

# International Boycott Reports, 2001 and 2002

## Data Release

### The Anti-Boycott Laws

In the 1970's, the United States Congress responded to the Arab League's boycott of Israel by passing legislation designed to discourage U.S. persons from participating in unsanctioned boycotts of other countries [1]. One law, the 1977 amendments to the Export Administration Act of 1969, requires U.S. persons to report quarterly to the Commerce Department the requests they have received to participate in, support, or further a prohibited boycott. Those U.S. persons who agree to participate in such boycotts are subject to criminal and civil penalties. The other anti-boycott law is the Ribicoff Amendment to the Tax Reform Act of 1976 (TRA76). It requires all U.S. taxpayers and their related "persons" [2] to report operations in, with, or related to, boycotting countries or their nationals to the Internal Revenue Service. Operations include any business or commercial transactions even if they do not generate income. Per Internal Revenue Code section 999(a), taxpayers report these operations on Form 5713, *International Boycott Report*, filed annually with their Federal income tax returns.

The U.S. Department of Treasury publishes a quarterly list of countries that request participation in unsanctioned boycotts. Although the law addresses all prohibited boycotts by any foreign country, the Arab League nations remain the principal boycotting countries. Accordingly, for 2001 and 2002, Treasury-listed countries included Bahrain, Iraq, Kuwait, Lebanon, Libya, Oman, Qatar, Saudi Arabia, Syria, the United Arab Emirates (UAE), and Yemen. Taxpayers must disclose operations in or related to listed countries or any other country that the taxpayer knows or has reason to know requires cooperation with a boycott as a condition of doing business.

U.S. taxpayers must also report certain types of requests to participate in an international boycott, any agreements to comply with those requests, and any tax consequences. Because the U.S. does not wish to infringe on the right of any country to choose its own trading partners, the anti-boycott laws do not

target primary boycotts--limitations on the import and export of products from a specific country. They are directed instead against secondary and tertiary boycotts. In a secondary boycott, a country demands, as a condition of doing business, that a U.S. person does not conduct any business with the boycotted country. In a tertiary boycott, a country prohibits a U.S. person from engaging in business with other entities that have business with the boycotted country.

Specifically, Internal Revenue Code section 999(b)(3) classifies the disallowed boycotts into the five types below:

- 1) If the person agrees, as a condition of doing business directly or indirectly within a country or with the government, a company, or a national of the country
  - a) to refrain from doing business with or in a country which is the object of the boycott or with the government, companies, or nationals of that country [Type 1 request, as shown in Table 1]; or
  - b) to refrain from doing business with any U.S. person engaged in trade in a country which is the object of the boycott or with the government, companies, or nationals of that country [Type 2]; or
  - c) to refrain from doing business with any company whose ownership or management is made up, all or in part, of individuals of a particular nationality, race, or religion [Type 3]; or
  - d) to refrain from employing individuals of a particular nationality, race, or religion [Type 4]; or
- 2) If the person agrees, as a condition of the sale of a product to the government, a company, or a national of a country, to refrain from shipping or insuring the product(s) on a carrier owned, leased, or operated by a person who does not participate in or cooperate with a boycott [Type 5] [3].

*This data release was written by Melissa Redmiles, an economist with the Special Studies Branch Returns Analysis Section, under the direction of Chris Carson, Chief. Lawrence Sao, an economist in the same section, also contributed to this study.*

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### Tax Penalties

U.S. taxpayers who participate in the boycotts listed above may lose a portion of their tax benefits, including the foreign tax credit, the benefits of Foreign Sales Corporations (FSC's), the exclusion of extraterritorial income, and the tax-deferral available to U.S. shareholders of a controlled foreign corporation or of an Interest-Charge Domestic Sales Corporation (IC-DISC). Taxpayers who had operations in a boycotting country must reduce the foreign trade income qualifying for the extraterritorial income exclusion, even if they did not receive any requests to participate in a boycott. Some taxpayers who agree to participate in a boycott will not face tax penalties because they were not eligible for the tax benefits in the first place. Others may lose a portion of more than one benefit.

Taxpayers must compute the loss of their extraterritorial income exclusion using the international boycott factor method. Under this method, the loss of tax benefit is determined by the ratio of purchases, sales, and payroll in boycotting countries to total foreign purchases, sales, and payroll. The amount of foreign trade income qualifying for the exclusion is reduced by the same proportion as the international boycott factor.

For the denial of other tax benefits, taxpayers may use either the international boycott factor method or the specifically attributable method. Under the specifically attributable method, taxpayers reduce each benefit by the foreign taxes paid or foreign income earned that is associated with the operation in the boycotting countries with which the agreement was made and that would otherwise be eligible for the tax benefits. The choice of method is an annual election.

Taxpayers who use the international boycott factor reduce their foreign tax credit by the same proportion as the boycott factor. Those who use the specifically attributable method subtract the foreign taxes paid to the boycotting countries with which they established agreements from the amount of taxes eligible for the credit. Regardless of the method selected, taxpayers may still deduct the taxes ineligible for the credit under the boycott provisions from their U.S. gross incomes.

Under both methods, the U.S. parents of a controlled foreign corporation (CFC) must convert some

of their CFC's undistributed (and hence deferred) income into a deemed distribution, which is then subject to current U.S. tax. Likewise, for an IC-DISC, both methods deny the benefits of tax deferral by making boycott income taxable to its shareholders.

If the owner of a FSC selects the international boycott factor method, it reduces the tax-exempt foreign trade income of the FSC by the same proportion as the boycott factor. If the specifically attributable method is chosen, the FSC must convert any exempt foreign trade income that is attributable to operations in which there was participation in a boycott to nonexempt foreign trade income, thus increasing its taxable income.

### International Boycott Reports, 2001 and 2002

The majority of Forms 5713 are filed to report the taxpayer's operations in boycotting countries. Most of these operations were in countries on the Treasury List. However, for both 2001 and 2002, taxpayers reported operations in other countries known to require participation or cooperation with an unsanctioned boycott. The most frequently reported nonlisted countries were Bangladesh, Egypt, Iran, Jordan, Malaysia and Pakistan.

For Tax Year 2001, there were 1,218 Forms 5713 filed. Of these, 117 taxpayers received requests to participate in an international boycott, 25 agreed to participate, and 6 reported tax consequences.

For Tax Year 2002, some 1,255 Forms were filed, 116 taxpayers received requests, and 22 U.S. persons complied with those requests. There were also 22 U.S. persons who reported a loss of tax benefits. This included eight persons who agreed to participate in a boycott and fourteen filers who did not enter into any boycott agreements, but who claimed an extraterritorial income exclusion.

Corporations filed approximately 90 percent of the Forms 5713 filed for both years, while partnerships accounted for roughly 5 percent of the total. Trusts, estates, and individuals filed most of the remainder. For both years, slightly less than 10 percent of the filers reported receiving requests, and approximately 2 percent reported agreements.

Table 1 provides the number of persons receiving requests, the number and type of requests, and the number and type of agreements, for the Treasury-Listed countries.

## International Boycott Reports, 2001 and 2002

Taxpayers reported a total of 2,653 requests in 2001. (A U.S. taxpayer may receive multiple requests to participate in the same type of boycott from a single country.) The Treasury-Listed countries accounted for about 91 percent of the total requests. Approximately 23 percent of the requests originated from the United Arab Emirates, while Saudi Arabia and Bahrain each accounted for 14 percent of the total. Over half the requests were petitions to refrain from shipping or insuring products on a carrier associated with someone who does not participate with a boycott, while appeals to refrain from doing business with a specified country made up 27 percent of the total. Overall, taxpayers agreed to participate with 28 percent of the requests they received. Taxpayers complied with nearly 60 percent of the requests received from Kuwait and were most likely to deny requests from Syria, Libya, and Bahrain.

Although the number of taxpayers reporting requests was about the same for 2002, the total number of requests increased by almost 29 percent to 3,421 requests. About 85 percent of the requests came from the Treasury-Listed countries. Requests from the United Arab Emirates grew only slightly, but the UAE still accounted for the highest percent of the total requests. Requests from Libya, Qatar, Syria, the Republic of Yemen, and nonlisted countries rose markedly, with the largest number of requests coming from Syria and Qatar. The majority of the requests, 42 percent, remained petitions to refrain from shipping or insuring products of a blacklisted company. The second most common request, appeals to refrain from doing business with a specified country, accounted for 29 percent of the total.

Figures A, B, and C present selected historical data from 1992 to 2002. Table 2 shows the loss of tax benefits for the same time period.

After declining for more than 8 years, the number of filers receiving requests have remained relatively constant since 2000, while the number of boycott agreements continues its steady decline (see Figures A and B). The number of persons receiving requests has declined from 278 in 1992 to 112 in 2000, a decrease of roughly 60 percent. For 2001 and 2002, these numbers barely increased to 117 and 116, respectively. The number of boycott requests dropped 69 percent between 1992 and 2002, from 11,179 to 3,421, and the number of boycott agreements has decreased more than 80 percent, from

2,890 in 1992 to 489 in 2002. The total number of taxpayers filing Form 5713 for the same decade, in comparison, has declined less than 7 percent.

However, the amount of tax consequences, after falling significantly from 1992 to 1999, has been increasing. For example, the reduction in foreign taxes eligible for credit under the specifically attributable method dropped from \$3,132,678 for 1992 to \$20,478 for Tax Year 2000 and then rose to \$691,303 for 2002. Similarly, the reduction in the foreign tax credit computed using the boycott factor method declined from \$743,625 in 1992 to zero for 1998 and then increased to \$5,643 for 2002. The increase in subpart F income from CFC's (see explanation of selected terms) fell from \$8,572,193 for 1992 to \$780,440 for 1999, but rose to \$1,937,410 in 2001 and to \$5,465,994 in 2002. In addition, taxpayers reduced their foreign trade incomes qualifying for the extraterritorial income exclusion by \$260,412 for 2002.

### Explanation of Selected Terms

*Controlled Foreign Corporation (CFC).*--As defined in Internal Revenue Code section 957(a), any foreign corporation in which the U.S. shareholders own directly, indirectly, or constructively, more than 50 percent of either the total combined voting power or total value of all stock on any day of the taxable year of the corporation.

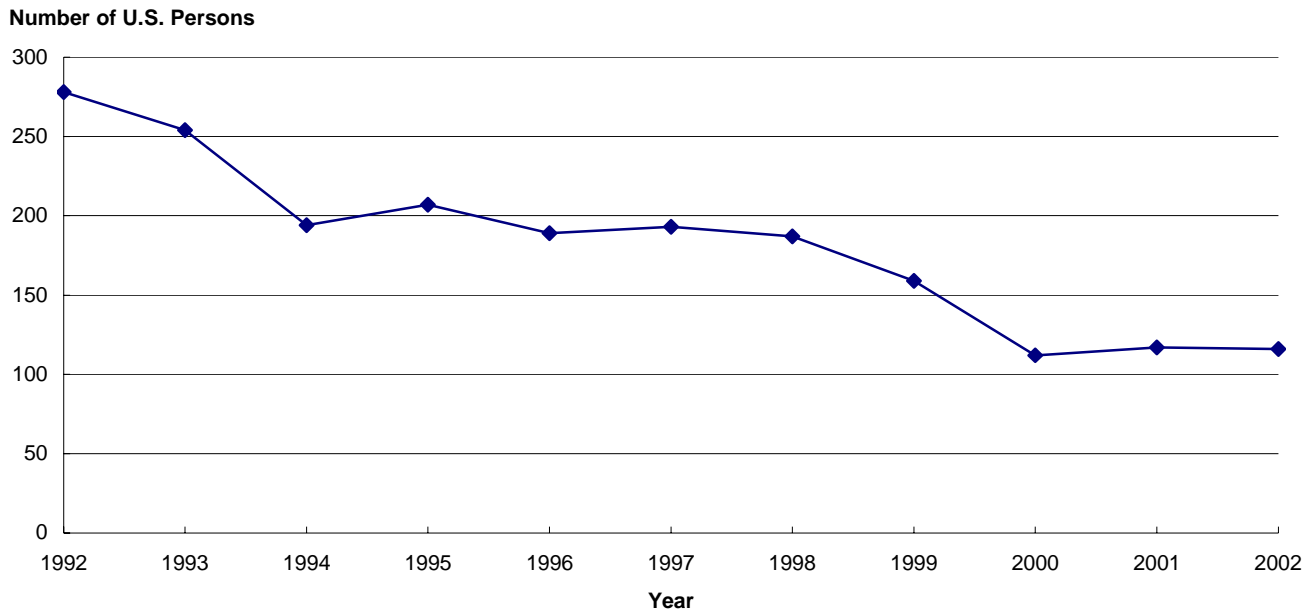
*Extraterritorial Income Exclusion.*--The extraterritorial income exclusion was created to replace the FSC provisions (see below), effective for transactions occurring after September 30, 2000. The exclusion allows businesses to deduct qualifying foreign trade incomes from their U.S. gross incomes. Qualifying foreign trade income is defined as the greatest of the following income, that, when excluded, would reduce taxable income by (a) 1.2 percent of foreign trading gross receipts, or (b) 15 percent of foreign trade income, or (c) 30 percent of the foreign sale and leasing income. The extraterritorial income exclusion provisions were repealed in the American Jobs Creation Act of 2004. Transactions in the ordinary course of a trade or business that are part of a binding contract in effect on September 17, 2003, between the taxpayer and an unrelated person are exempt from the repeal.

*Foreign Sales Corporation (FSC).*--A company incorporated abroad, created to promote U.S. exports and usually controlled by a U.S. "person"

# International Boycott Reports, 2001 and 2002

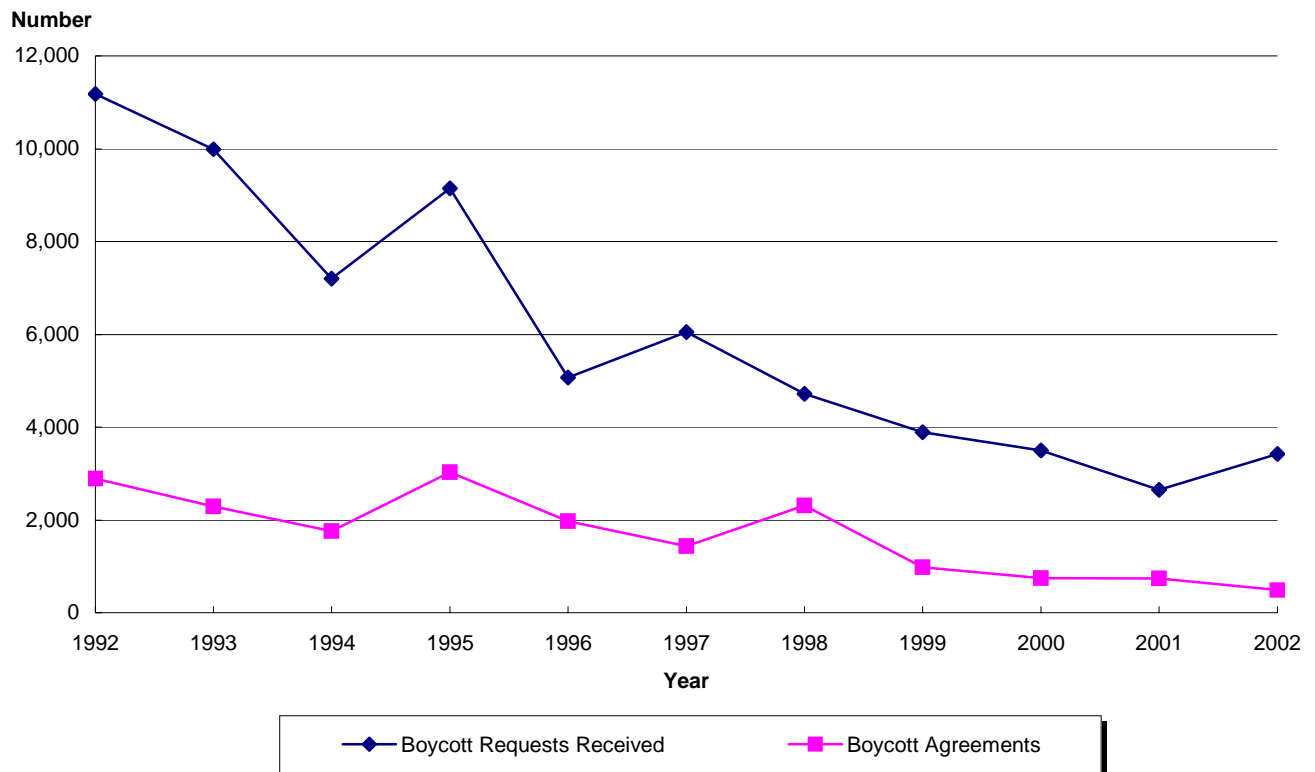
## Figure A

### Number of U.S. Persons Receiving Boycott Requests in Tax Years 1992-2002



## Figure B

### Number of Boycott Requests Received and Boycott Agreements for Tax Years 1992-2002



# International Boycott Reports, 2001 and 2002

**Figure C**

## International Boycott Reports Filed for Tax Years 1992-2002

Tax year	Number of Forms 5713 Filed	Number of U.S. persons receiving requests	Number of boycott requests received <sup>1</sup>	Number of boycott agreements	Boycott agreements as a percentage of requests received	Number of U.S. persons reporting a reduction in tax benefits <sup>2,3</sup>
	(1)	(2)	(3)	(4)	(5)	(6)
1992.....	1,343	278	11,179	2,890	25.9	27
1993.....	1,289	254	9,988	2,292	22.9	21
1994.....	1,064	194	7,199	1,764	24.5	21
1995.....	1,336	207	9,144	3,029	33.1	21
1996.....	1,199	189	5,068	1,975	39.0	20
1997.....	1,328	193	6,055	1,438	23.7	18
1998.....	1,273	187	4,718	2,312	49.0	11
1999.....	1,274	159	3,893	982	25.2	8
2000.....	1,229	112	3,497	750	21.4	7
2001.....	1,218	117	2,653	744	28.0	6
2002.....	1,255	116	3,421	489	14.3	22

<sup>1</sup> The number of requests are undercounted to the extent that many taxpayers do not specify the number of requests they received. This table counts an unknown number of requests as one request.

<sup>2</sup> Beginning with Tax Year 2001, taxpayers must reduce their extraterritorial income exclusion if they had operations in boycotting countries even if they did not receive requests to participate in a boycott.

<sup>3</sup> For Tax Year 2002, 8 of the 22 persons reporting a loss in tax benefits agreed to participate in a boycott. The remaining 14 persons did not receive boycott requests, but had reductions of their extraterritorial income exclusives due to operations in boycotting countries.

(defined below). A portion of the FSC “foreign trade income” is exempt from U.S. taxation. Although Congress has repealed the FSC provisions, the transition rules allowed FSC’s in existence on September 30, 2000, to continue until January 1, 2002. Transactions that are part of a binding contract made with a FSC before the cutoff date are exempt from the repeal.

*Interest Charge Domestic International Sales Corporation (IC-DISC).*--Congress allowed U.S. corporations to form small domestic corporations, called DISC’s, as a way to promote the export of U.S. products and services. After 1984, DISC’s were replaced with FSC’s and IC-DISC’s. A corporation whose “qualified export receipts” constitute at least 95 percent of its gross receipts and which can classify at least 95 percent of its assets as “qualified export assets” can claim IC-DISC status. This allows the company to defer paying tax deferral on some of the income earned by these corporations. Essentially, a small portion of the IC-DISC’s income is deemed distributed to the shareholder. The rest is not subject to U.S. taxation until it is actually distributed, at which time both the tax and interest on the tax are due.

*Subpart F Income.*--Certain earnings and profits from controlled foreign corporations that the parent company must treat as a deemed distribution for tax purposes, even if the income has not been repatriated to the United States.

*U.S. Persons.*--As defined in IR Code section 7701(a)(30), U.S. persons are U.S. citizens or residents, domestic partnerships, domestic corporations, and estates or trusts, excluding foreign trusts or estates whose income from sources outside the U.S. is not includible in the income of its beneficiaries.

### Data Sources and Limitations

Data for the 2001 and 2002 studies were based on a 100-percent sample of Forms 5713, *International Boycott Report*, attached to U.S. income tax returns with accounting periods ending in those years and filed in the subsequent year.

### Notes and References

- [1] Doernberg, Richard L., (1999) *International Taxation*, West Group, St. Paul, MN, pp.413.
- [2] Taxpayers must file a Form 5713 if they or any of the following have operations in, or related to, a boycotting country: a controlled group in which they are a member; a foreign corporation in which they have stock, a partner, or a trust owned by the taxpayer.
- [3] For a more detailed discussion on activities that are not permitted under the boycott provisions, see Doernberg, pp.414-420.

# International Boycott Reports, 2001 and 2002

**Table 1.--International Boycott Reports Filed For Tax Years 2001 and 2002: Number of Persons Receiving Requests, Number of Requests Received, and Number of Agreements, by Boycotting Country and Type of Request**

Country	Type of boycott request <sup>1</sup>	Number of U.S. persons receiving requests <sup>2</sup>		Number of boycott requests received <sup>3</sup>	
		2001	2002	2001	2002
		(1)	(2)	(3)	(4)
<b>All countries.....</b>	<b>Total</b>	<b>117</b>	<b>116</b>	<b>2,653</b>	<b>3,421</b>
	Type 1	65	65	719	999
	Type 2	7	10	159	307
	Type 3	13	11	172	319
	Type 4	7	8	165	363
	Type 5	71	73	1,438	1,433
<b>Treasury-listed countries.....</b>	<b>Total</b>	<b>111</b>	<b>107</b>	<b>2,410</b>	<b>2,894</b>
	Type 1	58	58	551	766
	Type 2	6	9	156	255
	Type 3	11	10	162	267
	Type 4	6	7	161	294
	Type 5	69	70	1,380	1,312
<b>Bahrain.....</b>	<b>Total</b>	<b>29</b>	<b>26</b>	<b>373</b>	<b>101</b>
	Type 1	15	14	74	31
	Type 2	4	**	59	11
	Type 3	5	**	54	11
	Type 4	3	3	52	12
	Type 5	18	16	134	36
<b>Iraq.....</b>	<b>Total</b>	<b>10</b>	<b>10</b>	<b>19</b>	<b>15</b>
	Type 1	6	4	**	**
	Type 2	**	--	**	--
	Type 3	--	--	--	--
	Type 4	--	**	--	**
	Type 5	5	7	10	9
<b>Kuwait.....</b>	<b>Total</b>	<b>40</b>	<b>39</b>	<b>278</b>	<b>242</b>
	Type 1	10	12	21	38
	Type 2	3	3	3	**
	Type 3	4	3	13	7
	Type 4	3	3	3	**
	Type 5	33	32	238	183
<b>Lebanon.....</b>	<b>Total</b>	<b>28</b>	<b>30</b>	<b>152</b>	<b>140</b>
	Type 1	10	12	14	**
	Type 2	**	**	5	**
	Type 3	**	--	**	--
	Type 4	**	**	**	**
	Type 5	20	23	129	120
<b>Libya.....</b>	<b>Total</b>	<b>11</b>	<b>16</b>	<b>73</b>	<b>102</b>
	Type 1	7	10	**	28
	Type 2	**	**	**	11
	Type 3	**	**	**	11
	Type 4	**	**	**	11
	Type 5	9	13	41	41
<b>Oman.....</b>	<b>Total</b>	<b>22</b>	<b>26</b>	<b>109</b>	<b>138</b>
	Type 1	10	13	25	38
	Type 2	**	**	3	9
	Type 3	4	3	10	10
	Type 4	**	3	9	16
	Type 5	13	17	62	65

Footnotes at end of table.

# International Boycott Reports, 2001 and 2002

**Table 1.--International Boycott Reports Filed For Tax Years 2001 and 2002: Number of Persons Receiving Requests, Number of Requests Received, and Number of Agreements, by Boycotting Country and Type of Request--Continued**

Country	Type of boycott request <sup>1</sup>	Number of U.S. persons receiving requests <sup>2</sup>		Number of boycott requests received <sup>3</sup>	
		2001	2002	2001	2002
	(1)	(2)	(3)	(4)	(5)
Qatar.....	<b>Total</b>	<b>27</b>	<b>25</b>	<b>172</b>	<b>528</b>
	Type 1	13	12	33	114
	Type 2	**	3	**	71
	Type 3	**	4	**	75
	Type 4	3	3	11	96
	Type 5	20	17	125	172
Saudi Arabia.....	<b>Total</b>	<b>30</b>	<b>38</b>	<b>382</b>	<b>295</b>
	Type 1	14	15	140	129
	Type 2	4	3	48	28
	Type 3	3	**	45	27
	Type 4	4	**	47	27
	Type 5	14	26	102	84
Syria.....	<b>Total</b>	<b>32</b>	<b>32</b>	<b>196</b>	<b>566</b>
	Type 1	15	17	55	133
	Type 2	4	3	16	64
	Type 3	**	4	13	65
	Type 4	**	4	13	65
	Type 5	22	20	99	239
United Arab Emirates.....	<b>Total</b>	<b>67</b>	<b>65</b>	<b>614</b>	<b>628</b>
	Type 1	31	32	145	205
	Type 2	4	4	15	41
	Type 3	8	7	17	50
	Type 4	4	5	19	45
	Type 5	39	40	418	287
Yemen, Republic of.....	<b>Total</b>	<b>10</b>	<b>16</b>	<b>42</b>	<b>139</b>
	Type 1	6	7	8	29
	Type 2	**	3	4	12
	Type 3	**	**	4	11
	Type 4	**	**	4	11
	Type 5	8	12	22	76
Nonlisted countries.....	<b>Total</b>	<b>25</b>	<b>24</b>	<b>243</b>	<b>527</b>
	Type 1	16	16	168	233
	Type 2	**	**	3	52
	Type 3	3	**	10	52
	Type 4	**	3	4	69
	Type 5	14	12	58	121

Footnotes at end of table.

# International Boycott Reports, 2001 and 2002

**Table 1.--International Boycott Reports Filed For Tax Years 2001 and 2002: Number of Persons Receiving Requests, Number of Requests Received, and Number of Agreements, by Boycotting Country and Type of Request--Continued**

Country	Type of boycott request <sup>1</sup>	Number of boycott agreements		Boycott agreements as a percentage of requests received	
		2001	2002	2001	2002
		(6)	(7)	(8)	(9)
<b>All countries.....</b>	<b>Total</b>	<b>744</b>	<b>489</b>	<b>28</b>	<b>14</b>
	Type 1	149	**	21	**
	Type 2	12	--	8	--
	Type 3	4	**	2	**
	Type 4	--	**	--	**
	Type 5	579	348	40	24
<b>Treasury-listed countries.....</b>	<b>Total</b>	<b>701</b>	<b>480</b>	<b>29</b>	<b>17</b>
	Type 1	142	131	26	17
	Type 2	12	--	8	--
	Type 3	4	**	2	**
	Type 4	--	**	--	**
	Type 5	543	**	39	**
<b>Bahrain.....</b>	<b>Total</b>	<b>31</b>	<b>3</b>	<b>8</b>	<b>3</b>
	Type 1	**	--	**	--
	Type 2	**	--	**	--
	Type 3	**	--	**	--
	Type 4	--	--	--	--
	Type 5	27	3	20	8
<b>Iraq.....</b>	<b>Total</b>	<b>4</b>	<b>3</b>	<b>21</b>	<b>20</b>
	Type 1	**	**	**	**
	Type 2	--	--	--	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	**	**	**	**
<b>Kuwait.....</b>	<b>Total</b>	<b>160</b>	<b>77</b>	<b>58</b>	<b>32</b>
	Type 1	12	12	57	32
	Type 2	--	--	--	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	148	65	62	36
<b>Lebanon.....</b>	<b>Total</b>	<b>60</b>	<b>49</b>	<b>39</b>	<b>35</b>
	Type 1	15	6	107	**
	Type 2	5	--	100	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	40	43	31	36
<b>Libya.....</b>	<b>Total</b>	<b>**</b>	<b>19</b>	<b>**</b>	<b>19</b>
	Type 1	**	5	**	18
	Type 2	--	--	--	--
	Type 3	**	--	**	--
	Type 4	--	--	--	--
	Type 5	**	14	**	34
<b>Oman.....</b>	<b>Total</b>	<b>39</b>	<b>9</b>	<b>36</b>	<b>7</b>
	Type 1	**	**	**	**
	Type 2	--	--	--	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	**	**	**	**

Footnotes at end of table.



# International Boycott Reports, 2001 and 2002

**Table 1.--International Boycott Reports Filed For Tax Years 2001 and 2002: Number of Persons Receiving Requests, Number of Requests Received, and Number of Agreements, by Boycotting Country and Type of Request--Continued**

Country	Type of boycott request <sup>1</sup>	Number of boycott agreements		Boycott agreements as a percentage of requests received	
		2001	2002	2001	2002
	(6)	(7)	(8)	(9)	(10)
<b>Qatar</b> .....	<b>Total</b>	<b>73</b>	<b>43</b>	<b>42</b>	<b>8</b>
	Type 1	3	--	9	--
	Type 2	--	--	--	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	70	43	56	25
<b>Saudi Arabia</b> .....	<b>Total</b>	<b>79</b>	<b>72</b>	<b>21</b>	<b>24</b>
	Type 1	71	66	51	51
	Type 2	3	--	6	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	5	6	5	7
<b>Syria</b> .....	<b>Total</b>	<b>16</b>	<b>25</b>	<b>8</b>	<b>4</b>
	Type 1	**	**	**	**
	Type 2	**	--	**	--
	Type 3	--	--	--	--
	Type 4	--	**	--	**
	Type 5	8	17	8	7
<b>United Arab Emirates</b> .....	<b>Total</b>	<b>233</b>	<b>154</b>	<b>38</b>	<b>25</b>
	Type 1	26	**	18	**
	Type 2	**	--	**	--
	Type 3	**	**	**	**
	Type 4	--	--	--	--
	Type 5	203	125	49	44
<b>Yemen, Republic of</b> .....	<b>Total</b>	<b>**</b>	<b>26</b>	<b>**</b>	<b>19</b>
	Type 1	--	3	--	10
	Type 2	--	--	--	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	**	23	**	30
<b>Nonlisted countries</b> .....	<b>Total</b>	<b>43</b>	<b>9</b>	<b>18</b>	<b>2</b>
	Type 1	7	**	4	**
	Type 2	--	--	--	--
	Type 3	--	--	--	--
	Type 4	--	--	--	--
	Type 5	36	**	62	**

\*\* Data deleted to avoid disclosure of information about specific taxpayers. Data are included in the appropriate totals.

<sup>1</sup> The five types of international boycott requests are:

Type 1 -- If the person agrees, as a condition of doing business directly or indirectly within a country or with the government, a company, or a national of that country to refrain from doing business with or in a country which is the object of the boycott, or with the government, companies, or nationals of that country.

Type 2 -- If the person agrees, as a condition of doing business directly or indirectly within a country or with the government, a company, or a national of that country to refrain from doing business with any U.S. person engaged in trade in a country which is the object of the boycott, or with the government, companies, or nationals of that country.

Type 3 -- If the person agrees, as a condition of doing business directly or indirectly within a country or with the government, a company, or a national of that country to refrain from doing business with any company whose ownership or management is made up, all or in part, of individuals of a particular nationality, race, or religion. Refraining from selecting corporate directors who are individuals of a particular nationality, race, or religion is also included in this type of boycott request.

Type 4 -- If the person agrees, as a condition of doing business directly or indirectly within a country or with the government, a company, or a national of that country to refrain from employing individuals of a particular nationality, race, or religion.

Type 5 -- If the person agrees, as a condition of the sale of a product to the government, a company, or a national of a country, to refrain from shipping or insuring the products on a carrier owned, leased, or operated by a person who does not participate in or cooperate with an international boycott.

<sup>2</sup> Data in these columns may not add to the totals because persons could have received requests of more than one type and/or from more than one country.

<sup>3</sup> The number of requests are undercounted to the extent that many taxpayers do not specify the number of requests they received. This table counts an unknown number of requests as one request.

## International Boycott Reports, 2001 and 2002

**Table 2.--International Boycott Reports For Tax Years 1992-2002: Lost Tax Benefits Due to Boycott Participation, by Type and Method of Computation**

[Money amounts are in whole dollars]

Method	Tax year	Reduction of foreign tax credit	Increase of Subpart F income	Denial of Foreign Sales Corporation benefits	Reduction of extraterritorial income exclusion <sup>1</sup>
	(1)	(2)	(3)	(4)	(5)
All methods.....	1992	3,876,303	8,572,193	374,475	--
	1993	1,631,556	7,455,541	369,579	--
	1994	476,965	6,414,923	146,650	--
	1995	280,635	6,130,890	696,255	--
	1996	115,645	2,617,031	10,041	--
	1997	23,369	1,712,112	293,082	--
	1998	--	691,839	436,833	--
	1999	30,142	780,440	--	--
	2000	20,478	1,561,048	--	--
	2001	**	1,937,410	--	--
	2002	696,946	5,465,994	--	260,412
Boycott factor method.....	1992	743,625	3,654,846	--	--
	1993	766,202	4,873,847	4,833	--
	1994	19,918	80,537	4,074	--
	1995	7,202	--	3,233	--
	1996	25,640	228,894	--	--
	1997	23,253	224,530	--	--
	1998	--	-15,809	4,443	--
	1999	--	-4,402	--	--
	2000	--	5,961	--	--
	2001	--	--	--	--
	2002	5,643	333,716	--	260,412
Specifically attributable taxes and income method.....	1992	3,132,678	4,917,347	374,475	--
	1993	865,354	2,581,694	364,746	--
	1994	457,047	6,334,386	142,576	--
	1995	273,433	6,130,890	693,022	--
	1996	90,005	2,388,137	10,041	--
	1997	116	1,487,582	293,082	--
	1998	--	707,648	432,390	--
	1999	30,142	784,842	--	--
	2000	20,478	1,555,087	--	--
	2001	**	1,937,410	--	--
	2002	691,303	5,132,278	--	--

\*\*Data deleted to avoid disclosure of information about specific taxpayers.

<sup>1</sup> The reduction of extraterritorial income exclusion did not exist prior to Tax Year 2001. This reduction is based on operations in boycotting countries, rather than on boycott participation.