59.9 billion of assets and \$49.9 billion of receipts.

Source: IRS Statistics of Income Bulletin, Summer 2005, Publication 1136 (Rev. 09-2005.)

Foreign-Controlled Domestic Corporations, 2002

Table 1.--Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Selected Items for Selected Tax Years 1971-2002

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

Item	1971	1983	1990	1995	1999	2000	2001	2002
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ALL CORPORATIONS								
Number of returns, total.....	1,733,332	2,999,071	3,716,650	4,474,167	4,935,904	5,045,274	5,135,591	5,266,607
Number with net income.....	1,063,940	1,676,288	1,910,670	2,455,492	2,812,175	2,819,153	2,822,302	2,800,517
Total assets.....	2,889,221	10,201,084	18,190,058	26,013,689	41,464,153	47,026,872	49,154,424	50,413,502
Total receipts.....	1,906,008	7,135,494	11,409,520	14,539,050	18,892,386	20,605,808	20,272,958	19,749,426
Business receipts.....	1,763,760	6,334,603	9,860,442	12,785,798	16,313,971	17,636,551	17,504,289	17,297,125
Interest received ¹	65,596	494,604	942,238	993,173	1,301,772	1,576,101	1,499,683	1,233,298
Total deductions.....	1,824,063	6,945,457	11,032,575	13,821,278	17,966,972	19,691,592	19,682,983	19,198,882
Cost of goods sold.....	1,241,282	4,308,239	6,610,770	8,206,073	10,284,098	11,135,288	11,041,533	10,607,404
Interest paid.....	64,697	475,060	825,372	744,765	1,018,972	1,271,679	1,203,046	912,752
Total receipts less total deductions.....	81,945	190,037	376,945	717,773	925,414	914,216	589,975	550,544
Net income (less deficit).....	79,700	188,314	370,633	714,193	928,956	927,526	603,623	563,657
Net income.....	96,688	296,932	552,527	880,653	1,229,296	1,336,620	1,112,481	1,053,126
Deficit.....	-16,988	-108,618	-181,894	-166,460	-300,340	-409,094	-508,858	-489,470
Income subject to tax.....	83,165	218,686	366,353	564,733	693,736	760,404	635,257	600,554
Total income tax before credits.....	37,510	92,219	128,186	198,787	241,988	266,282	220,874	209,691
Income tax.....	37,143	90,462	119,434	193,564	238,722	262,233	218,676	207,056
Total income tax after credits.....	30,220	51,862	96,403	156,393	193,028	204,044	166,712	153,613
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS								
Number of returns, total.....	5,154	33,622	44,113	60,157	59,514	60,609	60,618	61,615
Number with net income.....	2,575	13,648	17,360	26,397	27,509	26,519	24,898	26,617
Total assets.....	36,674	530,334	1,652,255	2,762,747	4,761,072	6,071,994	6,499,997	6,382,309
Total receipts.....	39,181	389,909	1,060,295	1,536,705	2,167,523	2,612,072	2,482,900	2,510,781
Business receipts.....	38,043	359,793	950,083	1,372,489	1,888,652	2,253,215	2,144,066	2,249,184
Interest received ¹	420	17,590	67,315	96,269	142,325	180,006	172,093	122,104
Total deductions.....	38,050	387,981	1,056,921	1,499,219	2,109,522	2,549,986	2,478,642	2,506,266
Cost of goods sold.....	28,804	271,372	709,052	1,000,691	1,322,100	1,584,513	1,501,678	1,548,698
Interest paid.....	733	22,255	77,562	92,417	144,833	186,835	177,677	119,001
Total receipts less total deductions.....	1,132	1,928	3,374	37,486	58,002	62,085	4,258	4,515
Net income (less deficit).....	1,111	1,849	3,966	38,455	60,213	66,312	8,303	7,838
Net income.....	1,496	12,448	29,410	64,339	99,974	118,598	94,331	82,660
Deficit.....	-384	-10,599	-25,444	-25,884	-39,762	-52,287	-86,028	-74,822
Income subject to tax.....	1,344	10,707	23,704	43,111	78,638	97,515	76,069	64,593
Total income tax before credits.....	650	4,849	8,719	15,834	28,107	34,650	26,827	22,727
Income tax.....	631	4,790	8,008	14,956	27,358	33,950	26,390	22,447
Total income tax after credits.....	610	3,419	7,438	13,157	23,937	28,073	21,774	17,819
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS AS A PERCENTAGE OF ALL CORPORATIONS								
Number of returns, total.....	0.30	1.12	1.19	1.34	1.21	1.20	1.18	1.17
Number with net income.....	0.24	0.81	0.91	1.08	0.98	0.94	0.88	0.95
Total assets.....	1.27	5.20	9.08	10.62	11.48	12.91	13.22	12.66
Total receipts.....	2.06	5.46	9.29	10.57	11.47	12.68	12.25	12.71
Business receipts.....	2.16	5.68	9.64	10.73	11.58	12.78	12.25	13.00
Interest received ¹	0.64	3.56	7.14	9.69	10.93	11.42	11.48	9.90
Total deductions.....	2.09	5.59	9.58	10.85	11.74	12.95	12.59	13.05
Cost of goods sold.....	2.32	6.30	10.73	12.19	12.86	14.23	13.60	14.60
Interest paid.....	1.13	4.68	9.40	12.41	14.21	14.69	14.77	13.04
Total receipts less total deductions.....	1.38	1.01	0.90	5.22	6.27	6.79	0.72	0.82
Net income (less deficit).....	1.39	0.98	1.07	5.38	6.48	7.15	1.38	1.39
Net income.....	1.55	4.19	5.32	7.31	8.13	8.87	8.48	7.85
Deficit.....	2.26	9.76	13.99	15.55	13.24	12.78	16.91	15.29
Income subject to tax.....	1.62	4.90	6.47	7.63	11.34	12.82	11.97	10.76
Total income tax before credits.....	1.73	5.26	6.80	7.97	11.62	13.01	12.15	10.84
Income tax.....	1.70	5.30	6.70	7.73	11.46	12.95	12.07	10.84
Total income tax after credits.....	2.02	6.59	7.72	8.41	12.40	13.76	13.06	11.60

¹ Excludes nontaxable interest received on State and local government obligations.

NOTES: Detail may not add to totals due to rounding. All amounts are in current dollars. Tax law and tax form changes affect the year-to-year comparability of the data; see Statistics of Income--Corporation Income Tax Returns, selected years, for discussions of changes affecting the comparability of the data over time.

Foreign-Controlled Domestic Corporations, 2002

Table 2.--Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2002

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

Major industry	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries 1.....	61,615	26,617	17,584	6,382,309	1,792,394	2,510,781	2,249,184	2,506,266
Agriculture, forestry, fishing, and hunting.....	867	531	184	6,714	2,878	5,534	5,209	5,753
Agricultural production.....	780	454	110	5,808	2,492	4,677	4,367	4,862
Forestry and logging.....	10	3	3	552	230	326	323	357
Support activities and fishing, hunting, and trapping...	78	74	72	354	156	531	519	534
Mining.....	838	198	165	121,165	68,327	29,887	27,939	31,249
Utilities.....	72	47	18	64,677	14,901	23,596	21,694	23,473
Construction.....	1,621	286	128	45,654	18,737	41,042	39,341	42,005
Construction of buildings.....	359	34	30	13,555	2,991	24,516	23,908	24,162
Heavy and civil engineering construction.....	916	225	76	28,572	15,038	13,273	12,287	14,219
Specialty trade contractors.....	346	27	22	3,527	708	3,253	3,146	3,624
Manufacturing.....	7,197	3,243	2,657	1,671,262	624,931	1,110,751	1,036,980	1,101,222
Food manufacturing.....	436	374	341	45,644	9,344	43,699	40,962	41,533
Beverage and tobacco product manufacturing.....	86	66	60	45,358	17,656	25,503	24,108	23,949
Textile mills and textile product mills.....	130	58	51	2,816	603	3,283	3,207	3,453
Apparel manufacturing.....	380	327	325	1,580	600	4,327	3,007	4,621
Leather and allied product manufacturing.....	4	**	**	87	25	128	125	127
Wood product manufacturing.....	572	137	131	3,535	1,440	4,269	4,220	4,342
Paper manufacturing.....	71	24	18	21,350	6,155	20,710	19,864	21,722
Printing and related support activities.....	279	17	11	12,916	4,660	9,366	8,583	9,427
Petroleum and coal products manufacturing.....	54	46	42	308,577	166,094	202,212	194,627	197,619
Chemical manufacturing.....	539	319	227	342,121	102,723	198,974	179,202	191,194
Plastics and rubber products manufacturing.....	573	267	209	83,612	54,557	38,653	36,784	38,815
Nonmetallic mineral product manufacturing.....	217	137	130	66,759	22,899	39,224	37,483	38,496
Primary metal manufacturing.....	141	74	55	27,117	8,307	28,554	27,849	28,624
Fabricated metal product manufacturing.....	572	194	151	34,643	11,636	26,663	25,374	26,253
Machinery manufacturing.....	858	289	269	121,624	32,926	82,614	78,081	82,912
Computer and electronic product manufacturing.....	1,067	264	151	120,236	43,694	89,449	85,231	95,611
Electrical equipment, appliance, and component manufacturing.....	194	110	75	26,982	13,848	17,558	17,186	18,346
Transportation equipment manufacturing.....	542	309	216	371,212	112,498	253,100	229,930	251,515
Furniture and related product manufacturing.....	117	22	19	844	261	1,351	1,315	1,318
Miscellaneous manufacturing.....	363	**	**	34,249	15,005	21,113	19,845	21,343
Wholesale and retail trade 2.....	19,001	8,543	6,286	424,587	108,410	703,013	679,711	697,203
Wholesale trade.....	15,837	7,578	5,901	339,318	87,355	568,021	549,648	562,039
Wholesale trade, durable goods.....	10,709	4,910	3,899	245,612	66,209	415,417	402,537	412,918
Wholesale trade, nondurable goods.....	5,129	2,668	2,002	93,706	21,145	152,603	147,111	149,122
Retail trade.....	3,162	964	384	85,252	21,043	134,967	130,037	135,138
Motor vehicle dealers and parts dealers.....	90	38	27	3,139	964	6,054	5,893	5,967
Furniture and home furnishings stores.....	77	67	38	3,160	265	3,445	3,289	3,249
Electronics and appliance stores.....	840	255	43	3,976	819	3,432	3,149	3,799
Building material and garden equipment and supplies dealers.....	33	30	5	523	275	484	464	481
Food, beverage, and liquor stores.....	55	**	**	46,460	11,715	91,495	88,971	91,110
Health and personal care stores.....	44	18	18	6,845	-1,176	8,864	8,115	8,600
Gasoline stations.....	266	37	26	410	91	1,393	1,335	1,404
Clothing and clothing accessories stores.....	531	26	14	6,840	2,453	8,618	8,124	8,691
Sporting goods, hobby, book, and music stores.....	195	74	46	683	154	1,324	1,257	1,387
General merchandise stores.....	267	**	**	5,461	2,792	1,866	1,786	2,186
Miscellaneous store retailers.....	361	113	91	3,048	1,131	1,736	1,569	1,806
Nonstore retailers.....	403	290	63	4,707	1,559	6,256	6,086	6,457

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 2.--Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2002
--Continued

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

Major industry	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Transportation and warehousing.....	2,063	1,212	856	41,570	10,155	38,606	35,526	39,003
Air, rail, and water transportation.....	424	99	65	14,366	4,627	10,072	8,372	10,045
Truck transportation.....	62	35	34	1,359	457	2,248	2,192	2,247
Transit and ground passenger transportation.....	308	301	298	7,204	682	7,646	7,097	7,804
Pipeline transportation.....	9	6	6	1,270	279	291	229	358
Other transportation and support activities.....	1,102	691	398	13,059	3,080	15,589	15,011	15,728
Warehousing and storage.....	158	80	55	4,312	1,030	2,759	2,624	2,821
Information.....	2,223	907	523	706,146	398,026	92,594	78,803	102,076
Publishing industries.....	542	111	83	75,405	12,738	35,201	31,046	34,911
Motion picture and sound recording industries.....	197	43	20	397,665	232,377	31,627	23,953	32,573
Broadcasting (except Internet).....	194	90	38	1,710	-88	773	735	1,134
Internet publishing and broadcasting.....	278	273	**	4,871	1,177	1,451	1,416	1,479
Telecommunications.....	441	36	31	218,444	148,727	18,388	17,482	26,141
Internet service providers, Web search portals, and data processing services.....	434	343	340	2,992	1,368	1,660	1,326	2,306
Other information services.....	137	12	**	5,059	1,726	3,493	2,845	3,532
Finance and insurance.....	2,015	775	527	2,406,691	344,864	286,409	191,597	286,669
Credit intermediation.....	398	180	146	285,182	25,628	25,827	12,688	26,460
Securities, commodity contracts, and other financial investments and related activities.....	891	210	158	1,073,577	60,139	57,726	25,509	57,527
Insurance carriers and related activities.....	327	140	103	944,469	193,013	197,857	153,320	200,334
Funds, trusts, and other financial vehicles.....	399	245	120	103,463	66,084	4,999	80	2,348
Real estate and rental and leasing.....	11,459	4,514	2,707	80,599	25,381	19,148	14,021	18,567
Real estate.....	11,103	4,297	2,527	52,876	21,148	10,429	6,639	9,366
Rental and leasing services.....	351	**	**	27,424	4,203	8,643	7,357	9,122
Lessors of nonfinancial intangible assets (except copyrighted works).....	5	**	**	299	31	76	25	80
Professional, scientific, and technical services.....	6,583	3,369	1,847	97,298	40,549	47,454	43,921	49,492
Management of companies (holding companies).....	2,623	890	661	602,627	93,119	40,537	7,747	36,433
Administrative and support and waste management and remediation services.....	1,468	677	418	37,862	13,762	28,158	27,070	29,038
Administrative and support services.....	1,434	648	390	35,171	13,634	26,704	25,685	27,405
Waste management and remediation services.....	34	29	28	2,691	129	1,455	1,386	1,634
Educational services.....	602	377	7	1,226	417	867	771	836
Health care and social assistance.....	149	74	71	13,234	5,328	8,922	8,754	8,981
Offices of physicians and dentists.....	71	65	64	10,449	4,391	6,928	6,845	6,893
Miscellaneous health care and social assistance.....	71	6	4	1,682	730	922	883	1,003
Hospitals, nursing, and residential care facilities.....	6	3	3	1,103	206	1,072	1,026	1,084
Arts, entertainment, and recreation.....	629	340	296	5,828	1,689	4,319	3,831	4,401
Amusement, gambling, and recreation industries.....	90	44	12	3,131	1,182	1,198	1,069	1,280
Other arts, entertainment, and recreation.....	539	296	284	2,697	507	3,122	2,762	3,121
Accommodation and food services.....	1,790	482	92	48,794	19,330	25,480	22,075	25,476
Accommodation.....	942	384	86	31,526	14,570	7,533	5,382	7,604
Food services and drinking places.....	848	97	6	17,268	4,761	17,947	16,693	17,872
Other services.....	414	152	140	6,376	1,590	4,461	4,194	4,388
Repair and maintenance.....	220	145	132	1,517	422	2,033	1,965	1,981
Personal and laundry services.....	194	7	8	4,859	1,168	2,428	2,230	2,408

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 2.--Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2002
--Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All industries ¹	1,548,698	4,515	7,838	82,660	-74,822	64,593	22,727	17,819
Agriculture, forestry, fishing, and hunting.....	4,113	-220	-216	110	-326	47	15	14
Agricultural production.....	3,423	-185	-182	87	-269	25	8	7
Forestry and logging.....	286	-31	-31	1	-32	1	(³)	(³)
Support activities and fishing, hunting, and trapping.....	404	-3	-3	22	-25	21	7	6
Mining.....	15,706	-1,362	-1,152	1,321	-2,473	1,013	391	168
Utilities.....	13,426	123	162	677	-515	308	114	104
Construction.....	33,444	-963	-957	991	-1,948	647	226	222
Construction of buildings.....	21,576	354	354	582	-227	491	173	171
Heavy and civil engineering construction.....	9,216	-946	-940	370	-1,310	133	45	44
Specialty trade contractors.....	2,652	-371	-371	40	-411	23	8	7
Manufacturing.....	751,279	9,530	12,050	36,610	-24,559	31,122	10,961	7,528
Food manufacturing.....	25,068	2,165	2,172	2,689	-518	2,515	880	831
Beverage and tobacco product manufacturing.....	10,782	1,555	1,581	1,643	-62	1,591	559	520
Textile mills and textile product mills.....	2,428	-171	-171	90	-261	79	27	25
Apparel manufacturing.....	2,160	-294	-294	80	-374	56	18	18
Leather and allied product manufacturing.....	76	1	1	3	-1	2	1	1
Wood product manufacturing.....	3,256	-73	-73	70	-143	63	20	19
Paper manufacturing.....	16,446	-1,012	-1,009	185	-1,194	96	34	31
Printing and related support activities.....	5,670	-62	-60	101	-161	12	4	4
Petroleum and coal products manufacturing.....	164,161	4,593	4,768	5,209	-441	4,936	1,786	346
Chemical manufacturing.....	102,882	7,780	9,712	14,278	-4,565	13,030	4,565	3,058
Plastics and rubber products manufacturing.....	25,389	-162	-147	940	-1,087	423	147	132
Nonmetallic mineral product manufacturing.....	24,583	728	745	1,334	-589	1,218	432	407
Primary metal manufacturing.....	23,026	-69	-69	615	-683	522	182	165
Fabricated metal product manufacturing.....	18,069	410	419	1,129	-711	932	327	318
Machinery manufacturing.....	51,131	-297	-177	1,771	-1,948	1,102	385	276
Computer and electronic product manufacturing.....	64,093	-6,162	-6,111	1,142	-7,253	837	292	250
Electrical equipment, appliance, and component manufacturing.....	12,571	-788	-774	337	-1,111	282	98	75
Transportation equipment manufacturing.....	185,998	1,585	1,693	3,613	-1,920	2,514	888	803
Furniture and related product manufacturing.....	974	33	33	63	-30	54	19	18
Miscellaneous manufacturing.....	12,514	-231	-189	1,317	-1,506	859	298	234
Wholesale and retail trade ²	539,303	5,810	6,035	16,122	-10,087	12,647	4,448	4,140
Wholesale trade.....	446,518	5,981	6,155	13,941	-7,786	10,667	3,758	3,485
Wholesale trade, durable goods.....	329,308	2,500	2,586	8,608	-6,022	6,352	2,263	2,085
Wholesale trade, nondurable goods.....	117,210	3,482	3,569	5,333	-1,764	4,315	1,495	1,401
Retail trade.....	92,766	-171	-119	2,179	-2,299	1,978	689	654
Motor vehicle dealers and parts dealers.....	5,109	87	87	160	-74	151	52	52
Furniture and home furnishings stores.....	1,780	195	231	273	-42	266	93	71
Electronics and appliance stores.....	2,060	-366	-353	39	-392	20	6	6
Building material and garden equipment and supplies dealers.....	356	2	2	10	-8	4	1	1
Food, beverage, and liquor stores.....	66,919	385	384	778	-394	709	249	244
Health and personal care stores.....	4,508	265	265	347	-83	344	120	118
Gasoline stations.....	1,146	-11	-11	4	-15	3	1	1
Clothing and clothing accessories stores.....	4,121	-73	-70	380	-449	352	123	122
Sporting goods, hobby, book, and music stores.....	868	-63	-63	25	-88	16	5	5
General merchandise stores.....	942	-320	-320	5	-325	5	2	1
Miscellaneous store retailers.....	909	-71	-71	63	-134	39	13	13
Nonstore retailers.....	4,047	-201	-201	95	-296	70	24	19

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 2.--Foreign-Controlled Domestic Corporations: Selected Items, by Major Industry, Tax Year 2002
--Continued

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

Major industry	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Transportation and warehousing.....	12,737	-397	-389	639	-1,029	490	171	160
Air, rail, and water transportation.....	3,996	27	28	236	-208	144	55	54
Truck transportation.....	918	1	1	26	-25	22	8	8
Transit and ground passenger transportation.....	995	-157	-157	6	-164	5	1	1
Pipeline transportation.....	104	-67	-67	40	-107	40	14	12
Other transportation and support activities.....	6,265	-139	-134	232	-366	199	66	60
Warehousing and storage.....	459	-61	-60	99	-160	80	27	25
Information.....	34,100	-9,482	-9,083	2,181	-11,264	1,541	539	487
Publishing industries.....	11,792	290	342	1,585	-1,243	1,166	409	369
Motion picture and sound recording industries.....	11,984	-946	-656	156	-813	35	12	11
Broadcasting (except Internet).....	358	-361	-357	56	-414	49	17	14
Internet publishing and broadcasting.....	207	-28	-28	2	-30	1	(³)	(³)
Telecommunications.....	8,791	-7,752	-7,709	131	-7,840	66	24	21
Internet service providers, Web search portals, and data processing services.....	517	-646	-647	135	-782	116	39	39
Other information services.....	451	-39	-26	116	-142	107	38	32
Finance and insurance.....	91,919	-260	-639	12,355	-12,994	7,612	2,680	2,367
Credit intermediation.....	147	-633	-597	1,700	-2,296	1,014	353	331
Securities, commodity contracts, and other financial investments and related activities.....	729	199	154	2,754	-2,600	2,397	845	742
Insurance carriers and related activities.....	91,021	-2,477	-2,860	5,017	-7,876	3,987	1,407	1,238
Funds, trusts, and other financial vehicles.....	22	2,651	2,664	2,885	-221	213	75	56
Real estate and rental and leasing.....	4,036	581	578	2,276	-1,698	1,512	511	507
Real estate.....	1,840	1,064	1,060	2,114	-1,054	1,402	473	470
Rental and leasing services.....	2,181	-479	-478	156	-634	104	36	35
Lessors of nonfinancial intangible assets (except copyrighted works).....	16	-4	-4	6	-10	6	2	2
Professional, scientific, and technical services.....	18,575	-2,038	-1,935	2,170	-4,105	1,440	492	374
Management of companies (holding companies).....	66	4,104	4,254	5,586	-1,332	4,994	1,754	1,382
Administrative and support and waste management and remediation services.....	13,924	-880	-880	397	-1,277	344	117	110
Administrative and support services.....	13,180	-701	-701	382	-1,083	329	112	105
Waste management and remediation services.....	744	-179	-179	15	-194	15	5	5
Educational services.....	185	31	41	55	-14	35	12	5
Health care and social assistance.....	3,540	-58	-58	108	-165	63	21	20
Offices of physicians and dentists.....	3,208	35	35	77	-42	50	17	16
Miscellaneous health care and social assistance.....	331	-81	-80	21	-101	8	3	2
Hospitals, nursing, and residential care facilities.....	1	-13	-13	10	-23	5	2	2
Arts, entertainment, and recreation.....	768	-82	-67	148	-216	135	46	41
Amusement, gambling, and recreation industries.....	284	-82	-79	65	-144	59	21	21
Other arts, entertainment, and recreation.....	484	1	12	83	-71	76	25	21
Accommodation and food services.....	9,815	4	18	646	-628	412	147	117
Accommodation.....	920	-71	-57	392	-449	234	85	65
Food services and drinking places.....	8,895	75	76	254	-178	178	62	52
Other services.....	1,761	72	77	269	-192	232	81	72
Repair and maintenance.....	1,226	52	52	94	-42	58	20	19
Personal and laundry services.....	534	20	25	175	-150	175	61	53

** Not shown to avoid disclosure of information about specific corporations.

¹ Includes "Not allocable," which is not shown separately.

² Includes "Wholesale and retail trade not allocable," which is not shown separately.

³ Less than \$500,000.

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

Foreign-Controlled Domestic Corporations, 2002

Table 3.--Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporations and Selected Countries of Foreign Owners, Tax Year 2002

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

Age of corporations and selected countries of foreign owners	Number of returns			Total assets	Net worth	Total receipts	Business receipts	Total deductions
	Total	With net income	With total income tax after credits					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All foreign-controlled domestic corporations.....	61,615	26,617	17,584	6,382,309	1,792,394	2,510,781	2,249,184	2,506,266
Age of corporations:								
Old corporations:								
Number or amount.....	47,104	21,884	13,828	5,848,850	1,674,710	2,341,960	2,095,709	2,325,661
Percentage of all corporations.....	76.4	82.2	78.6	91.6	93.4	93.3	93.2	92.8
New corporations:								
Number or amount.....	14,511	4,734	3,756	533,458	117,684	168,822	153,475	180,605
Percentage of all corporations.....	23.6	17.8	21.4	8.4	6.6	6.7	6.8	7.2
Selected countries of foreign owners:								
Selected countries, total.....	56,259	24,681	16,174	6,333,071	1,776,593	2,479,165	2,220,107	2,474,687
Percentage of all countries.....	91.3	92.7	92.0	99.2	99.1	98.7	98.7	98.7
Selected countries:								
Argentina.....	684	215	214	156	9	278	277	322
Australia.....	565	320	174	306,469	158,956	38,706	30,109	38,061
Austria.....	357	230	205	5,847	2,110	7,923	7,429	7,727
Belgium.....	581	417	392	34,985	7,859	28,228	26,014	27,882
Bermuda.....	294	133	112	264,605	117,157	48,575	42,126	53,560
Brazil.....	562	479	466	8,821	1,225	3,770	3,468	3,835
Canada.....	10,440	4,927	3,586	435,078	114,357	185,190	162,142	189,627
Cayman Islands.....	895	300	219	69,370	34,083	16,978	14,216	18,208
China.....	1,318	655	622	2,962	933	4,256	4,163	4,320
China (Taiwan).....	1,730	510	399	13,545	3,335	16,712	16,184	16,780
Colombia.....	534	284	253	342	111	316	277	303
Denmark.....	301	85	43	27,631	13,040	17,091	16,607	17,519
Finland.....	297	17	11	17,411	5,253	17,269	16,129	17,349
France.....	2,309	774	501	682,850	256,312	167,513	145,681	166,348
Germany.....	4,079	1,824	1,073	660,597	211,368	328,321	297,105	336,266
Hong Kong.....	918	836	453	5,243	1,536	3,916	3,642	3,880
India.....	953	409	96	1,369	198	2,308	2,261	2,537
Ireland.....	476	66	50	74,031	22,108	27,896	24,359	27,196
Israel.....	845	475	278	23,507	5,235	6,556	5,638	6,774
Italy.....	1,043	409	308	22,979	7,785	16,890	16,159	16,619
Japan.....	5,841	3,124	1,534	565,478	148,233	486,644	458,345	481,112
Korea, Republic of South.....	742	337	263	17,940	1,786	40,567	39,768	40,486
Leeward Islands.....	3,327	612	468	17,805	3,353	14,186	13,282	14,456
Luxembourg.....	430	150	119	52,161	14,344	24,772	23,294	24,362
Mexico.....	2,378	1,363	790	18,760	7,298	12,848	11,938	12,993
Netherlands.....	1,735	644	530	956,700	205,757	313,696	267,205	310,240
Netherlands Antilles.....	464	155	135	11,046	3,432	7,703	7,025	7,552
Norway.....	129	37	20	5,182	1,024	8,408	8,271	8,576
Pakistan.....	561	302	237	164	-122	431	426	429
Panama.....	1,179	514	246	8,511	-504	4,870	4,408	4,623
Philippines.....	800	310	14	411	84	313	289	331
Puerto Rico.....	107	42	23	11,551	565	1,287	244	1,148
Saudi Arabia.....	243	30	3	2,849	1,046	5,321	5,237	5,563
Singapore.....	188	117	53	8,120	1,693	7,164	5,672	7,587
South Africa, Republic of.....	552	282	280	5,017	887	4,950	4,825	5,274
Spain.....	298	88	83	13,849	3,757	4,411	4,007	4,482
Sweden.....	221	107	93	121,049	11,394	90,326	81,372	86,493
Switzerland.....	1,560	606	462	716,354	50,143	128,742	105,482	127,346
United Kingdom.....	5,047	2,313	1,209	1,125,843	355,574	362,073	324,265	354,796
Venezuela.....	1,276	183	157	16,483	3,879	21,761	20,766	21,725

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 3.--Foreign-Controlled Domestic Corporations: Selected Items, by Age of Corporations and Selected Countries of Foreign Owners, Tax Year 2002--Continued

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

Age of corporations and selected countries of foreign owners	Cost of goods sold	Total receipts less total deductions	Net income (less deficit)	Net income	Deficit	Income subject to tax	Total income tax	
							Before credits	After credits
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All foreign-controlled domestic corporations.....	1,548,698	4,515	7,838	82,660	-74,822	64,593	22,727	17,819
Age of corporations:								
Old corporations:								
Number or amount.....	1,457,336	16,299	19,098	78,840	-59,742	61,666	21,712	16,993
Percentage of all corporations.....	94.1	361.0	243.7	95.4	79.8	95.5	95.5	95.4
New corporations:								
Number or amount.....	91,362	-11,784	-11,260	3,820	-15,080	2,927	1,015	826
Percentage of all corporations.....	5.9	-261.0	-143.7	4.6	20.2	4.5	4.5	4.6
Selected countries of foreign owners:								
Selected countries, total.....	1,527,211	4,480	7,719	81,177	-73,458	63,831	22,465	17,601
Percentage of all countries.....	98.6	99.2	98.5	98.2	98.2	98.8	98.8	98.8
Selected countries:								
Argentina.....	222	-45	-45	5	-50	4	1	1
Australia.....	16,304	645	698	1,566	-868	637	230	143
Austria.....	5,555	196	203	338	-136	208	72	65
Belgium.....	18,738	347	376	916	-540	775	270	248
Bermuda.....	25,212	-4,985	-4,994	1,226	-6,220	677	246	189
Brazil.....	2,635	-65	-66	153	-218	137	45	43
Canada.....	113,468	-4,437	-4,190	5,309	-9,499	3,755	1,290	1,214
Cayman Islands.....	7,233	-1,230	-1,231	502	-1,733	204	70	66
China.....	3,509	-64	-64	165	-229	151	50	21
China (Taiwan).....	13,880	-68	-68	438	-506	292	101	99
Colombia.....	187	13	13	13	-(¹)	4	1	1
Denmark.....	9,237	-428	-423	241	-664	194	72	56
Finland.....	11,971	-80	-58	300	-358	113	41	15
France.....	92,545	1,165	1,524	5,681	-4,156	4,462	1,559	1,139
Germany.....	210,071	-7,946	-7,714	5,759	-13,472	3,867	1,353	1,024
Hong Kong.....	2,342	36	36	173	-137	77	25	23
India.....	1,224	-229	-229	43	-273	22	7	7
Ireland.....	16,252	701	570	1,240	-669	933	329	245
Israel.....	3,795	-218	-196	413	-609	229	78	62
Italy.....	9,414	271	287	845	-558	614	214	185
Japan.....	355,591	5,532	5,648	15,528	-9,880	11,685	4,155	3,794
Korea, Republic of South.....	35,899	81	81	611	-530	468	162	149
Leeward Islands.....	9,555	-270	-268	442	-710	337	116	114
Luxembourg.....	11,552	410	430	995	-565	849	296	263
Mexico.....	8,342	-146	-142	372	-515	338	115	104
Netherlands.....	172,547	3,456	4,099	8,578	-4,479	6,688	2,404	1,699
Netherlands Antilles.....	3,822	151	296	457	-161	347	125	40
Norway.....	6,887	-168	-168	117	-285	82	28	28
Pakistan.....	166	2	2	2	-1	1	(¹)	(¹)
Panama.....	3,771	248	248	503	-255	485	169	166
Philippines.....	217	-18	-18	11	-30	5	2	2
Puerto Rico.....	61	139	137	165	-28	164	57	57
Saudi Arabia.....	4,876	-242	-242	26	-268	18	6	6
Singapore.....	4,062	-423	-423	148	-571	137	48	46
South Africa, Republic of.....	3,549	-324	-318	61	-378	43	12	9
Spain.....	2,286	-71	-69	249	-318	190	69	62
Sweden.....	61,648	3,833	4,848	5,689	-841	5,271	1,843	1,253
Switzerland.....	50,987	1,396	1,303	6,423	-5,120	5,560	1,946	1,786
United Kingdom.....	207,388	7,278	7,807	15,321	-7,514	13,662	4,808	3,127
Venezuela.....	20,211	37	39	153	-114	146	50	50

¹ Less than \$500,000.

NOTES: "New" corporations were those with dates of incorporation between 2000 and 2003; "old" corporations were those with dates of incorporation prior to 2000, or with unknown dates of incorporation. Countries shown in this table are those in which one or more of the following were present: (a) at least 500 returns, (b) at least \$10 billion of total assets, or (c) at least \$5 billion of total receipts. Detail may not add to total due to rounding.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002

[Money amounts are in millions of dollars]

Control status and industrial sectors	Number of returns			Assets			
	Total	With net income	With total income tax after credits	Total	Current	Noncurrent	
						Total	Loans to stockholders
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries	3,232	1,961	1,628	6,099,390	2,443,951	3,655,439	49,866
Agriculture, forestry, fishing, and hunting	15	6	6	3,161	1,087	2,074	60
Mining.....	54	22	19	116,433	20,183	96,250	396
Utilities.....	15	7	7	62,888	6,514	56,375	--
Construction.....	66	32	24	39,839	16,739	23,100	160
Manufacturing.....	1,203	720	571	1,628,372	495,910	1,132,462	5,020
Wholesale and retail trade	995	655	569	385,112	196,133	188,980	430
Wholesale trade.....	878	591	516	305,919	170,789	135,130	395
Retail trade.....	117	64	53	79,194	25,343	53,850	35
Transportation and warehousing.....	88	51	46	37,078	8,392	28,686	--
Information.....	117	52	40	698,793	143,723	555,070	502
Finance and insurance.....	269	180	160	2,316,833	1,095,390	1,221,443	42,252
Real estate and rental and leasing.....	53	29	19	42,159	11,475	30,684	26
Professional, scientific, and technical services.....	139	71	60	84,532	27,675	56,857	94
Management of companies (holding companies).....	76	56	50	583,291	404,766	178,525	--
Administrative and support and waste management and remediation services.....	46	20	19	35,090	5,645	29,445	18
Educational services.....	3	3	**	912	202	710	--
Health care and social assistance.....	15	6	**	12,632	1,995	10,637	653
Arts, entertainment, and recreation.....	22	18	7	4,062	911	3,151	43
Accommodation and food services.....	41	26	16	43,164	4,899	38,265	42
Other services.....	14	7	7	5,038	2,311	2,727	172
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries	13,562	9,318	8,464	32,280,599	11,913,480	20,367,119	79,051
Agriculture, forestry, fishing, and hunting	86	56	46	17,847	6,377	11,470	11
Mining.....	175	90	74	275,372	37,321	238,051	3,777
Utilities.....	163	102	92	1,380,628	326,146	1,054,482	176
Construction.....	576	427	417	119,873	65,630	54,243	510
Manufacturing.....	3,015	1,848	1,649	6,015,652	1,779,743	4,235,909	50,568
Wholesale and retail trade	3,479	2,535	2,326	1,253,645	572,607	681,039	4,969
Wholesale trade.....	1,769	1,244	1,133	503,535	236,548	266,986	4,299
Retail trade.....	1,711	1,290	1,193	750,111	336,058	414,052	670
Transportation and warehousing.....	341	184	153	409,178	72,820	336,359	1,938
Information.....	613	269	206	2,136,067	431,637	1,704,430	2,349
Finance and insurance.....	2,004	1,559	1,484	11,149,864	3,645,918	7,503,945	7,365
Real estate and rental and leasing.....	148	71	47	106,677	24,514	82,163	50
Professional, scientific, and technical services.....	647	391	335	215,351	102,145	113,206	133
Management of companies (holding companies).....	1,149	1,086	1,075	8,633,378	4,728,259	3,905,120	5,994
Administrative and support and waste management and remediation services.....	295	193	172	161,143	36,992	124,151	213
Educational services.....	35	24	19	7,328	3,221	4,107	4
Health care and social assistance.....	460	277	199	135,876	36,622	99,254	118
Arts, entertainment, and recreation.....	70	30	24	30,311	7,062	23,249	676
Accommodation and food services.....	238	143	118	205,285	28,770	176,514	188
Other services.....	66	32	27	27,123	7,695	19,428	12

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Liabilities			Net worth			
	Current	Noncurrent		Total	Retained earnings		
		Total	Loans from stockholders		Total	Appropriated	Unappropriated
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries	2,525,410	1,898,766	153,846	1,675,214	-86,960	7,655	-94,615
Agriculture, forestry, fishing, and hunting	567	1,466	50	1,128	-168	10	-178
Mining.....	14,642	34,981	380	66,810	-2,932	4	-2,936
Utilities.....	7,691	40,953	116	14,244	-788	--	-788
Construction.....	14,597	8,107	672	17,135	-10,697	1	-10,698
Manufacturing.....	469,946	545,140	55,646	613,286	18,413	295	18,118
Wholesale and retail trade	167,134	116,615	7,375	101,363	-12,237	95	-12,332
Wholesale trade.....	145,383	79,739	6,881	80,797	-8,052	95	-8,147
Retail trade.....	21,752	36,875	494	20,567	-4,185	--	-4,185
Transportation and warehousing.....	7,548	20,751	1,823	8,779	-4,989	395	-5,385
Information.....	109,071	190,281	31,941	399,441	-49,059	6	-49,066
Finance and insurance.....	1,275,445	760,591	36,368	280,798	-12,019	6,082	-18,101
Real estate and rental and leasing.....	11,555	18,182	2,062	12,421	-1,271	--	-1,271
Professional, scientific, and technical services.....	29,098	17,744	5,315	37,689	-17,681	186	-17,868
Management of companies (holding companies).....	400,091	100,774	7,340	82,427	15,744	570	15,174
Administrative and support and waste management and remediation services.....	6,878	14,799	1,840	13,413	-5,311	4	-5,315
Educational services.....	226	274	48	413	-141	--	-141
Health care and social assistance.....	2,183	5,247	2,452	5,202	-686	--	-686
Arts, entertainment, and recreation.....	1,339	1,569	23	1,155	-142	--	-142
Accommodation and food services.....	6,610	18,277	294	18,277	-3,298	--	-3,298
Other services.....	789	3,016	102	1,233	302	5	297
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries	14,443,126	10,551,585	124,113	7,285,888	2,135,335	83,275	2,052,060
Agriculture, forestry, fishing, and hunting	5,135	6,554	255	6,158	1,507	20	1,487
Mining.....	24,673	113,340	4,856	137,359	46,535	33	46,502
Utilities.....	376,456	638,972	2,918	365,200	38,839	1,384	37,455
Construction.....	38,372	41,761	399	39,740	20,020	12	20,008
Manufacturing.....	1,825,181	2,048,246	37,851	2,142,225	677,580	4,521	673,059
Wholesale and retail trade	435,724	336,289	6,542	481,632	189,676	3,610	186,066
Wholesale trade.....	170,386	142,877	4,030	190,271	86,387	3,489	82,898
Retail trade.....	265,338	193,411	2,511	291,362	103,289	121	103,169
Transportation and warehousing.....	83,981	210,850	2,011	114,348	35,146	22	35,124
Information.....	451,756	860,397	3,136	823,914	-231,513	68	-231,581
Finance and insurance.....	4,862,077	4,696,075	6,250	1,591,711	814,921	66,731	748,190
Real estate and rental and leasing.....	27,450	52,163	632	27,064	2,083	--	2,083
Professional, scientific, and technical services.....	79,170	54,625	427	81,556	-34,483	190	-34,673
Management of companies (holding companies).....	6,110,285	1,237,893	56,494	1,285,201	544,647	6,357	538,290
Administrative and support and waste management and remediation services.....	45,633	65,500	410	50,010	8,460	66	8,393
Educational services.....	2,201	1,051	17	4,076	415	--	415
Health care and social assistance.....	29,722	60,071	538	46,083	-4,305	78	-4,383
Arts, entertainment, and recreation.....	5,956	15,463	1,258	8,892	-1,313	4	-1,318
Accommodation and food services.....	32,478	98,777	109	74,030	27,079	129	26,950
Other services.....	6,877	13,558	11	6,688	41	48	-7

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Receipts						
	Total	Business receipts	Interest ¹	Rents	Royalties	Dividends received from:	
						Domestic corporations	Foreign corporations
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries	2,345,001	2,100,572	118,790	13,754	16,099	2,930	4,386
Agriculture, forestry, fishing, and hunting	4,195	4,057	6	3	64	--	33
Mining.....	28,320	26,590	538	27	49	23	117
Utilities.....	22,988	21,269	346	375	--	16	128
Construction.....	38,243	37,062	304	185	124	4	18
Manufacturing.....	1,067,538	994,975	18,814	7,345	9,842	297	2,925
Wholesale and retail trade	635,932	614,224	4,245	2,038	2,089	774	168
Wholesale trade.....	509,246	492,102	3,632	1,567	1,367	755	128
Retail trade.....	126,686	122,122	613	471	722	19	41
Transportation and warehousing.....	33,204	30,538	706	110	11	3	13
Information.....	86,129	73,249	7,536	185	2,600	143	192
Finance and insurance.....	278,235	188,989	60,892	1,299	266	1,433	452
Real estate and rental and leasing.....	11,840	9,822	659	259	44	1	1
Professional, scientific, and technical services.....	34,614	32,472	566	87	436	90	172
Management of companies (holding companies).....	39,341	7,644	23,394	1,599	49	144	117
Administrative and support and waste management and remediation services.....	25,367	24,596	233	11	13	--	4
Educational services.....	517	461	2	1	32	--	7
Health care and social assistance.....	8,619	8,484	23	19	7	--	--
Arts, entertainment, and recreation.....	3,439	3,037	59	25	12	--	--
Accommodation and food services.....	23,325	20,145	395	184	433	2	24
Other services.....	3,156	2,958	71	3	28	--	15
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries	10,588,058	8,867,695	917,884	87,051	96,119	12,964	40,013
Agriculture, forestry, fishing, and hunting	16,046	15,183	89	43	28	8	31
Mining.....	92,695	83,138	2,444	212	562	105	942
Utilities.....	546,606	508,546	11,992	3,141	88	296	944
Construction.....	163,688	157,414	1,314	542	309	33	15
Manufacturing.....	3,286,070	2,940,650	99,560	25,599	61,964	1,723	28,380
Wholesale and retail trade	2,262,916	2,193,612	13,312	3,846	9,405	326	1,343
Wholesale trade.....	838,098	813,468	4,986	1,832	2,981	177	1,134
Retail trade.....	1,424,817	1,380,145	8,327	2,014	6,424	149	209
Transportation and warehousing.....	297,569	281,153	3,064	1,546	1,300	44	453
Information.....	708,726	616,173	23,817	8,516	10,504	526	2,875
Finance and insurance.....	1,866,147	1,238,834	428,154	9,052	1,412	8,628	1,707
Real estate and rental and leasing.....	67,246	60,294	1,741	272	210	3	28
Professional, scientific, and technical services.....	174,741	160,992	2,953	387	3,637	25	364
Management of companies (holding companies).....	611,615	154,410	322,973	32,129	469	1,157	2,435
Administrative and support and waste management and remediation services.....	123,270	116,912	1,276	209	1,205	25	118
Educational services.....	7,527	7,097	62	20	103	--	8
Health care and social assistance.....	143,923	136,659	1,076	360	348	15	29
Arts, entertainment, and recreation.....	19,853	17,750	643	88	113	3	15
Accommodation and food services.....	179,435	159,895	3,215	999	4,431	36	285
Other services.....	19,984	18,982	198	90	32	12	41

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Deductions						
	Total	Cost of goods sold	Compensation of officers	Salaries and wages	Interest paid	Taxes paid	Depreciation
	(22)	(23)	(24)	(25)	(26)	(27)	(28)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries	2,335,972	1,453,063	9,464	168,182	114,714	33,271	100,663
Agriculture, forestry, fishing, and hunting	4,278	3,402	23	171	93	32	153
Mining.....	29,322	15,177	95	1,593	1,553	808	2,809
Utilities.....	22,909	13,211	24	811	2,012	706	1,633
Construction.....	39,097	31,590	233	1,839	701	377	564
Manufacturing.....	1,055,421	721,644	2,607	60,131	39,003	14,486	50,230
Wholesale and retail trade	628,734	489,379	1,510	34,690	8,244	5,658	16,731
Wholesale trade.....	502,567	401,793	1,247	21,497	5,825	3,815	13,748
Retail trade.....	126,167	87,586	263	13,193	2,419	1,843	2,984
Transportation and warehousing.....	33,571	10,217	125	6,901	1,274	1,109	1,558
Information.....	94,604	31,464	520	12,085	11,656	1,673	6,666
Finance and insurance.....	280,987	91,343	2,588	24,438	32,857	3,397	12,462
Real estate and rental and leasing.....	11,935	3,372	70	1,410	1,371	353	2,534
Professional, scientific, and technical services.....	35,389	14,844	404	7,187	1,342	1,409	911
Management of companies (holding companies).....	35,026	39	947	5,111	11,998	621	2,210
Administrative and support and waste management and remediation services.....	26,157	12,796	182	4,423	925	945	985
Educational services.....	504	155	9	122	17	20	9
Health care and social assistance.....	8,612	3,472	27	1,374	412	263	337
Arts, entertainment, and recreation.....	3,376	536	21	963	123	94	109
Accommodation and food services.....	22,985	9,305	55	4,390	949	1,232	714
Other services.....	3,066	1,117	23	544	184	89	49
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries	10,317,448	5,388,038	53,160	1,061,103	684,696	210,291	456,864
Agriculture, forestry, fishing, and hunting	15,901	11,747	94	797	459	241	502
Mining.....	92,540	49,607	612	4,813	6,465	2,631	7,071
Utilities.....	546,779	322,709	1,450	22,357	38,846	17,434	36,888
Construction.....	157,686	121,840	1,460	7,411	2,492	2,336	2,265
Manufacturing.....	3,224,623	2,036,977	10,998	235,516	132,975	68,432	147,760
Wholesale and retail trade	2,218,068	1,674,590	6,527	194,097	27,402	29,418	43,405
Wholesale trade.....	827,969	680,915	2,954	45,233	11,834	7,050	13,432
Retail trade.....	1,390,098	993,675	3,573	148,863	15,568	22,368	29,973
Transportation and warehousing.....	307,042	65,746	920	71,913	9,655	11,277	25,787
Information.....	720,067	136,551	3,911	113,616	54,968	17,569	94,679
Finance and insurance.....	1,769,908	722,024	13,427	155,373	222,033	25,258	21,253
Real estate and rental and leasing.....	69,803	21,775	355	9,253	4,715	1,365	10,663
Professional, scientific, and technical services.....	175,780	52,145	3,314	47,377	4,142	5,166	4,941
Management of companies (holding companies).....	535,481	10,850	6,612	85,812	163,312	10,672	43,186
Administrative and support and waste management and remediation services.....	122,267	48,803	660	23,148	3,287	4,480	3,955
Educational services.....	6,940	887	137	2,417	121	219	335
Health care and social assistance.....	139,897	29,388	1,398	46,667	3,773	5,044	4,197
Arts, entertainment, and recreation.....	19,987	3,495	241	3,740	1,630	1,583	1,540
Accommodation and food services.....	174,830	70,079	926	33,324	7,723	6,543	7,727
Other services.....	19,849	8,829	119	3,472	695	625	711

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Total receipts less total deductions	Constructive taxable income from related foreign corporations	Net income (less deficit)	Net income	Deficit	Statutory special deductions	
						Total	Net operating loss deduction
	(29)	(30)	(31)	(32)	(33)	(34)	(35)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries	9,030	4,192	12,259	70,624	-58,365	13,764	11,140
Agriculture, forestry, fishing, and hunting	-83	4	-80	24	-104	8	7
Mining.....	-1,001	211	-792	1,107	-1,899	273	252
Utilities.....	79	42	118	554	-436	350	321
Construction.....	-853	7	-847	663	-1,510	152	148
Manufacturing.....	12,117	2,577	14,625	34,958	-20,332	5,263	4,437
Wholesale and retail trade	7,198	229	7,418	14,068	-6,650	2,988	2,360
Wholesale trade.....	6,678	177	6,847	12,130	-5,283	2,853	2,238
Retail trade.....	520	52	571	1,939	-1,367	135	122
Transportation and warehousing.....	-367	4	-364	352	-716	54	52
Information.....	-8,475	390	-8,087	1,638	-9,724	518	408
Finance and insurance.....	-2,752	188	-3,128	9,070	-12,198	2,689	1,813
Real estate and rental and leasing.....	-95	1	-95	556	-651	193	193
Professional, scientific, and technical services.....	-775	101	-677	1,417	-2,093	537	467
Management of companies (holding companies).....	4,314	399	4,405	4,909	-503	471	419
Administrative and support and waste management and remediation services.....	-790	1	-790	297	-1,087	33	33
Educational services.....	13	9	22	22	--	2	2
Health care and social assistance.....	6	1	7	81	-74	26	26
Arts, entertainment, and recreation.....	62	11	73	116	-43	7	7
Accommodation and food services.....	340	13	352	587	-235	198	197
Other services.....	90	6	97	206	-109	(²)	(²)
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries	270,610	56,129	307,420	527,349	-219,929	47,959	34,922
Agriculture, forestry, fishing, and hunting	145	64	208	483	-275	166	149
Mining.....	155	763	911	4,420	-3,510	750	661
Utilities.....	-173	654	379	21,430	-21,051	3,845	3,526
Construction.....	6,002	19	6,005	8,184	-2,178	426	401
Manufacturing.....	61,447	39,480	99,528	168,024	-68,496	14,216	10,995
Wholesale and retail trade	44,848	2,523	47,146	61,275	-14,129	3,474	2,869
Wholesale trade.....	10,129	1,819	11,862	17,612	-5,750	2,273	2,092
Retail trade.....	34,719	704	35,284	43,663	-8,380	1,200	777
Transportation and warehousing.....	-9,473	164	-9,328	7,752	-17,081	1,253	903
Information.....	-11,342	3,599	-7,937	38,242	-46,179	7,276	6,173
Finance and insurance.....	96,239	4,868	88,764	111,703	-22,939	11,060	4,996
Real estate and rental and leasing.....	-2,557	55	-2,504	1,340	-3,844	562	543
Professional, scientific, and technical services.....	-1,038	566	-543	7,540	-8,084	1,246	1,142
Management of companies (holding companies).....	76,134	2,922	74,297	78,804	-4,507	1,702	728
Administrative and support and waste management and remediation services.....	1,004	167	1,105	3,901	-2,796	419	397
Educational services.....	587	5	583	687	-104	73	73
Health care and social assistance.....	4,026	10	3,962	5,926	-1,965	947	937
Arts, entertainment, and recreation.....	-134	7	-130	628	-758	125	123
Accommodation and food services.....	4,605	217	4,799	6,330	-1,531	378	272
Other services.....	135	47	177	679	-502	41	33

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Income subject to tax	Total income tax before credits	Income tax	Alternative minimum tax	Total credits	Foreign tax credit	Total income tax after credits
	(36)	(37)	(38)	(39)	(40)	(41)	(42)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All industries	58,028	20,533	20,273	257	4,759	3,742	15,762
Agriculture, forestry, fishing, and hunting	16	6	6	--	1	--	5
Mining.....	850	335	297	37	206	192	129
Utilities.....	220	83	77	6	1	--	83
Construction.....	514	181	179	--	4	2	177
Manufacturing.....	29,908	10,551	10,452	98	3,408	2,820	7,143
Wholesale and retail trade	11,094	3,939	3,867	72	298	181	3,642
Wholesale trade.....	9,288	3,307	3,236	71	263	155	3,044
Retail trade.....	1,806	632	631	1	35	26	598
Transportation and warehousing.....	299	109	103	6	2	2	106
Information.....	1,228	433	429	4	44	31	390
Finance and insurance.....	7,119	2,511	2,494	17	306	203	2,205
Real estate and rental and leasing.....	363	127	127	1	--	--	127
Professional, scientific, and technical services.....	913	320	318	1	108	95	212
Management of companies (holding companies).....	4,459	1,570	1,560	10	327	179	1,231
Administrative and support and waste management and remediation services.....	264	92	92	--	7	2	85
Educational services.....	20	7	7	--	**	**	**
Health care and social assistance.....	55	19	19	--	**	**	**
Arts, entertainment, and recreation.....	109	38	38	--	5	4	34
Accommodation and food services.....	389	139	135	3	27	17	112
Other services.....	205	71	71	--	9	9	63
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED							
All industries	483,897	171,447	169,404	2,130	49,896	37,459	121,477
Agriculture, forestry, fishing, and hunting	320	112	111	2	4	2	108
Mining.....	3,676	1,331	1,285	45	792	674	539
Utilities.....	17,775	6,337	6,222	111	1,193	172	5,144
Construction.....	7,760	2,717	2,704	2	81	9	2,636
Manufacturing.....	154,273	54,720	53,957	844	30,061	25,755	24,653
Wholesale and retail trade	58,216	20,395	20,331	73	1,464	1,027	18,930
Wholesale trade.....	15,376	5,414	5,356	60	928	710	4,486
Retail trade.....	42,840	14,980	14,976	13	536	318	14,444
Transportation and warehousing.....	6,521	2,365	2,279	87	159	93	2,206
Information.....	31,297	10,968	10,948	14	4,221	2,632	6,747
Finance and insurance.....	103,511	37,040	36,159	904	5,420	2,978	31,619
Real estate and rental and leasing.....	786	261	260	1	15	1	246
Professional, scientific, and technical services.....	6,364	2,233	2,220	13	410	302	1,823
Management of companies (holding companies).....	77,205	27,286	27,272	12	5,000	3,189	22,219
Administrative and support and waste management and remediation services.....	3,496	1,234	1,220	15	197	116	1,037
Educational services.....	614	215	215	--	6	5	208
Health care and social assistance.....	4,981	1,744	1,740	4	39	6	1,704
Arts, entertainment, and recreation.....	503	177	176	1	48	39	129
Accommodation and food services.....	5,954	2,088	2,081	3	760	438	1,328
Other services.....	645	224	224	--	25	22	199

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Percentages					
	Number of returns with net income	Number of returns with total income tax after credits	Current liabilities	Noncurrent liabilities	Net worth	Total liabilities divided by net worth
	Divided by total number of returns		Divided by total assets			
	(43)	(44)	(45)	(46)	(47)	(48)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All industries	60.67	50.37	41.40	31.13	27.47	264.10
Agriculture, forestry, fishing, and hunting	40.00	40.00	17.94	46.38	35.68	180.23
Mining.....	40.74	35.19	12.58	30.04	57.38	74.27
Utilities.....	46.67	46.67	12.23	65.12	22.65	341.51
Construction.....	48.48	36.36	36.64	20.35	43.01	132.50
Manufacturing.....	59.85	47.46	28.86	33.48	37.66	165.52
Wholesale and retail trade	65.83	57.19	43.40	30.28	26.32	279.93
Wholesale trade.....	67.31	58.77	47.52	26.07	26.41	278.63
Retail trade.....	54.70	45.30	27.47	46.56	25.97	285.05
Transportation and warehousing.....	57.95	52.27	20.36	55.97	23.68	322.35
Information.....	44.44	34.19	15.61	27.23	57.16	74.94
Finance and insurance.....	66.91	59.48	55.05	32.83	12.12	725.09
Real estate and rental and leasing.....	54.72	35.85	27.41	43.13	29.46	239.41
Professional, scientific, and technical services.....	51.08	43.17	34.42	20.99	44.59	124.29
Management of companies (holding companies).....	73.68	65.79	68.59	17.28	14.13	607.65
Administrative and support and waste management and remediation services.....	43.48	41.30	19.60	42.17	38.22	161.61
Educational services.....	100.00	**	24.78	30.04	45.29	121.07
Health care and social assistance.....	40.00	**	17.28	41.54	41.18	142.83
Arts, entertainment, and recreation.....	81.82	31.82	32.96	38.63	28.43	251.77
Accommodation and food services.....	63.41	39.02	15.31	42.34	42.34	136.17
Other services.....	50.00	50.00	15.66	59.87	24.47	308.60
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED						
All industries	68.71	62.41	44.74	32.69	22.57	343.06
Agriculture, forestry, fishing, and hunting	65.12	53.49	28.77	36.72	34.50	189.82
Mining.....	51.43	42.29	8.96	41.16	49.88	100.48
Utilities.....	62.58	56.44	27.27	46.28	26.45	278.05
Construction.....	74.13	72.40	32.01	34.84	33.15	201.64
Manufacturing.....	61.29	54.69	30.34	34.05	35.61	180.81
Wholesale and retail trade	72.87	66.86	34.76	26.82	38.42	160.29
Wholesale trade.....	70.32	64.05	33.84	28.37	37.79	164.64
Retail trade.....	75.39	69.73	35.37	25.78	38.84	157.45
Transportation and warehousing.....	53.96	44.87	20.52	51.53	27.95	257.84
Information.....	43.88	33.61	21.15	40.28	38.57	159.26
Finance and insurance.....	77.79	74.05	43.61	42.12	14.28	600.50
Real estate and rental and leasing.....	47.97	31.76	25.73	48.90	25.37	294.17
Professional, scientific, and technical services.....	60.43	51.78	36.76	25.37	37.87	164.05
Management of companies (holding companies).....	94.52	93.56	70.78	14.34	14.89	571.75
Administrative and support and waste management and remediation services.....	65.42	58.31	28.32	40.65	31.03	222.22
Educational services.....	68.57	54.29	30.04	14.34	55.62	79.78
Health care and social assistance.....	60.22	43.26	21.87	44.21	33.92	194.85
Arts, entertainment, and recreation.....	42.86	34.29	19.65	51.01	29.34	240.88
Accommodation and food services.....	60.08	49.58	15.82	48.12	36.06	177.30
Other services.....	48.48	40.91	25.35	49.99	24.66	305.55

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Percentages--Continued					
	Total receipts divided by total assets	Cost of goods sold divided by business receipts	Interest paid divided by total receipts	Total receipts less total deductions divided by		
				Total assets	Net worth	Total receipts
	(49)	(50)	(51)	(52)	(53)	(54)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All industries	38.45	69.17	4.89	0.15	0.54	0.39
Agriculture, forestry, fishing, and hunting	132.71	83.86	2.22	-2.63	-7.36	-1.98
Mining.....	24.32	57.08	5.48	-0.86	-1.50	-3.53
Utilities.....	36.55	62.11	8.75	0.13	0.55	0.34
Construction.....	95.99	85.24	1.83	-2.14	-4.98	-2.23
Manufacturing.....	65.56	72.53	3.65	0.74	1.98	1.14
Wholesale and retail trade	165.13	79.67	1.30	1.87	7.10	1.13
Wholesale trade.....	166.46	81.65	1.14	2.18	8.27	1.31
Retail trade.....	159.97	71.72	1.91	0.66	2.53	0.41
Transportation and warehousing.....	89.55	33.46	3.84	-0.99	-4.18	-1.11
Information.....	12.33	42.95	13.53	-1.21	-2.12	-9.84
Finance and insurance.....	12.01	48.33	11.81	-0.12	-0.98	-0.99
Real estate and rental and leasing.....	28.08	34.33	11.58	-0.23	-0.76	-0.80
Professional, scientific, and technical services.....	40.95	45.71	3.88	-0.92	-2.06	-2.24
Management of companies (holding companies).....	6.74	0.51	30.50	0.74	5.23	10.97
Administrative and support and waste management and remediation services.....	72.29	52.02	3.65	-2.25	-5.89	-3.11
Educational services.....	56.69	33.62	3.29	1.43	3.15	2.51
Health care and social assistance.....	68.23	40.92	4.78	0.05	0.12	0.07
Arts, entertainment, and recreation.....	84.66	17.65	3.58	1.53	5.37	1.80
Accommodation and food services.....	54.04	46.19	4.07	0.79	1.86	1.46
Other services.....	62.64	37.76	5.83	1.79	7.30	2.85
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED						
All industries	32.80	60.76	6.47	0.84	3.71	2.56
Agriculture, forestry, fishing, and hunting	89.91	77.37	2.86	0.81	2.35	0.90
Mining.....	33.66	59.67	6.97	0.06	0.11	0.17
Utilities.....	39.59	63.46	7.11	-0.01	-0.05	-0.03
Construction.....	136.55	77.40	1.52	5.01	15.10	3.67
Manufacturing.....	54.63	69.27	4.05	1.02	2.87	1.87
Wholesale and retail trade	180.51	76.34	1.21	3.58	9.31	1.98
Wholesale trade.....	166.44	83.71	1.41	2.01	5.32	1.21
Retail trade.....	189.95	72.00	1.09	4.63	11.92	2.44
Transportation and warehousing.....	72.72	23.38	3.24	-2.32	-8.28	-3.18
Information.....	33.18	22.16	7.76	-0.53	-1.38	-1.60
Finance and insurance.....	16.74	58.28	11.90	0.86	6.05	5.16
Real estate and rental and leasing.....	63.04	36.11	7.01	-2.40	-9.45	-3.80
Professional, scientific, and technical services.....	81.14	32.39	2.37	-0.48	-1.27	-0.59
Management of companies (holding companies).....	7.08	7.03	26.70	0.88	5.92	12.45
Administrative and support and waste management and remediation services.....	76.50	41.74	2.67	0.62	2.01	0.81
Educational services.....	102.72	12.50	1.61	8.01	14.40	7.80
Health care and social assistance.....	105.92	21.50	2.62	2.96	8.74	2.80
Arts, entertainment, and recreation.....	65.50	19.69	8.21	-0.44	-1.51	-0.67
Accommodation and food services.....	87.41	43.83	4.30	2.24	6.22	2.57
Other services.....	73.68	46.51	3.48	0.50	2.02	0.68

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Percentages--Continued			
	Net income (less deficit) divided by			Net operating loss deduction divided by net income
	Total assets	Net worth	Total receipts	
	(55)	(56)	(57)	(58)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS				
All industries	0.20	0.73	0.52	15.77
Agriculture, forestry, fishing, and hunting	-2.53	-7.09	-1.91	29.17
Mining.....	-0.68	-1.19	-2.80	22.76
Utilities.....	0.19	0.83	0.51	57.94
Construction.....	-2.13	-4.94	-2.21	22.32
Manufacturing.....	0.90	2.38	1.37	12.69
Wholesale and retail trade	1.93	7.32	1.17	16.78
Wholesale trade.....	2.24	8.47	1.34	18.45
Retail trade.....	0.72	2.78	0.45	6.29
Transportation and warehousing.....	-0.98	-4.15	-1.10	14.77
Information.....	-1.16	-2.02	-9.39	24.91
Finance and insurance.....	-0.14	-1.11	-1.12	19.99
Real estate and rental and leasing.....	-0.23	-0.76	-0.80	34.71
Professional, scientific, and technical services.....	-0.80	-1.80	-1.96	32.96
Management of companies (holding companies).....	0.76	5.34	11.20	8.54
Administrative and support and waste management and remediation services.....	-2.25	-5.89	-3.11	11.11
Educational services.....	2.41	5.33	4.26	9.09
Health care and social assistance.....	0.06	0.13	0.08	32.10
Arts, entertainment, and recreation.....	1.80	6.32	2.12	6.03
Accommodation and food services.....	0.82	1.93	1.51	33.56
Other services.....	1.93	7.87	3.07	--
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED				
All industries	0.95	4.22	2.90	6.62
Agriculture, forestry, fishing, and hunting	1.17	3.38	1.30	30.85
Mining.....	0.33	0.66	0.98	14.95
Utilities.....	0.03	0.10	0.07	16.45
Construction.....	5.01	15.11	3.67	4.90
Manufacturing.....	1.65	4.65	3.03	6.54
Wholesale and retail trade	3.76	9.79	2.08	4.68
Wholesale trade.....	2.36	6.23	1.42	11.88
Retail trade.....	4.70	12.11	2.48	1.78
Transportation and warehousing.....	-2.28	-8.16	-3.13	11.65
Information.....	-0.37	-0.96	-1.12	16.14
Finance and insurance.....	0.80	5.58	4.76	4.47
Real estate and rental and leasing.....	-2.35	-9.25	-3.72	40.52
Professional, scientific, and technical services.....	-0.25	-0.67	-0.31	15.15
Management of companies (holding companies).....	0.86	5.78	12.15	0.92
Administrative and support and waste management and remediation services.....	0.69	2.21	0.90	10.18
Educational services.....	7.96	14.30	7.75	10.63
Health care and social assistance.....	2.92	8.60	2.75	15.81
Arts, entertainment, and recreation.....	-0.43	-1.46	-0.65	19.59
Accommodation and food services.....	2.34	6.48	2.67	4.30
Other services.....	0.65	2.65	0.89	4.86

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

[Money amounts are in millions of dollars]

Control status and industrial sectors	Percentages--Continued					
	Income subject to tax divided by			Total income tax after credits divided by		
	Total assets	Net worth	Total receipts	Total assets	Net worth	Total receipts
(59)	(60)	(61)	(62)	(63)	(64)	
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All industries	0.95	3.46	2.47	0.26	0.94	0.67
Agriculture, forestry, fishing, and hunting	0.51	1.42	0.38	0.16	0.44	0.12
Mining.....	0.73	1.27	3.00	0.11	0.19	0.46
Utilities.....	0.35	1.54	0.96	0.13	0.58	0.36
Construction.....	1.29	3.00	1.34	0.44	1.03	0.46
Manufacturing.....	1.84	4.88	2.80	0.44	1.16	0.67
Wholesale and retail trade	2.88	10.94	1.74	0.95	3.59	0.57
Wholesale trade.....	3.04	11.50	1.82	1.00	3.77	0.60
Retail trade.....	2.28	8.78	1.43	0.76	2.91	0.47
Transportation and warehousing.....	0.81	3.41	0.90	0.29	1.21	0.32
Information.....	0.18	0.31	1.43	0.06	0.10	0.45
Finance and insurance.....	0.31	2.54	2.56	0.10	0.79	0.79
Real estate and rental and leasing.....	0.86	2.92	3.07	0.30	1.02	1.07
Professional, scientific, and technical services.....	1.08	2.42	2.64	0.25	0.56	0.61
Management of companies (holding companies).....	0.76	5.41	11.33	0.21	1.49	3.13
Administrative and support and waste management and remediation services.....	0.75	1.97	1.04	0.24	0.63	0.34
Educational services.....	2.19	4.84	3.87	**	**	**
Health care and social assistance.....	0.44	1.06	0.64	**	**	**
Arts, entertainment, and recreation.....	2.68	9.44	3.17	0.84	2.94	0.99
Accommodation and food services.....	0.90	2.13	1.67	0.26	0.61	0.48
Other services.....	4.07	16.63	6.50	1.25	5.11	2.00
DOMESTIC CORPORATIONS NOT FOREIGN-CONTROLLED						
All industries	1.50	6.64	4.57	0.38	1.67	1.15
Agriculture, forestry, fishing, and hunting	1.79	5.20	1.99	0.61	1.75	0.67
Mining.....	1.33	2.68	3.97	0.20	0.39	0.58
Utilities.....	1.29	4.87	3.25	0.37	1.41	0.94
Construction.....	6.47	19.53	4.74	2.20	6.63	1.61
Manufacturing.....	2.56	7.20	4.69	0.41	1.15	0.75
Wholesale and retail trade	4.64	12.09	2.57	1.51	3.93	0.84
Wholesale trade.....	3.05	8.08	1.83	0.89	2.36	0.54
Retail trade.....	5.71	14.70	3.01	1.93	4.96	1.01
Transportation and warehousing.....	1.59	5.70	2.19	0.54	1.93	0.74
Information.....	1.47	3.80	4.42	0.32	0.82	0.95
Finance and insurance.....	0.93	6.50	5.55	0.28	1.99	1.69
Real estate and rental and leasing.....	0.74	2.90	1.17	0.23	0.91	0.37
Professional, scientific, and technical services.....	2.96	7.80	3.64	0.85	2.24	1.04
Management of companies (holding companies).....	0.89	6.01	12.62	0.26	1.73	3.63
Administrative and support and waste management and remediation services.....	2.17	6.99	2.84	0.64	2.07	0.84
Educational services.....	8.38	15.06	8.16	2.84	5.10	2.76
Health care and social assistance.....	3.67	10.81	3.46	1.25	3.70	1.18
Arts, entertainment, and recreation.....	1.66	5.66	2.53	0.43	1.45	0.65
Accommodation and food services.....	2.90	8.04	3.32	0.65	1.79	0.74
Other services.....	2.38	9.64	3.23	0.73	2.98	1.00

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 2002

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Industrial Sectors, Tax Year 2002--Continued

Footnotes

** Not shown to avoid disclosure of information about specific corporations.

¹ Excludes nontaxable interest received on State and local government obligations, which totaled \$19.3 billion for large domestic corporations not foreign-controlled, and \$1.0 billion for large foreign-controlled domestic corporations.

² Less than \$500,000.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts were used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data exclude Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Data also exclude returns in which the foreign ownership level is between 25 percent and 49 percent. Percentages were calculated using rounded data. Detail may not add to total due to rounding.