# Corporate Profits

# Profits Before Tax,

# Profits Tax Liability,

# and

# Dividends

Methodology Paper

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# Contents

# Introduction

Corporate profits is one of the most closely followed economic indicators. Profitability provides a summary measure of corporate success or failure and thus serves as an essential indicator of economic performance. Profits are a source of retained earnings, providing much of the funding for investment in plant and equipment that raises productive capacity. Profits are also frequently used in measuring the rate of return on investment and the relationship between earnings and equity valuation. Profits may also be used to evaluate the effects on corporations of changes in policy or in economic conditions. Finally, corporate profits is an important component of the Nation's overall income and play a role in measuring the total income resulting from production and the distribution of income across sectors.

This paper presents the conceptual basis and framework underlying the estimates of corporate profits in the national income and product accounts (NIPA's) and describes the sources and methods used to prepare annual and quarterly estimates of corporate profits.

This introduction is split into four sections: Section 1 discusses the concept of corporate profits in the context of the NIPA's. Sections 2 and 3 provide the definitions of each component of corporate profits, following the order of table 1, and a guide to the NIPA tables in which the estimates appear. Finally, section 4 provides an overview of the sources and methods used to prepare the annual and quarterly estimates of profits before tax (PBT), one of the three components of corporate profits. The remaining chapters of the paper provide detailed descriptions of the derivation and extrapolation of PBT, of profits tax liability, and of dividends.

## Corporate profits in the NIPA's

The Bureau of Economic Analysis (BEA) prepares estimates of current production and related incomes in an integrated system of national accounts that provides a comprehensive measure of economic activity within a consistently defined framework. This system is summarized in five accounts that aggregate individual transactors into sectors and that show the broad categories of economic transactions in which they engage.[1] Corporate profits is a component on the income side of the first of these summary accounts, the National Income and Product Account.

The National Income and Product Account illustrates the two methods of estimating the preeminent measure of U.S. output, gross domestic product (GDP). The expenditures (right) side of the account measures GDP as the sum of goods and services produced by labor and property located in the United States and sold to final users; the income (left) side measures GDP—or its conceptual equivalent, gross domestic income (GDI)—as the sum of the incomes generated in that production. Specifically, corporate profits is a component of national income—the measure of all incomes earned by U.S. residents regardless of the location of labor and property (before the adjustments made in the derivation of GDI). It includes income earned abroad by U.S. corporations and excludes income earned in the United States by foreign corporations.[2]

Corporate profits reflects the income earned by corporations as a result of current production; the measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Most businesses prepare two sets of profits information: Financial and tax. Both financial accounting and tax accounting define a corporation's profits as the difference between its receipts and its expenses, but they differ with respect to the definition of some receipts and expenses; in the timing of when the receipts and expenses are recorded (see appendix A); and for whom the information is prepared. Financial-accounting measures, which reflect "generally accepted accounting principles," underlie the reports to stock holders and to government regulatory agencies; tax-accounting measures underlie corporate income tax returns.

BEA uses the tax-accounting measures as the primary source of information on corporate profits for two reasons. First, they are based on well-specified accounting definitions. Financial-accounting measures, on the other hand, allow some flexibility in the way

1. For a discussion of the integrated system and the five summary accounts, go to BEA's Web site at <www.bea.gov>, click on "Methodologies," and under "National programs," see "MP–1: Introduction to National Economic Accounting."

2. These "rest-of-the-world" profits consist of receipts by all U.S. residents of dividends from their incorporated foreign affiliates, their share of reinvested earnings of their incorporated foreign affiliates, and earnings of unincorporated foreign affiliates, net of corresponding payments.

they are applied by corporations. For instance, in financial accounting, corporations do not usually record the most common type of employee stock options (nonstatutory options) as expenses, whereas, under tax-accounting rules, these options are always deducted from profits when exercised. Second, the tax-accounting measures are comprehensive, covering all incorporated businesses—both publicly traded and privately held—and all industries, while financial-accounting tabulations cover a subset of the corporate universe. However, as financial-accounting measures are available on a more timely, quarterly basis than the annual tax return data, they are used by BEA to extrapolate the tax-return-based estimates to current periods.

Neither set of accounting measures is entirely suitable for implementing the NIPA concept of profits. Consequently, BEA's procedure for estimating NIPA corporate profits mainly consists of adjusting, supplementing, and integrating the two measures.

Corporate profits from current production is measured in the NIPA's as the sum of three elements. First, BEA measures PBT in order to reflect corporate income regardless of any redistributions of income made through taxes. This measure is based largely on tax-return information provided by the Internal Revenue Service (IRS) in *Statistics of Income: Corporation Income Tax Returns* and therefore reflects the charges used in tax accounting for inventory withdrawals and for depreciation; as a result, BEA supplements this measure with two adjustments—the inventory valuation adjustment (IVA) and the capital consumption adjustment (CCAdj)—to make it consistent with NIPA concepts.[3]

As prices change, businesses that value inventory withdrawals at original acquisition (historical) costs may realize inventory profits or losses. In the NIPA's, inventory profits or losses are removed from business incomes. The IVA converts the value of inventory withdrawals from a mixture of historical and current costs used by business in tax accounting to a strict current-cost basis by removing the capital-gain-like element or the capital-loss-like element that results from valuing inventory withdrawals at prices of earlier periods.

The CCAdj converts the value of depreciation used by business in tax accounting from a mixture of service lives and depreciation patterns specified in the tax code to a consistent accounting basis—that is, to uniform service lives and empirically based depreciation patterns. Like the IVA, the CCAdj also converts the measure of depreciation to a current-cost basis by removing from profits the capital-gain-like or capital-loss-like element that arises from valuing depreciation of fixed assets at the prices of earlier periods.[4]

The sum of these three elements—corporate profits with IVA and CCAdj—is the featured measure of profits in the NIPA's. The relation of these three elements is illustrated in the table.

| | 1996 estimate (billions of dollars) |
|---|---|
| Corporate profits with inventory valuation and capital consumption adjustments | 754.0 |
| Profits before tax | 726.3 |
| Inventory valuation adjustment | 3.1 |
| Capital consumption adjustment | 24.6 |
| At historical cost | 91.1 |
| At current cost | –66.5 |

In 1996, both the IVA and the CCAdj were positive, so the estimate of corporate profits with IVA and CCAdj was larger than the estimate of PBT. The IVA was positive—that is, the estimate of profits was increased—because current costs were actually lower than the historical costs at which inventory withdrawals were valued on tax returns. One element of CCAdj—the conversion of depreciation to a current-cost basis—resulted in a negative adjustment to profits because the costs of replacing fixed capital were actually higher than the historical costs used on tax returns. This negative adjustment to profits was more than offset by a positive adjustment made to reflect the lower estimate of depreciation on a consistent accounting basis (at historical cost).

### Definitions

The profits measures appearing in the NIPA tables are listed in table 1. These terms along with the associated IVA and CCAdj are defined as follows.

**Corporate profits with IVA and CCAdj.** This measure—profits from current production—is the income, measured before income taxes, of organizations treated as corporations in the NIPA's. These organizations consist of all entities required to file Federal corporate tax returns, including mutual financial institutions and cooperatives subject to Federal income tax; nonprofit organizations that primarily serve business; Federal Reserve banks; and federally sponsored credit

3. See item 40 in the list of sources that begins on page 25.

4. For additional information on the IVA and the CCAdj, go to BEA's Web site at <www.bea.gov>, click on "Methodologies," and under "National programs," see "A Guide to the NIPA's," M–10; for a breakdown of the CCAdj, see NIPA "Table 8.15. Capital Consumption Adjustment by Legal Form of Organization and Type of Adjustment," in the August 2001 Survey of Current Business.

agencies. The income arises from current production. With several differences, this income is measured as receipts less expenses as defined in Federal tax law. Among these differences are: Receipts exclude capital gains and dividends received; expenses exclude bad debt, depletion, and capital losses; inventory withdrawals are valued at current cost; and depreciation is on a consistent accounting basis and valued at current replacement cost. Because national income is defined as the income of U.S. residents, its profits component includes income earned abroad by U.S. corporations and excludes income earned in the United States by foreigners.

**Corporate profits with IVA**. Defined in the same way as corporate profits with IVA and CCAdj, except corporate profits with IVA reflects the depreciation accounting practices used for Federal income tax returns. Profits based on this definition are shown by industry because the CCAdj is not available by industry.

**PBT**. Defined in the same way as corporate profits with IVA and CCAdj, except PBT reflects the inventory and depreciation accounting practices used for Federal income tax returns. PBT consists of profits tax liability, dividends, and undistributed corporate profits. This measure is sometimes referred to as "book profits."

**Profits tax liability**. The sum of all Federal, State, and local income taxes on corporate earnings. These earnings include capital gains and other income excluded from PBT. The taxes are measured on an accrual basis, net of applicable tax credits.

**Profits after tax**. Equals PBT less profits tax liability. It consists of dividends and undistributed corporate profits.

**Profits after tax with IVA and CCAdj**. Equals corporate profits with IVA and CCAdj less profits tax liability.

**Dividends**. Payments in cash or other assets, excluding the corporation's own stock, made by corporations located in the United States and abroad to stockholders who are U.S. residents. The payments are measured net of dividends received by U.S. corporations.

**Undistributed corporate profits.** Equals PBT less profits tax liability and less dividends.

**Undistributed corporate profits with IVA and CCAdj.** The sum of undistributed corporate profits, the IVA, and the CCAdj. It measures corporate saving from profits from current production.

**IVA**. The IVA is the difference between the cost of inventory withdrawals as valued in determining PBT and the cost of withdrawals valued at current cost.

**CCAdj**. The difference between depreciation used in determining PBT and depreciation on the basis of consistent accounting and valued at current cost.

### NIPA tables

The profits measures are published in the NIPA tables in the SURVEY OF CURRENT BUSINESS (and reference volumes cited there) and on the Web site <www.bea.gov>. Table 1 indicates the location, by NIPA table number, of the profits measures. The table distinguishes among annual and quarterly estimates of profits measures on

Table 1. Measures of Corporate Profits in NIPA Tables[1]

| Profits measures | Total | Rest of the world | Domestic corporate profits: Total: Aggregate | Domestic corporate profits: Total: Industry detail | Domestic corporate profits: Financial[2] | Domestic corporate profits: Nonfinancial |
|---|---|---|---|---|---|---|
| Corporate profits with IVA and CCAdj | Tables 1.9, 1.14, and 6.16 | 1.15, 6.16 | 1.16, 1.15, 6.16 | n.a. | 6.16 | 1.16, 1.15, 6.16 |
| Corporate profits with IVA | Tables 1.14, 6.16, 9.6 | 6.16 | 6.16 | 6.16 | 6.16 | 6.1 |
| Profits before tax | Tables 1.14, 6.17, 8.25, 9.6 | 1.15, 6.17, 8.25 | 1.16, 1.15, 6.17 | 6.17 | n.a. | 1.16 |
| Profits tax liability[3] | Tables 1.14, 3.1, 6.18, 8.25 9.6 | n.a. | 1.16, 6.18 | 6.18 | n.a. | 1.16 |
| Profits after tax | Tables 1.14, 6.19, 9.6, 8.25 | 6.19 | 1.16, 6.19 | 6.19 | n.a. | 1.16 |
| With IVA and CCAdj | Tables 1.14 | n.a. | n.a. | n.a. | n.a. | n.a. |
| Dividends[4] | Tables 1.14, 6.20, 8.19, 8.25 | 6.20, 8.19 | 1.16, 6.20, 8.19 | 6.20 | n.a. | 1.16 |
| Undistributed profits | Tables 1.14, 5.1, 6.21, 8.25 | 6.21 | 1.16, 6.21 | 6.21 | n.a. | 1.16 |
| With IVA and CCAdj | Tables 1.14, 5.1 | n.a. | n.a. | n.a. | n.a. | n.a |

n.a. Not available
CCAdj Capital consumption adjustment
IVA Inventory valuation adjustment
NIPA National income and product accounts

1. The following NIPA tables present annual estimates and quarterly estimates that are seasonally adjusted at annual rates: Tables 1.9, 1.14, 1.16, 3.1, 5.1, 6.16. Tables 1.15, 6.17, 6.18, 6.19, 6.20, 6,21, 8.19, and 8.25 present annual estimates and are only published in the August SURVEY OF CURRENT BUSINESS. Table 9.6 presents seasonally unadjusted quarterly estimates that are only published in the October SURVEY.

2. Financial corporations consist of those in the following industries: Banking; credit agencies other than banks; security and commodity brokers, dealers and services; insurance carriers; regulated investment companies; small business investment companies; and real estate investment trusts. The last three are included in holding and other investment offices in tables 6.17, 6.19, 6.20, and 6.21.

3. Federal corporate profits tax accruals are shown in table 3.2, and State and local corporate profits tax accruals are shown in table 3.3.

4. Personal dividend income, a component of personal income, is shown in NIPA tables 1.9, 2.1, 2.8, and 8.19.

both an aggregate and an industry basis. Annual measures cover 1929 to the present; quarterly measures, the first quarter of 1946 to the present.

In most of the NIPA income tables, the totals shown are on a national basis—that is, it is related to production of which U.S. residents have a claim, wherever it takes place. The totals indicated in NIPA table 1.16 (showing gross product of corporate business) are on a domestic basis—that is, it is related to production within the territory of the United States, irrespective of the residence of those who have a claim on it. Unlike profits on a national basis, profits on a domestic basis exclude income earned abroad by U.S. corporations and include income earned in the United States by foreigners. The difference between profits on a national basis and on a domestic basis is referred to as "profits originating in the rest of the world." In tables showing industry detail, profits on a national basis are shown as the total of profits for domestic industries and for the rest-of-the-world industry.

Annual and quarterly estimates showing the relation of the major NIPA aggregates—GDP, gross and net national product, national income, and personal income—are in NIPA table 1.9. Corporate profits with IVA and CCAdj is shown as a component of national income.

Annual estimates showing the relation of several dividend measures—including dividends in personal income—are in NIPA table 8.19.

Annual estimates showing the relation of corporate profits, taxes, and dividends in the NIPA's to corresponding totals published by the IRS are in NIPA table 8.25.

All of the estimates referred to in table 1 are in current dollars; the NIPA's do not include real (that is, price-adjusted) measures of profits. With few exceptions, BEA does not prepare real estimates of income measures, because price indexes cannot be associated with them, as can be done with product measures. One exception is disposable personal income, which is adjusted for price change by reference to prices of the goods and services on which the income is spent.

### Overview of estimating procedures

Of the three elements that make up profits from current production, only PBT will be described further. The sources and methods used to prepare the IVA and the CCAdj are more appropriately discussed in connection with the change in private inventories component of GDP and the consumption of fixed capital component of gross domestic income, respectively. Of the three components that make up PBT, profits tax liability and dividends are estimated independently and will be discussed in detail; the estimate of undistributed profits is obtained as a residual and is therefore not discussed.

The description of sources and methods for PBT, profits tax liability, and dividends begins with the annual estimates for which complete (or nearly complete) information is available. Next, those annual estimates that are based on less complete annual information are discussed. Finally, the quarterly estimates are discussed.

**Annual estimates**. The annual estimates of PBT, profits tax liability, and dividends for domestic industries are based primarily on annual tabulations of corporate income tax returns. The annual estimates of PBT and dividends for the rest-of-the-world industry are from BEA's international transactions accounts.

The tabulations of corporate income tax returns are prepared by the IRS and published in *Corporation Income Tax Returns.* The tabulations are based on a stratified sample of unaudited tax returns that currently includes all active corporations with more than $50 million of assets (with certain exceptions) as well as smaller firms on a probability basis. The information on the returns is edited statistically by the IRS in the course of preparing the tabulations. The tabulations provide estimates of universe totals, by industry, for many of the items in the corporate income tax return, including receipt and expense items, tax liabilities, and balance sheet items. Appendix B reproduces selected items tabulated in C*orporation Income Tax Returns*, the major schedules from the tax return for 1996, and the list of industries used by the IRS to classify corporations by industry.

The universe totals are the starting point for preparing NIPA estimates. The adjustments necessary to conform them to the coverage and definitions of PBT, profits tax liability, and dividends are detailed in the next section. The final and preliminary tabulations become available about 3 years and 2 years, respectively, after the year to which it is referred, and this timing determines the approach used in preparing the NIPA estimates. Each July, the existing estimates for the years for which the IRS tabulations are newly available are replaced with estimates based on these tabulations, and preliminary estimates are prepared for the most recent year. In this paper, the estimates based on the final IRS tabulations are designated "third July estimates"; the estimates based on the preliminary IRS tabulations are designated "second July estimates"; and the preliminary estimates for the most recent year are designated "first July estimates."

The first July estimates are obtained by extrapolating the second July estimates. For PBT, the extrapolations are carried out separately for each of about 75 industries using industry indicators. An overview of the information used to prepare these indicators is provided in table 2, which groups the industries by the type of information used. The first group shown in the table—accounting for 39 percent of PBT in 1996—consists of the detailed industries in mining, manufacturing, wholesale trade, and retail trade. The indicators for these industries are based on universe estimates in the *Quarterly Financial Report* [29], a tabulation of corporate income and other financial information collected quarterly by the Census Bureau. This tabulation is based on a stratified sample of corporations—including those privately held—having mining, manufacturing, or trade as a principal activity. The sample includes nearly all corporations within these industries with assets greater than $250 million and a rotating sample of smaller ones.

The second group in table 2—accounting for 17 percent of PBT in 1996—consists of most of the detailed industries in transportation, finance, and insurance. The indicators for these industries are based on income information contained in reports filed with the Government agencies that regulate the industries.

The third group—accounting for 25 percent of PBT—consists of water transportation, the communication and utilities industries, credit agencies, real estate investment trusts, security and commodity brokers, life insurance carriers, and services industries. The indicators for these industries are based on income from samples of shareholder reports generally tabulated by BEA.

The fourth group—accounting for 5 percent of PBT—consists of the remaining domestic industries. The indicators are based either on information related to corporate income, such as sales, or on judgment.

The final group is the rest of the world—accounting for 14 percent of PBT. Like the third July estimates, the second and first July estimates for the rest-of-the-world are from BEA's international transactions accounts.

For Federal profits tax liability and for dividends, the same sources of information as shown in table 2 for PBT are used to prepare the industry indicators. For Federal profits tax liability, the industry extrapolations are forced to an all-industry control, which is derived from information on tax collections and refunds. For State and local profits tax liability, the estimates are based on tabulations of tax collections by the Census Bureau.

**Quarterly estimates.** The quarterly estimates are obtained by interpolation and, for the most recent quarters, by extrapolation. In general, the industry indicators used for the quarterly interpolations and extrapolations are based on the same source information as the annual indicators; however, the amount of industry detail is somewhat less—covering about 65 industries.

Except for the fourth quarter, preliminary quarterly estimates of PBT and profits tax liability are prepared approximately 55 days after the end of the quarter, and revised estimates are prepared approximately 85 days after the end of the quarter. In general, the preliminary quarterly estimates are based on less complete information than the revised estimates prepared a month later. For example, for industries extrapolated with information from the *Quarterly Financial Report*, the preliminary estimates are based on a subsample of the information available a month later. For the fourth quarter, the only estimate is prepared approximately 85 days after the end of the quarter. This delay occurs because most corporations have fiscal years ending in the fourth quarter and need additional time to complete end-of-year reports. For dividends, estimates are prepared approximately 25 days after the end of the quarter.

Table 2. Indicators Used in the Extrapolation of the Annual First "July" Estimates of Profits Before Tax

| Industry | Indicators | Percentage of profits before tax, 1996 |
|---|---|---|
| All industries | | 100 |
| Mining (4), manufacturing (21), wholesale trade, and retail trade (4) | Tabulations of income from *Quarterly Financial Report* | 39 |
| Railroad transportation, local and interurban passenger transit, transportation by air, Federal Reserve banks, commercial and mutual banks (2), credit unions, federally sponsored credit agencies (2), savings and loan associations, and property and casualty insurance carriers | Income tabulated from reports filed with regulatory agencies | 17 |
| Trucking and warehousing, water transportation, communication (2), electric and gas utilities, credit agencies, security and commodity brokers, life insurance carriers, real estate investment trusts, and services | Income tabulated from samples of shareholders' reports | 25 |
| Agriculture, forestry, and fisheries (2); construction; pipelines except natural gas; transportations services; sanitary services; insurance agents, brokers, and services; real estate; and holding and other investment companies (3) | Data related to profits, such as sales, or judgment | 5 |
| Rest of the world | Receipts and payments from BEA's international transactions accounts | 14 |

BEA Bureau of Economic Analysis
Note. The number in parentheses indicates the number of subindustries for which an estimate is extrapolated.

# Annual Estimates Derived From Corporation Income Tax Returns

The third July estimates, which are described in this section, are essentially final estimates. Unlike some NIPA components, profits before tax, profits tax liability, and dividends are not subject to changes resulting from the incorporation of major new information sources during the periodic comprehensive revisions of the NIPA's. Statistical revisions in the profits components are limited to the introduction of corrections to the IRS tabulations and to the incorporation of a few types of information available only with a long lag.

The estimates of PBT, profits tax liability, and dividends are prepared by industry, beginning with an IRS item and then making a number of adjustments that conform the IRS information to the coverage and definition of the NIPA items. This section describes those adjustments, shown in table 3 (reproducing the items and line numbers of NIPA table 8.25) on the next page.

### Profits before tax

The starting point for the derivation of profits before tax (PBT) is IRS "total receipts less total deductions," shown in line 1 in table 3. For each industry, total receipts less total deductions is obtained from *Corporation Income Tax Returns*. (This item differs from income subject to tax, as defined on the corporate tax return, in that it includes tax-exempt interest and excludes the special statutory deductions available for corporations.)

The major adjustments to IRS total receipts less total deductions required to arrive at PBT for domestic industries consist of the following:

- An allowance for the misreporting of corporate income disclosable by IRS audit (line 2 in table 3);
- IRS deductions that are not elements of costs of current production: Depletion on domestic minerals (line 8), expensing of expenditure for mining exploration, shafts, and wells (line 9), State and local corporate profits tax accruals (line 10), and bad debt expense (line 12);
- Elements of costs of current production that are not IRS current deductions: Interest payments of regulated investment companies (line 11), costs of trading or issuing corporate securities (line 16), and taxes paid by domestic corporations to foreign governments on income earned abroad (line 17);
- Elements of domestic income from current production that are not IRS income: Profits of certain types of financial institutions (lines 5, 6, and 7); and
- Elements of IRS income that are not domestic income from current production: Gains, net of losses, from the sale of property (line 13), dividends received from domestic corporations (line 14), and income on equities in foreign corporations and branches (line 15).

To arrive at PBT on a national basis, rest-of-the-world profits, derived from BEA's international transactions accounts, are added (line 18). These adjustments are discussed in the order shown in table 3.

**Adjustment for misreporting on income tax returns** (line 2). The tabulations in *Corporation Income Tax Returns*, compiled from samples of unaudited tax returns, do not include unreported income. The NIPA measures should include such income. The adjustment adds an estimate of the additional profits that would be revealed if all corporate returns were audited. It is calculated separately for corporations reporting a profit and for those reporting a loss. For corporations reporting a profit, the adjustment is calculated as follows: (1) To derive actual tax settlements by corporate asset size class, the value of the assessment per return, by size class, recommended by IRS auditors is reduced by the overall ratio of actual settlements to recommendations [38]. (2) The estimates of actual settlements are raised to universe totals by multiplying them by the number of corporate tax returns with income, by asset size class, as published in *Corporation Income Tax Returns*. (3) The estimated universe totals of settlements are divided by the applicable corporate tax rate to obtain the estimate of additional profits. For corporations reporting a loss, the adjustment is calculated by multiplying total losses, as published in *Corporation Income Tax Returns*, by an estimate, based on fragmentary information from IRS, of the percentage by which losses are reduced during audit.

The industry distribution of audit profits is based on the judgment of IRS auditors that most audit recommendations have stemmed from overstating repairs, misstating compensation of officers, and expensing, rather than depreciating, plant and equipment expenditures. Accordingly, the audit profits total is divided into thirds and is distributed by industry on the basis of the distributions of the repairs item and of the compensation of officers item in *Corporation Income Tax Returns* and capital expenditures from the Census Bureau's annual survey [30].

**Posttabulation amendments and revisions** (line 3)

Table 3. Corporate Profits, Taxes, and Dividends in NIPA Table 8.25
Sources of Second and Third "July" Estimates

| Line | Line item | 1996 estimate (millions of dollars) | Sources | |
|---|---|---|---|---|
| | | | Aggregate | Industry detail |
| | **Profits before tax** | | | |
| 1 | Total receipts less total deductions, IRS | 797,629 | *CITR* | *CITR* |
| 2 | Plus: Adjustment for misreporting on income tax returns | 94,083 | AIMS | *CITR*, P&E |
| 3 | Posttabulation amendments and revisions | –4,346 | See table 4 | See table 4 |
| 4 | Income of organizations not filing corporation income tax returns | 28,445 | | |
| 5 | Federal Reserve banks | 21,784 | FRB [5] | Banking |
| 6 | Federally sponsored credit agencies | 2,673 | FHLBB, FCS, FHLMC | Credit agencies excluding banks |
| 7 | Other | 3,988 | IRS, FRB [6], SEC, FDIC, NCUA | Insurance carriers, banking and credit agencies excluding banks |
| 8 | Depletion on domestic minerals | 8,216 | *CITR,* IRS | *CITR* |
| 9 | Adjustment to depreciate expenditures for mining exploration, shafts, and wells | 630 | *JAS, CIR*, PPI, CMI extrapolated by *CITR*, CES | BEA's domestic depletion |
| 10 | State and local corporate profits tax accruals | 33,023 | *GQR* | *CITR* |
| 11 | Interest payments of regulated investment companies | –86,362 | CITR | Holding and other investment |
| 12 | Bad debt expense | 74,657 | CITR | *CITR* |
| | Less: Tax-return measures of | | | |
| 13 | Gains, net of losses, from sale of property | 132,869 | *CITR*, Best's, BEA studies | *CITR* |
| 14 | Dividends received from domestic corporations | 47,222 | *CITR* | *CITR* |
| 15 | Income on equities in foreign corporations and branches (to U.S. corporations) | 107,090 | *CITR*, ITA's, IRS | *CITR* |
| 16 | Costs of trading or issuing corporate securities | 25,268 | NYSE, SEC, ROS | SEC, *CITR* |
| 17 | Taxes paid by domestic corporations to foreign governments on income earned abroad | 8,034 | ITA's | *CITR* |
| 18 | Plus: Income received from equities in foreign corporations and branches by all U.S. residents, net of corresponding payments | 100,853 | ITA's | Rest of the world |
| 19 | Equals: Profits before taxes, NIPA's | 726,345 | | |
| | **Profits tax liability** | | | |
| 20 | Federal income and excess profits taxes, IRS | 223,713 | *CITR* | *CITR* |
| 21 | Plus: Post-tabulation amendments and revisions, including | –83 | | |
| | Results of audits [and renegotiations/?] | 6,418 | AIMS | *CITR* |
| | Carryback refunds | –6,501 | IRS | *CITR* |
| | Other posttabulation amendments to taxes | | See table 4 | See table 4 |
| 22 | Amounts paid to U.S. Treasury by Federal Reserve banks | 20,083 | FRB [5] | Banking |
| 23 | State and local corporate profits tax accruals | 33,023 | *GQR* | *CITR* |
| 24 | Less: U.S. tax credits claimed for foreign taxes paid | 43,303 | *CITR* | *CITR* |
| 25 | Investment tax credit | 0 | *CITR* | *CITR* |
| 26 | Other tax credits | 9,788 | *CITR* | *CITR* |
| 27 | Equals: Profits tax liability, NIPA's | 223,645 | | |
| 28 | Profits after tax, NIPA's (19–27) | 502,700 | | |
| | **Net dividend payments** | | | |
| 29 | Dividends paid in cash or assets, IRS | 530,828 | *CITR* | *CITR* |
| 30 | Plus: Posttabulation amendments and revisions | –91,826 | See table 6 | See table 6 |
| 31 | Dividends paid by Federal Reserve banks and certain federally sponsored credit agencies | 1,428 | FRB [5], FCS, FHLBB | Banking, credit agencies excluding banks |
| 32 | U.S. receipts of dividends from abroad, net of payments to abroad | 40,386 | ITA's | Rest of the world |
| 33 | Earnings remitted to foreign residents from their unincorporated U.S. affiliates | 3,734 | ITA's | ITA's, *CITR*, IRS |
| 34 | Interest payments of regulated investment companies | 86,362 | *CITR* | Holding and other investment companies |
| 35 | Less: Dividends received by U.S. corporations | 93,467 | *CITR* | CITR |
| 36 | Earnings of U.S. residents remitted by their unincorporated foreign affiliates | 7,010 | ITA's | ITA's, *CITR,* IRS |
| 37 | Equals: Net corporate dividend payments, NIPA's | 297,711 | | |

AIMS Audit Information Management System [38]
BEA Bureau of Economic Analysis
Best's *Aggregates and Averages, Property and Casualty* [4]
*CIR* *Current Industrial Reports* [26]
CMI Census of Mineral Industries [23]
CES Capital Expenditures Survey [30]
*CITR* *Corporation Income Tax Returns* [40]
FCS Farm Credit System [8]
FDIC Federal Deposit Insurance Corporation [9]
FHLBB Federal Home Loan Bank Board [11]
FHLMC Federal Home Loan Mortgage Corporation [12]
FRB Federal Reserve Board [5]
*GQR* *Governments Quarterly Report* [28]
IRS Internal Revenue Service [38, 39, 40]
ITA's International transactions accounts [31]
*JAS* *Joint Association Survey on Drilling Costs* [2]
NCUA National Credit Union Administration [16]
NYSE New York Stock Exchange [17, 18]
PPI Producer Price Index [34]
ROS Registration Offering Statistics System [42]
SEC Securities and Exchange Commission [41]

includes a number of items, most of which are either small relative to PBT or affect only a few years, that are described briefly in table 4 on the next page.

**Income of Federal Reserve Banks and other federally sponsored credit agencies** (lines 5 and 6). Federal Reserve banks, Federal home loan banks, the Federal Home Loan Mortgage Corporation (in 1971–84), and Farm Credit System are included in the corporate sector of the NIPA's. Because these institutions do not file tax returns, the income and expenses are not included in *Corporation Income Tax Returns*. By the adjustment, profits of the Federal Reserve System and the Federal Home Loan Banks are included in PBT of depository institutions. Federal Reserve System profits are measured by current net earnings less expenses for the Board of Governors, currency costs, and implicit commission expenses from the annual report of the Board of Governors [5]. Net income of the other agencies is included in PBT of nondepository institutions. Information on net income is from the annual reports of the Federal Home Loan Bank [11], of the Federal Home Loan Mortgage Corporation [12], and of the Farm Credit System that are compiled by the Farm Credit Administration [8].

**Other organizations not filing corporation income tax returns** (line 7). Personal injury trusts and nonprofit organizations serving business exempt from income tax under section 501(c) are included in the NIPA corporate sector in the holding and other investment offices industry. Personal injury trusts are business-established independent legal entities to administer payments for damages resulting from product liability claims. These payments are considered transfer payments from business to persons at the time funds are disbursed. Receipts and payments data are collected from individual trust fund reports. The earnings (surplus) of agricultural organizations, business leagues, chambers of commerce, real estate boards, boards of trade and organization to finance crop operations are based on IRS tabulations of information returns filed by exempt organizations [39].

Earnings of mutual depository institutions—mutual savings banks and credit unions—are treated as PBT. For mutual savings banks, until 1953, *Corporation Income Tax Returns* did not reflect this income, because these institutions were not taxed on it. The adjustment for years before 1953 is derived by extrapolating *Corporation Income Tax Returns* data for 1953, using information on earnings of insured mutual savings banks from the Federal Deposit Insurance Corporation [10].

For credit unions, income is not reflected in *Corporation Income Tax Returns*, because these institutions are not taxed on it. The adjustment consists of net income less dividends to shareholders and interest refunds as tabulated by the National Credit Union Administration for State-chartered and Federally chartered credit unions [16].

**Depletion on domestic minerals** (line 8). Natural resource discoveries are not considered to be capital formation in the NIPA's; consequently, depletion—the charge for the using up of these resources—is not a charge against current production. In contrast, the IRS permits depletion to be charged as an expense. By the adjustment, the *Corporation Income Tax Returns* expense "depletion" is reduced by the domestic depletion claimed on tax returns, thereby increasing profits. The adjustment is calculated as the difference between depletion from *Corporation Income Tax Returns* and an estimate of foreign depletion based on special IRS studies. (The effect of foreign depletion is removed when foreign income is removed in line 15).

**Adjustment to depreciate expenditures for mining exploration, shafts, and wells** (line 9). Expenditures for mining exploration, shafts, and wells are treated as capital formation in the NIPA's. In contrast, IRS permits some of these expenditures to be charged as current expense. In *Corporation Income Tax Returns*, "other deductions" are adjusted to remove the expensed portion of the current year's investment and to add depreciation charges on investment made in the current and previous years.

Estimates of oil and natural gas drilling expenses are obtained from data on drilling footage and on prices from the *Joint Association Survey on Drilling Costs* that is published by the American Petroleum Institute [2], producer price indexes from the Bureau of Labor Statistics [34], and until 1995, the Annual Survey of Oil and Gas from the Census Bureau [26]. Estimates of expensed expenditures for construction of mine shafts (for minerals other than petroleum and natural gas) are based on the quinquennial economic census [23] and capital expenditures from the Census Bureau's Annual Capital Expenditures Survey [30]. Depreciation charges for investment in mining exploration, shafts, and wells are estimated using a perpetual inventory calculation in which the investment is depreciated over time.

The adjustment is prepared as an aggregate for all business and allocated by legal form of organization and by industry on the basis of BEA's estimates of domestic depletion.

**State and local corporate profits tax accruals** (line 10). PBT is measured before deduction of income taxes. Because State and local income taxes are expense items on the Federal tax return, they must be added to *Corporation Income Tax Returns* "total receipts less total deductions." The taxes are not shown separately, however, on the corporate Federal tax return; the estimate is based on State and local government receipts compiled by the Bureau of the Census in *Quarterly Summary of State and Local Tax Revenue* [28]. The industry distribution of these taxes is based on that in *Corporation Income Tax Returns* for Federal income tax liability.

**Interest payments of regulated investment**

Table 4. Posttabulation Amendments and Revisions to IRS "Total Receipts Less Total Deductions"

| Adjustment | Period | Estimates (millions of dollars) | Type and purpose of adjustment[1] | Sources and methods |
|---|---|---|---|---|
| Amortization of emergency war facilities | 1941–44 | 1941 –26<br>1944 –715 | Timing adjustment: To reflect the accelerated amortization of war facilities over shorter service lives [that was/?] permitted in 1945.[2] | The adjustment is based on *CITR* tax refunds.[3] |
| Expense allowances | 1954 | 1954 1,100 | Timing adjustment: To include two expense allowances under sections 452 and 462 of the 1954 Internal Revenue Code that were repealed in 1955.[2] | Adjustments were based on 1954 *CITR* balance sheet information. |
| Corporate fiscal years | 1957–59 | 1957 318<br>1958 –592<br>1959 274 | Timing adjustment: To reflect calendar year profits because fiscal year profits did not adequately represent calendar year activity in the 1957–58 recession.[2] | Adjustments were based on *CITR* tabulations classified by accounting-period ending dates. |
| Retroactive wage settlements | 1971–72 | 1971 –151<br>1972 151 | Timing adjustment: To reflect the accrual in 1971 of expenses for retroactive wage payments after wage and price controls ended in 1972.[2] | Adjustments were based on Pay Board [19] data on retroactive wage settlements. |
| Installment sales | 1961–90 | 1961 343<br>1990 –440 | Timing adjustment: To reflect an accrual basis for sales reported in *CITR* in the year of the sale regardless of when payment is received. | Adjustments are based on shareholder reports and corporate tax return data. |
| Completed contracts | 1978–94 | 1978 170<br>1994 –8 | Timing adjustment: To distribute profits reported under the completed-contract accounting method to reflect the percentage-of-completion method. | Adjustments are based on a GAO study, tax return data, and shareholder reports. |
| Alaska and Hawaii | 1946–59 | 1946 –39<br>1959 –87 | Coverage adjustment: To reflect the exclusion of profits accruing in Alaska and Hawaii in *CITR* from domestic profits before they became States.[4] | Adjustments were based on special IRS tabulations. |
| Insurance carriers | 1929–57 | 1929 6<br>1957 –2,539 | Coverage adjustment: To reflect the inclusion of life insurance carriers' net income from underwriting in NIPA profits, which was not fully reflected in *CITR*. | Adjustments were based on ACLI profits data and *CITR* data for life insurance carriers. |
| Foreign government actions | 1942<br>1960<br>1971 | 1942 77<br>1960 956<br>1971 622 | Definitional adjustment: To reflect the exclusion of losses from foreign government interventions, defaults, nationalization, or expropriation of U.S.-owned assets as deductions in calculating NIPA profits. | Adjustments were based on shareholder reports, corporate tax return data, and FDI survey data. |
| Renegotiation Board awards | 1942–45<br>1951–78 | 1942 –1,783<br>1945 –522<br>1951 –100<br>1978 –31 | Definitional adjustment: To reflect the exclusion of profits determined to be excessive by the Renegotiation Board in the calculation of NIPA profits.[2] | Adjustments were based on tabulations of the Renegotiation Board [19]. |
| Special assessments | 1946–96 | 1946 –4<br>1996 –239 | Definitional adjustment: To reflect the inclusion of assessments for the costs of improvements, such as streets and curbs, that benefit property owners as expenses in calculating NIPA profits | Adjustments are based on Census Bureau data on State and local government receipts.[5] |
| Oilwell bonus payments | 1946–96 | 1946 77<br>1996 257 | Definitional adjustment: To reflect the exclusion of bonus payments for drilling rights to land lessors as expenses in calculating NIPA profits. | Adjustments are based on data from the *President's 1963 Tax Message* [21] and on unpublished data on canceled oil leases from trade sources. |
| Dividends received from Federal Reserve banks and Federal home loan banks (FHLB's) | 1959–96 | 1959 –7<br>1996 –1,297 | Definitional adjustment: To reflect the exclusion of taxable dividends received by commercial banks from Federal Reserve banks and by savings and loan associations from FHLB's, which are included in *CITR* "other receipts," from NIPA profits.[6] | Adjustments are based on FRB [5] and FHLBB data. |
| Capitalized interest and property taxes | 1959–96 | 1959 2<br>1996 –502 | Definitional adjustment: To capitalize rather than to expense property taxes and monetary interest charges of utilities associated with construction projects in calculating NIPA profits. | Estimates of the capitalization are based on *CCR* data on construction by utility corporations, FRB [6] interest rates, and BEA estimates of property taxes allocated to construction.[7] |
| Jobs tax credit | 1977–87 | 1977 –1,704<br>1987 297 | Definitional adjustment: To reflect the inclusion of the jobs tax credit as a wage and salary expense in calculating NIPA profits. | Adjustments are based on the amount of the credit in *CITR*. |
| Modified coinsurance | 1980–83 | 1980 3,000<br>1983 6,200 | Definitional adjustment: To exclude the effects of the modified coinsurance agreements among life insurance carriers that affected *CITR* tabulations from the calculation of NIPA profits. | Adjustments are based on ACLI data. |

Table 4. Posttabulation Amendments and Revisions to IRS "Total Receipts Less Total Deductions—Continued

| Adjustment | Period | Estimates (millions of dollars) | Type and purpose of adjustment[1] | Sources and methods |
|---|---|---|---|---|
| Defined benefit pension plan reversions | 1980–96 | 1980 –12<br>1996 0 | Definitional adjustment: To exclude from profits the income resulting from the termination of overfunded, defined benefit pension plans. | Adjustments are based on PBGC tabulations and corporate tax returns *CITR* data. |
| Employer stock ownership plans | 1976–88 | 1976 –447<br>1986 –1,391 | Definitional adjustment: To reflect the inclusion of employer contributions to tax-credit stock ownership plans as an other-labor-income expense in calculating NIPA profits. | Adjustments are based on the *CITR* credit amounts. |
| Fines | 1978-96 | 1978 –31<br>1996 –461 | Definitional adjustment: To reflect the inclusion of fines as an expense in calculating NIPA profits. | Adjustments are based on Federal budget data and information on court awards. |
| Tax-exempt interest income | 1968–90 | 1968 18<br>1990 290 | "Other" adjustment: To reflect the use of data on tax-exempt State and local interest that are received by commercial banks and by nonlife insurance carriers, that are reported as an information item on tax returns, and that are more complete than the *CITR* data. | Adjustments for commercial banks are based on FDIC tax-exempt interest received and those for nonlife insurance carriers, on FRB holdings of State and local government securities and on FDIC interest rates of commercial banks.[8] |
| Savings and loan associations | 1929–52 | 1929 83<br>1952 165 | "Other" adjustment: To include the earnings of these institutions that are excluded from *CITR* in NIPA profits. | Estimates were derived from *CITR* and FHLBB earnings data. |
| Intangible amortization | 1981–96 | 1981 409<br>1996 8,267 | Definitional adjustment: To reflect the exclusion of the amortization of intangible assets as an expense in calculating NIPA profits. | Adjustments are based on corporate tax return *CITR* data. |
| Imputed tax returns | 1984–87 | 1984 1,009<br>1987 –167 | Coverage adjustment: To replace imputed tax data for a year with the tax return data for that year. | Adjustments are based on IRS business data from the master file. |
| Bad debt reserve recovery | 1987–92 | 1987 –10,163<br>1992 –2,399 | Definitional adjustment: To reflect the exclusion of the recapture of bad debt reserves as income in calculating NIPA profits. | Adjustments are based on *CITR* tabulations. |
| 1120–S pass through | 1987–96 | 1987 2,223<br>1996 7,208 | Definitional adjustment: To restate profits of small business corporations to reflect the income and expenses that are passed to shareholders rather than reported by the corporation. | Adjustments are based on *CITR* tabulations. |
| SEC-263A | 1987–90 | 1987 725<br>1990 725 | Definitional adjustment: To eliminate the effect of the restatement of inventories due to the adoption of the uniform capitalization of inventory expenses. | Adjustments are based on *CITR* tabulations. |
| Business entertainment | 1987–96 | 1987 7,588<br>1996 25,790 | Definitional adjustment: To treat all the expenses for business meals and beverages and entertainment as expenses in calculating NIPA profits. | Adjustments are based on *CITR* tabulations and BEA's input-output calculations |
| Environmental tax | 1987–96 | 1987 351<br>1996 56 | Definitional adjustment: To treat the environmental tax as a component of tax liability rather than as a deduction in deriving NIPA profits. | Adjustments are based on *CITR* tabulations. |
| Insurance adjustments | 1985–96 | 1985 –1,196<br>1996 –6,014 | Definitional adjustment: To remove all unpaid premiums and losses from receipts and deductions so that the profits of property and casualty insurance companies and of mutual life insurance companies are restated and reflect the amounts paid to policyholders as dividends. | Adjustments are based on *CITR* tabulations. |
| Net software depreciation adjustment | 1959–96 | 1959 3<br>1996 14,169 | Definitional adjustment: Business and government expenditures for software recognized as fixed investment. | Adjustments based on *CITR* tabulations and BEA investment data. |
| Maritime construction subsidies | 1955<br>1985 | 1955 8<br>1985 4 | Definitional adjustment: Maritime construction subsidies, which were classified as current transactions, were reclassified as capital transfers. | Adjustments based on Federal budget data. |

ACLI American Council of Life Insurance [1]
BEA Bureau of Economic Analysis
*CCR* *Current Construction Reports* [25]
*CITR* *Corporation Income Tax Returns* [30]
GAO General Accounting Office [33]
FDIC Federal Deposit Insurance Corporation [9]
FDI Foreign direct investment [31]
FHLB's Federal home loan banks
FHLBB Federal Home Loan Bank Board [11]
FRB Federal Reserve Board [5, 6, and 7]
IRS Internal Revenue Service
NIPA National income and product accounts
PBGC Pension Benefit Guaranty Corporation

1. The timing, coverage, definitional, and "other" adjustments are the differences between *CITR* "total receipts less deductions" and NIPA profits before tax.

2.Taxes were also adjusted.

3. The adjustment is the difference between the recomputed amortization and the reported amortization.

4. Taxes and dividends were also adjusted.

5. See Bureau of the Census [27]. The adjustments are assigned to the real estate and construction industries.

6. Dividends received by domestic corporations are excluded from NIPA profits; see line 14 of NIPA table 8.25.

7. The adjustment is the difference between the estimated capitalization and the capitalization reported on tax returns.

8. Appropriate interest rates are derived from the FDIC information on commercial banks. The adjustment is the difference between the estimate and the interest reported on tax returns.

**companies** (line 11). Interest payments of regulated investment companies are not reflected as an expense in the *Corporation Income Tax Returns* measure of total deductions. This adjustment reflects interest payments as an expense in calculating NIPA profits. The adjustment is estimated as the portion of cash distribution generated by interest income, based on *Corporation Income Tax Returns* tabulations for regulated investment companies.

**Bad debt expense** (line 12). Bad debt expenses are not considered to be expenses from current production and are not reflected as an expense in calculating NIPA profits. The adjustment is the *Corporation Income Tax Returns* bad debt expense item.

**Gains, net of losses, from sale of property** (line 13). Gains (net of losses) on sales of fixed assets and securities are not considered to be income from current production. *Corporation Income Tax Returns* total receipts less total deductions are adjusted to remove these gains and losses. The adjustment consists of *Corporation Income Tax Returns* items for net gains with two modifications.

The first modification relates to income from the sale of timber, coal, iron ore, livestock, and unharvested crops. This income is treated as gains or losses for tax purposes, but it is included in NIPA profits because it reflects current production. Therefore, an estimate of such gains or losses, which is derived from Corporation Income Tax Returns and special BEA studies, is subtracted from the *Corporation Income Tax Returns* net gains items.

The second modification relates to accidental damage to fixed business capital. In *Corporation Income Tax Returns*, the net gains items include the excess of insurance payments for accidental damage over the historical-cost book value of the damaged property. In the NIPA's this amount is not considered a capital gain: The insurance payment is an expense of current production for insurance carriers, and the historical cost of the damaged property is treated as depreciation. Thus, the *Corporation Income Tax Returns* net gains items are modified to exclude the amount of the excess, which is estimated as the difference between the insurance payments, based on data on insurance losses from *Best's Aggregates and Averages: Property-Casualty* [4], and BEA estimates of accidental damage.

**Dividends received from domestic corporations** (line 14). NIPA profits are the sum of each corporation's income from its current production; the dividends received by the corporation are not an element of such income. In contrast, receipts of dividends paid by other domestic corporations are included in total receipts less total deductions in *Corporation Income Tax Returns*. This adjustment, derived from *Corporation Income Tax Returns*, removes these dividends.

**Income on equities in foreign corporations and branches to U.S. corporations** (line 15). This adjustment places total receipts less total deductions in *Corporation Income Tax Returns* on a domestic basis by removing the income earned abroad by U.S. corporations that are included in total receipts less total deductions in *Corporation Income Tax Returns*. The adjustment is estimated as the sum of (1) dividends received from abroad, from *Corporation Income Tax Returns*; (2) other foreign-source income reported in support of claims for foreign tax credits, from special IRS tabulations of Form 1118; (3) since 1976, income earned by U.S. corporations from operations in U.S. possessions, from special IRS tabulations; and (4) from 1959 to 1980, income earned by Western Hemisphere Trade Corporations, from *Corporation Income Tax Returns*.

Prior to 1987, two modifications were made to the estimate of the adjustment as just described: Fees and royalties received from foreigners were subtracted, and those paid to foreigners were added, based on information from BEA's international transactions accounts (ITA's) [31] and special IRS tabulations, respectively. Fees and royalties, which were included in the pre-1987 Form 1118 income measure, are treated as receipts for services rendered in both the NIPA's and ITA's and are not part of rest-of-the-world profits.

Beginning with 1987, the adjustment to remove foreign earnings of U.S. corporations—specifically to remove profits received from unincorporated foreign operations of U.S. corporations—was improved by the use of data from IRS Form 1118. The newly available IRS data are reported on Schedule F "Gross Income and Definitely Allocable Deductions From Sources Outside the U.S. Under Section 863(b) and for Foreign Branches" of IRS Form 1118.

**Cost of trading or issuing corporate securities** (line 16). The costs of trading (brokers' commissions) and issuing corporate securities are treated as expenses of the current period in calculating NIPA profits. In contrast, in tax accounting, these costs are usually deferred.

For the cost of trading, the adjustment is made to treat these costs as an expense in the current period rather than as a reduction in future capital gains income. The estimate of brokers' explicit commissions is based on data on commissions paid from studies by the New York Stock Exchange [18]. The corporate share is derived as a residual after deducting estimates of commissions paid by persons and noncorporate business, which are based on information from the Securities and Exchange Commission (SEC) [42] and stock exchanges [17]. The corporate share is allocated by industry by the *Corporation Income Tax Returns* item “other investments.”

The cost-of-trading adjustment also includes the imputed financial service charge paid by corporations to domestic securities dealers who do not charge an explicit commission. The imputed commission is defined as the “spread,” or the difference, between the cost of acquiring a security or an equity and its sale value, based on the acquisition cost on the date of sale. For Federal Government securities, the revised commissions are estimated using the dollar volume of trading as reported by the Federal Reserve Bank of New York and on bid and ask prices published in *The Wall Street Journal*. For equities, the revised commissions are estimated in two parts: For stocks sold over the counter, volume data are from the National Association of Securities Dealers, and bid and ask prices are from *The Wall Street Journal*; and for exchange-traded stocks, volume data are based on transactions on the New York Stock Exchange and on other stock exchanges and on related bid and ask prices. The corporate share of imputed commissions are estimated for securities using data on holdings of corporations from the flow-of-funds accounts published by the Federal Reserve Board and for equities using data on transactions from New York Stock Exchange reports.

For the costs of issuing debt or equity securities, the adjustment is made to treat these costs as an expense in the current period rather than as amortized costs. The estimate is based on SEC data on new offerings of corporate securities and associated expenses [41]. The allocation by industry is based on the SEC tabulations and *Corporation Income Tax Returns* data on holdings of long-term mortgages and capital stocks.

**Taxes paid by domestic corporations to foreign governments on income earned aboard** (line 17). Records the payment of nonresident taxes on the dividends portion of direct investment income and profits income. These payments are reflected in the NIPA’s as business transfer payments to foreigners. The estimates are based on ITA data and special IRS tabulations on foreign taxes withheld. The annual total is allocated to industries using the industry distribution of foreign tax credits from *Corporation Income Tax Returns.*

**Income received from equities in foreign corporations and branches by all U.S. residents, net of corresponding payments** (line 18). As noted previously, the adjustments to total receipts less total deductions thus far provide PBT for domestic industries and exclude rest-of-the-world profits. To arrive at PBT on a national basis, rest-of-the-world profits, derived from the ITA’s [31], are added as an adjustment. The derivation of the adjustment as defined by ITA components used in its construction is shown in table 5 on the next page.

The adjustment consists of receipts of all U.S. residents, including both corporations and persons, of earnings (both distributed and reinvested) of foreign affiliates of U.S. direct investors and of the dividends portion of other private receipts, less corresponding outflows. All items are recorded net of income taxes and of capital gains and losses—except the dividend portions of both direct investment income and portfolio income, recorded before deduction of nonresident taxes withheld.

The ITA data are adjusted to remove the Commonwealth of Puerto Rico and U.S. territories. This conforms the geographic coverage to that used elsewhere in the NIPA’s—the 50 States and the District of Columbia.

### Profits tax liability

The starting point for the derivation of profits tax liability is IRS income tax, total, which is shown as Federal income and excess profits taxes, IRS on line 20 in table 3. For each industry, this item is obtained from *Corporation Income Tax Returns*. It measures total income taxes before allowance for tax credits; it is the gross Federal income tax liability on income from all sources.

The adjustments to IRS Federal income and excess profits taxes required to arrive at NIPA profits tax liability consist of the following:

- Tax liability disclosed by IRS audit, renegotiation and carryback refunds (part of line 21);
- Elements of NIPA tax liability that are not included in IRS Federal income and excess profits taxes: Payments to the U.S. Treasury by Federal Reserve Banks (line 22) and State and local corporate profits tax accruals (line 23);
- IRS tax credits deducted in arriving at NIPA tax liability: Foreign tax credits (line 24), investment tax credit (line 25), and other tax credits (line 26).

**Posttabulation amendments and revisions, including results of audit and renegotiation and carryback refunds** (line 20). An adjustment for the results of audit, renegotiation, and carryback refunds is necessary because *Corporation Income Tax Returns* tabulations are compiled from samples of unaudited tax returns. The audit adjustment is the amount of additional tax liability owed by firms actually audited. It is actual tax settlements derived in the first step of the calculation of the audit adjustment for PBT (line 2).

The adjustment is distributed by industry in the same way as the audit adjustment for PBT.

In the NIPA's, tax refunds resulting from net operating losses are viewed as reducing tax liability in the year of the loss. IRS permits corporations with such losses to carry the loss back to claim a refund for taxes paid in preceding years and to carry forward the amount of such loss in excess of profits in the years for which refunds are obtained. BEA obtains data on carryback refunds from monthly IRS tabulations of applications for carryback refunds; the adjustment is allocated by industry on the basis of deficits reported in *Corporation Income Tax Returns*. No adjustment is required for carryforwards because the lower tax payments are reflected in *Corporation Income Tax Returns*. Several of the posttabulation adjustments to profits have a tax impact as well; these are included in table 4. In addition, for 1938–40, an adjustment is made for excess profits taxes levied under the Vinson Act.

**Amounts paid to U.S. Treasury by Federal Reserve banks** (line 22). Federal Reserve banks are included in the corporate sector of the NIPA's but are not included in *Corporation Income Tax Returns*. Consequently, payments to the U.S. Treasury by Federal Reserve banks, treated as taxes in the NIPA's, must be added to the IRS Federal income taxes. Data are from the Federal Re-

Table 5. Derivation of the Rest-of-the-World Profits Measures

[Millions of dollars]

| | Profits measures (receipts less payments) 1996 estimate | Receipts from the rest of the world | | Payments to the rest of the world | |
|---|---|---|---|---|---|
| | | ITA item | 1996 estimate | ITA item | 1996 estimate[1] |
| Profits before tax | 100,853 | | 140,623 | | 39,770 |
| | | Earnings on USDIA (table 5, line 2) | 101,12 | Earnings on FDIUS (table 5, line 43) | 26,468 |
| | | Earnings (net of withholding taxes) | 99,861 | Earnings (net of withholding taxes) | 25,844 |
| | | Cross border (withholding taxes) | 1,262 | Cross border (withholding taxes) | 624 |
| | | Other private receipts (part) (table 1, line 15) | 23,352 | Other private payments (part) (table 1, line 32) | 13,102 |
| | | Plus: Possessions income[2] | 16,148 | Plus: Possessions income[2] | 200 |
| Profits tax liability[3] | 0 | n.a. | 0 | n.a. | 0 |
| Dividends | 40,386 | | 68,975 | | 28,589 |
| | | Distributed earnings on USDIA (table 5, line 3)[4] | 45,623 | Distributed earnings on FDIUS (table 5, line 44)[5] | 15,487 |
| | | Distributed (net of withholding taxes) | 44,361 | Distributed (net of withholding taxes) | 14,863 |
| | | Cross border (withholding taxes) | 1,262 | Cross border (withholding taxes) | 624 |
| | | Other private receipts (part) (table 1, line 5) | 23,352 | Other private payments (part) (table 1, line 32) | 13,102 |
| | | Other private (net of withholding) | 20,438 | Other private (net of withholding) | 11,446 |
| | | Cross border (withholding taxes) | 2,914 | Cross border (withholding taxes) | 1,656 |
| Undistributed corporate profits | 60,467 | | 71,648 | | 11,181 |
| | | Reinvested earnings on USDIA (table 5, line 4)[4] | 55,500 | Reinvested earnings on FDIUS (table 5, line 45)[5] | 10,981 |
| | | Plus: Possessions income[2] | 6,148 | Plus: Possessions income[2] | 200 |

n.a. Not available
ITA's International transactions accounts
FDIUS Foreign direct investment in the United States
USDIA U.S. direct investment abroad

1. Sign reversed.
2. The addition of the income for U.S. possessions is based on ITA data for the Commonwealth of Puerto Rico and for U.S. territories and reflects the geographic coverage of the national income and product accounts.
3. Assumes that the foreign tax credit equals the tax liability on income earned abroad.
4. Before 1982, the reinvested earnings of unincorporated foreign affiliates are included in distributed earnings rather than in reinvested earnings.
5. Before 1980, the reinvested earnings of unincorporated U.S. affiliates are included in distributed earnings rather than in reinvested earnings.

NOTE. Profits from the rest of the world do not include an inventory valuation adjustment. The estimates are derived from the ITA tables 1 and 5, which were published in "U.S. International Transactions: First Quarter 1999," SURVEY OF CURRENT BUSINESS 79 (July 1999).

serve Board [5].

**State and local corporate profits tax accruals** (line 23). In the NIPA's, profits tax liability includes Federal, State, and local taxes. Because State and local taxes are an expense item on the Federal tax return, they must be added to the *Corporation Income Tax Returns* item, which includes only Federal taxes. The adjustment is the same as that for PBT (shown in line 10).

**Tax credits** (lines 24-26). The NIPA measure of profits tax liability reflects actual tax liability; consequently, tax credits must be subtracted from the *Corporation Income Tax Returns* tax item, which is before allowance for tax credit. These credits are: (1) U.S. tax credits claimed for foreign taxes paid, line 24; (2) investment tax credit (1962 forward) line 25; (3) work incentive credit (1972–82); (4) U.S. possessions tax credit (1976 forward); (5) employment tax credit (1977–78); (6) targeted jobs credit (1979 forward); (7) nonconventional source fuel credit (1980 forward); (8) alcohol fuel credit (1980 forward); (9) research activities credit (1981 forward); (10) employee stock ownership credit (1982–86); (11) orphan drug credit (1984 forward); and (12) prior year minimum tax credit (1988 forward). Tax credits (3) through (12) compose line 26 of table 3 prior to 1984.

In 1984 the investment tax credit, jobs credit, alcohol fuel credit and employee stock ownership credit (eliminated after 1986) were combined into a general business credit reflected in line 26. In addition to these credits, the following credits have been added to the general business credit: Research activities credit (1986 forward), low-income housing credit (1986 forward), disabled access credit (1991 forward), enhanced oil recovery credit (1991 forward), renewable resources electricity production credit (1993 forward), Indian employment credit (1994 forward), community development corporations credit (1994 forward), employer social security tax credit on employee tips (1994 forward), Alaska pipeline liability credit (1995 forward), and orphan drug credit (1996 forward). Data for the adjustment by industry are from *Corporation Income Tax Returns*.

## Dividends

The starting point for the derivation of dividends is IRS distributions to stockholders, cash and property except in own stock, which is shown as dividends paid in cash or assets, IRS on line 29 in table 3. For each industry, this item is obtained from *Corporation Income Tax Returns*. It consists of cash and noncash payments out of current or retained earnings; it does not include liquidating dividends or other distributions of paid-in capital.

The adjustments to IRS dividends paid in cash or assets required to arrive at NIPA dividends consist of the following:

- Posttabulation amendments and revisions (line 30);
- Elements of NIPA dividends not included in IRS dividends paid in cash or assets: Dividends paid by Federal Reserve banks and other federally sponsored credit agencies (line 31), and measures of U.S. receipts of dividends from abroad net of payments to abroad from BEA's international transactions accounts (lines 32, 33, and 36);
- Elements of IRS dividends paid in cash or assets that are not included in NIPA dividends: Capital gains distributions of regulated investment companies (part of line 30), interest payments of regulated investment companies (line 34), and dividends received by U.S. corporations (line 35).

**Posttabulation amendments and revisions** (line 30). Several of the posttabulation adjustments to profits have an impact on dividends as well. These and other posttabulation adjustments are described in table 6 on the next page.

**Dividends paid by Federal Reserve banks and other federally sponsored credit agencies** (line 31). Federal Reserve banks, Federal home loan banks, and Farm Credit System banks are included in the corporate sector of the NIPA's. Because these institutions do not file tax returns, the income and expenses are not in the *Corporation Income Tax Returns*. The dividends paid by these institutions—from the annual reports of the Board of Governors of the Federal Reserve System [5], the Federal Home Loan Bank Board [11], and the Farm Credit Administration [8]—are included in dividends of depository institutions and nondepository institutions.

**U.S. receipts of dividends from abroad, net of payments to abroad** (line 32). The *Corporation Income Tax Returns* item dividends received from foreign sources includes only the dividends received by corporations. To arrive at dividends on a national accounts basis, the *Corporation Income Tax Returns* item is removed and the BEA international transactions accounts [31] measure of dividends received by all U.S. residents is added. A corresponding adjustment is made to outflows. The foreign dividend measure used for this adjustment includes the distributed earnings of unincorporated affiliates of U.S. and foreign direct investors [31].

**Earnings remitted to foreign residents from their**

**unincorporated U.S. affiliates** (line 33). Includes as dividends paid the distributions of unincorporated U.S. affiliates to their foreign direct investors [31]. Net dividend payments by domestic industries are increased by this adjustment, and the receipt of these distributions by the rest-of-the-world is reflected in the adjustments made to outflows in line 32.

**Adjustment for interest payments of regulated investment companies** (line 34). Interest payments of regulated investment companies, primarily from money market funds, are included in the *Corporation Income Tax Returns* measure of cash distributions. This adjustment excludes such payments from dividends. The adjustment is estimated as the portion of cash distributions generated by interest income, based on *Corporation Income Tax Returns* tabulations for regulated investment companies.

**Dividends received by U.S. corporations** (line 35). In deriving PBT, the items for dividends received by corporations in *Corporation Income Tax Returns* were subtracted (see lines 14 and 15). This adjustment must also be made to one of the components of PBT. It is made to the dividends component in order to obtain the appropriate measure of undistributed corporate profits. The resulting measure of net dividends paid equals the dividend receipts of persons, government, and foreigners. The adjustment consists of domestic and foreign dividends received from *Corporation Income Tax Returns.*

**Earnings of U.S. residents remitted by their unincorporated foreign affiliates** (line 36). Includes as dividends received the distributions of unincorporated foreign affiliates to U.S. residents [31]. Net dividend payments by domestic industries are decreased by this adjustment, and the payment of these distributions by the rest-of-the-world is reflected in line 32.

Table 6. Posttabulation Adjustments and Revisions to IRS "Dividends Paid in Cash or Assets"

| Adjustments | Period | Estimates (millions of dollars) | Type and purpose of adjustment[1] | Sources and methods |
|---|---|---|---|---|
| Domestic International Sales Corporations | 1972–84 | 1972 222<br>1984 1,356 | Timing adjustment: To match the dividends that were paid by these corporations to those received by their parent corporations because of differing fiscal years. | The adjustment was based on *CITR* tabulations of the cash distributions received from the corporations. |
| Regulated investment companies | 1981–84 | 1981 –3,358<br>1984 –2,869 | Timing adjustment: To reflect the payments basis for dividends paid by these companies.[2] | Adjustments were based on *CITR* data for regulated investment companies. |
| Alaska and Hawaii | 1946–59 | 1946 –22<br>1959 –42 | Coverage adjustment: To reflect the exclusion of profits accruing in Alaska and Hawaii in *CITR* from domestic profits before they became States. | See table 4. |
| Personal foreign dividends | 1959–96 | 1959 –35<br>1996 2,682 | Coverage adjustment: To include the dividends received by U.S. residents in "dividends received from the rest of the world." | Adjustments are based on *CITR* dividends and data from BEA's international transactions accounts [31]. |
| 1120–S distributions | 1983–87 | 1983 4,785<br>1987 –4,845 | Coverage adjustment: To include the paid distributions of 1120–S corporations that were excluded from *CITR* for these years. | Adjustments were based on special IRS tabulations. |
| Dividends received from Federal Reserve banks and Federal home loan banks | 1929–96 | 1929 10<br>1996 –1,305 | Definitional adjustment: See table 4. | See table 4. |
| Foreign tax on dividends | 1929–45 | 1978 22<br>1994 8 | Definitional adjustment: To remove these taxes that were included in *CITR* for these years from dividends in the national income and product accounts. | Adjustments were based on *CITR* data. |
| | 1963–65 | 1963 520<br>1965 226 | | Adjustments are based on *CITR* dividends and data from BEA's international transactions accounts [31]. |
| Capital gains distributions | 1940–96 | 1940 2<br>1996 89,529 | Definitional adjustment: To remove these distributions by regulated investment companies. | Adjustments were based on *CITR* data for regulated investment companies. |
| Other[3] | 1959–96 | 1959 –25<br>1996 –3,684 | "Other" adjustment: To reflect the exclusion of distributions that are not from current or retained earnings from dividends in the national income and product accounts. | Adjustments are based on IRS tabulations and shareholder reports. |

BEA Bureau of Economic Analysis
*CITR* *Corporation Income Tax Returns* [30]
IRS Internal Revenue Service

1. The timing, coverage, definitional, and "other" adjustments are the differences between *CITR* "dividends paid in cash or assets" and dividends in the national income and product accounts.
2. According to the Tax Code, certain current-year distributions by these companies can be counted in the previous tax year.
3. These adjustments are grouped to avoid the disclosure of information.

# Extrapolated Annual and Quarterly Estimates of Profits Before Tax

The first July annual estimates of profits are obtained by extrapolating from the second July estimates. Where source data permit, the extrapolation is done by industry. However, some of the items that reconcile total receipts less total deductions (in *Corporation Income Tax Returns*) and profits before tax (PBT) are prepared at the all-industry level and then distributed by industry (see table 7). For each of approximately 75 industries, specific indicators are used to extrapolate the appropriate base—that is, PBT less, or plus, any of the reconciliation items extrapolated at the all-industry level that are relevant to that industry.

Table 7. Framework for the First "July" Estimates of Profits Before Tax
[Millions of dollars]

| | 1996 estimate |
|---|---|
| Profits before tax | 726,345 |
| Reconciliation items[1] | 82,725 |
| Adjustment for misreporting on income tax returns | 94,083 |
| Posttabulation adjustments | 7,824 |
| Net software depreciation | 14,169 |
| Special assessments | –239 |
| Intangible amortization | 8,267 |
| Oilwell bonus payments | 257 |
| Corporate fines | –461 |
| Adjustment to depreciate expenditures for mining explorations, shafts, and wells | 630 |
| Nonprofit organizations that serve business | –679 |
| Taxes paid by domestic corporations to foreign governments on income earned abroad | –8,034 |
| Cost of trading or issuing corporate securities | –25,268 |
| Base[2] | 643,620 |

1. The reconciliation items are extrapolated at the all-industry level.
2. The base is extrapolated by industry.

The quarterly estimates are obtained by interpolation between the annual estimates, and for the current quarters, by extrapolation. The quarterly estimates are prepared in somewhat less industry detail than the annual estimates; for each industry, PBT is extrapolated even though for some industries the reconciliation items are not in the indicator.

As indicated in table 2, most of the industry indicators are based on income tabulated in the *Quarterly Financial Report* [29], by regulatory agencies, or by BEA from samples of shareholder reports. Table 8 on the next page shows the several different kinds of income measures used as indicators. Wherever possible, these measures are modified to remove special adjustments and charges not recognized in PBT, such as the current expensing of future costs and capital gains and losses. These measures include net income before tax; net income, which is after tax; and gross income, which is the sum of net income before tax and depreciation.

The procedure used when gross income is the indicator is as follows: (1) An augmented base is established as the sum of the base and BEA estimates of tax-return-based depreciation; (2) the augmented base is extrapolated by an indicator, the sum of depreciation and net income before tax; (3) BEA estimates of tax-return-based depreciation are subtracted from the extrapolation in (2). This procedure, the gross income procedure, provides estimates of PBT consistent with BEA estimates of tax-return-based depreciation; it avoids the problems that would otherwise arise in the extrapolation from changing relationships between tax- and financial-accounting measures of depreciation.After describing the preparation of the reconciliation items, this section describes, by industry, the indicators used for extrapolation in preparing the annual estimates and for interpolation and extrapolation in preparing the quarterly estimates. The discussion of the industry estimates follows the order of table 8, summarizing the indicators and its sources.

### Reconciliation items prepared at the all-industry level

**Audit profits**. For the first July estimates, the adjustment is obtained by extrapolation using corporate tax collections from the *Monthly Treasury Statement* [37]. For the second July estimates, IRS information on audit results is also used [38]. The distribution by industry is the same as for the third July estimates.

**Posttabulation adjustments.** *Net software depreciation.* For the first July estimates, the adjustment is based on BEA investment data.

*Special assessments.* For the first July estimates, the estimates of special assessments in the real estate and construction industries are based on State and local government receipts compiled by the Bureau of the Census in *Governmental Finances* [27]. This procedure is the same as for the second and third July estimates (see table 4).

*Intangible amortization.* For the first July estimates, the adjustment is obtained by judgmental extrapolation.

*Oil well bonus payments written off.* For the first July estimates, the adjustment is obtained by judgmental extrapolation. For the second and third July estimates, the adjustment is based on Department of Energy data on dry hole expenses [32].

*Corporate fines.* For the first July estimates, the adjustment is based on Federal budget data and information on court awards; this procedure is the same as that used for the second and third July estimates.

**Adjustment to depreciate expenditures for mining exploration, shafts, and wells.** For the first July estimates, the adjustment is prepared and allocated by industry in the same manner as the second and third July estimates.

**Nonprofit organizations serving business.** For the first July estimates, the adjustment is obtained by judg-

Table 8. Profits Before Tax by Industry
Sources of the Annual First "July" Estimates and the Quarterly Estimates

| SIC industry | Indicator | 1996 estimates (millions of dollars) | | Sources for the indicator: Annual first "July" estimates | Quarterly estimates: 85-day estimates | Quarterly estimates: 55-day estimates |
|---|---|---|---|---|---|---|
| Farms | Net income before tax | Profits before tax | 1,358 | ... | USDA | USDA |
| | | Reconciliation items | 664 | ... | ... | ... |
| | | Extrapolated base | 694 | USDA | ... | ... |
| Agricultural services, forestry, and fisheries | No indicator | Profits before tax | 1,592 | ... | Judgmental | Judgmental |
| | | Reconciliation items | 493 | ... | ... | ... |
| | | Extrapolated base | 1,099 | Judgmental | ... | ... |
| Mining (4) | Net income before tax | Profits before tax | 8,124 | ... | *QFR* | *QFR* |
| | | Reconciliation items | 1,258 | ... | ... | ... |
| | | Extrapolated base | 6,866 | *QFR* | ... | ... |
| Construction | Net income before tax | Profits before tax | 21,932 | ... | *CCR* | *CCR* |
| | | Reconciliation items | 3,259 | ... | ... | ... |
| | | Extrapolated base | 18,673 | S&P | ... | ... |
| Manufacturing (21) | Gross income | Profits before tax | 175,759 | ... | *QFR* | *QFR* |
| | | Reconciliation items | 16,585 | ... | ... | ... |
| | | Extrapolated base[2] | 159,204 | *QFR* | ... | ... |
| Railroad transportation | Gross income | Profits before tax | 3,025 | ... | ... | S&P |
| | | Reconciliation items[1] | 919 | ... | ... | ... |
| | | Extrapolated base | 2,106 | AAR | ... | ... |
| Air transportation | Gross income | Profits before tax | 5,168 | ... | S&P | S&P |
| | | Reconciliation items | 2,349 | ... | ... | ... |
| | | Extrapolated base | 2,819 | DOT [36] | ... | ... |
| Trucking and warehousing | Net income before tax | Profits before tax | 4,445 | ... | ... | ... |
| | | Reconciliation items | 1,450 | ... | ... | ... |
| | | Extrapolated base | 2,995 | S&P | ... | ... |
| Local and interurban passenger transit | Net income before tax | Profits before tax | 584 | ... | DOT [35] | Judgmental |
| | | Reconciliation items | 135 | ... | ... | ... |
| | | Extrapolated base | 449 | DOT [35] | ... | ... |
| Pipeline (except natural gas) and other transportation (3) | Net income before tax | Profits before tax | 772 | ... | Judgmental | Judgmental |
| | | Reconciliation items | 31 | ... | ... | ... |
| | | Extrapolated base | 741 | S&P | ... | ... |
| Communications (2) | Gross income | Profits before tax | 35,012 | ... | ... | ... |
| | | Reconciliation items | 7,124 | ... | ... | ... |
| | | Extrapolated base | 27,888 | S&P | ... | ... |
| Electric, gas, and sanitary services (4) | Gross income3 | Profits before tax | 40,854 | ... | ... | ... |
| | | Reconciliation items | 5,937 | ... | ... | ... |
| | | Extrapolated base | 34,917 | S&P | ... | ... |
| Wholesale trade | Net income before tax | Profits before tax | 41,588 | ... | *QFR*[1] | *QFR*[2] ... |
| | | Reconciliation items | 11,760 | ... | ... | ... |
| | | Extrapolated base | 29,828 | *QFR* | ... | |
| Retail trade (4) | Net income before tax | Profits before tax | 54,806 | ... | S&P, *CBR* | S&P, *CBR* |
| | | Reconciliation items | 10,727 | ... | ... | ... |
| | | Extrapolated base | 44,079 | *QFR* | ... | ... |
| Federal Reserve banks | Net income before tax | Profits before tax | 21,784 | ... | FRB | FRB |
| | | Reconciliation items | 0 | ... | ... | ... |
| | | Extrapolated base | 21,784 | FRB [6] | ... | ... |
| Commercial banks | Net income before tax | Profits before tax | 92,606 | ... | FDIC | S&P |
| | | Reconciliation items | 26,237 | ... | ... | ... |
| | | Extrapolated base | 66,369 | FDIC | ... | ... |

mental extrapolation. The adjustment is allocated between services and credit agencies other than banks.

**Cost of trading or issuing corporate securities.** For the first July estimates, the adjustment is based on information from the Securities and Exchange Commission [41] and stock exchanges [17]. The procedure is the same as that used for the second and third July estimates.

**Taxes paid by domestic corporations to foreign governments on income earned abroad.** For the first July estimates, the adjustment is based on international transactions data and special IRS tabulations; this procedure is the same as that used for the second and third July estimates.

### Agriculture, forestry, and fisheries

**Farms.** For the first July estimates, the base is extrapolated by BEA estimates of net farm income, which are

Table 8. Profits Before Tax by Industry—Continued

| SIC industry | Indicator | 1996 estimates (millions of dollars) | | Sources for the indicator: Annual first "July" estimates | Quarterly estimates: 85-day estimates | Quarterly estimates: 55-day estimates |
|---|---|---|---|---|---|---|
| Mutual savings banks | Net income before tax | Profits before tax | 1,802 | ............... | FDIC | S&P |
| | | Reconciliation items | –95 | ............... | ............... | ............... |
| | | Extrapolated base | 1,897 | FDIC | ............... | ............... |
| Credit unions | Net income | Profits before tax | 4,667 | ............... | Judgmental | Judgmental |
| | | Reconciliation items | 0 | ............... | ............... | ............... |
| | | Extrapolated base | 4,667 | NCUA | ............... | ............... |
| Savings and loan associations | Net income before tax | Profits before tax | –729 | ............... | FDIC | S&P |
| | | Reconciliation items | –269 | ............... | ............... | ............... |
| | | Extrapolated base | –460 | FDIC | ............... | ............... |
| Federally sponsored credit agencies (3) | Net income | Profits before tax | 2,673 | ............... | FHLBB, FHLMC, FCS | FHLBB, FHLMC, FCS |
| | | Reconciliation items | 0 | ............... | ............... | ............... |
| | | Extrapolated base | 2,673 | FHLBB, FHLMC, FCS | ............... | ............... |
| Other credit agencies | Net income before tax | Profits before tax | 28,354 | ............... | ............... | ............... |
| | | Reconciliation items | 9,772 | ............... | ............... | ............... |
| | | Extrapolated base | 18,582 | S&P | ............... | ............... |
| Security and commodity brokers | Net income before tax | Profits before tax | 5,121 | ............... | ............... | S&P |
| | | Reconciliation items | –4,578 | ............... | ............... | ............... |
| | | Extrapolated base | 9,699 | NYSE | ............... | ............... |
| Life insurance carriers | Net income before tax | Profits before tax | 13,416 | ............... | ............... | ............... |
| | | Reconciliation items | 499 | ............... | ............... | ............... |
| | | Extrapolated base | 12,917 | S&P | ............... | ............... |
| Property and casualty insurance carriers | Net income before tax | Profits before tax | 15,113 | ............... | III | S&P |
| | | Reconciliation items | 773 | ............... | ............... | ............... |
| | | Extrapolated base | 14,340 | III | ............... | ............... |
| Insurance agents, brokers, and services | No indicator | Profits before tax | 4,453 | ............... | Judgmental | Judgmental |
| | | Reconciliation items | 715 | ............... | ............... | ............... |
| | | Extrapolated base | 3,738 | Judgmental | ............... | ............... |
| Real estate | Net income before tax | Profits before tax | 3,369 | ............... | Judgmental | Judgmental |
| | | Reconciliation items | 1,790 | ............... | ............... | ............... |
| | | Extrapolated base | 1,579 | S&P | ............... | ............... |
| Holding and other investment companies (4) | Net income before tax | Profits before tax | –1,273 | ............... | Judgmental | Judgmental |
| | | Reconciliation items | –913 | ............... | S&P | ............... |
| | | Extrapolated base | –360 | Judgmental, ICI | ............... | ............... |
| Services (11) | Net income before tax | Profits before tax | 56,453 | ............... | ............... | ............... |
| | | Reconciliation items | 19,970 | ............... | ............... | ............... |
| | | Extrapolated base | 36,483 | S&P | ............... | ............... |
| Rest of the world | Net income | Profits before tax | 1000,853 | ............... | ITA's | ITA's |
| | | Reconciliation items | 0 | ............... | ............... | ............... |
| | | Extrapolated base | 1000,853 | FDIC | ............... | ............... |

AAR Association of American Railroads [3]
*CBR* *Current Business Reports* [24]
*CCR* *Current Construction Reports* [25]
DOT Department of Transportation [35, 36]
FDIC Federal Deposit Insurance Corporation [9]
FHLBB Federal Home Loan Bank Board [11]
FHLMC Federal Home Loan Mortgage Corporation [12]
FRB Federal Reserve Board [5, 6]
ICI Investment Company Institute [14]
III Insurance Information Institute [13]
ITA's International transactions accounts
NCUA National Credit Union Administration
NYSE New York Stock Exchange [17]
*QFR* *Quarterly Financial Report [29]*
S&P Standard & Poor's [20]
USDA U.S. Department of Agriculture

Note. The number in parentheses is the number of subindustries for which an estimate is extrapolated.

based on information from the Department of Agriculture [22]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates.

**Agricultural services, forestry, and fisheries.** For the first July estimates, the base is extrapolated judgmentally. For the quarterly estimates, PBT is extrapolated and interpolated judgmentally.

### Mining

For the first July estimates, the base for each of the four industries is extrapolated by net income before tax from the *Quarterly Financial Report* [29]. For the quarterly estimates, PBT for each of the four industries is extrapolated and interpolated by the same indicator as that used for the first July estimates.

### Construction

For the first July estimates, the base is extrapolated by net income before tax tabulated by BEA from a matched sample of shareholder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated by an indicator of net income before tax constructed from BEA estimates of sales by construction firms and of profit margins. The sales are estimated from an annual regression of IRS corporate business receipts on the value of new private nonresidential and total public construction put in place from the Census Bureau [25]. The profit margins are estimated by interpolating between annual ratios of profits to business receipts from *Corporation Income Tax Returns*.

### Manufacturing

For the first July estimates, the base for each of the 21 industries is extrapolated, using the gross income procedure (see page 17). The industry indicator is the sum of income (or loss) before income tax plus depreciation, depletion, and amortization of property, plant, and equipment less dividend income, nonrecurring items, and foreign income from the *Quarterly Financial Report*. For the quarterly estimates, a similar procedure is followed for extrapolation and interpolation for each of the 21 industries—the exception is the augmented base, consisting of the sum of PBT and BEA estimates of tax-return-based depreciation.

### Transportation

**Railroad transportation.** For the first July estimates, the base is extrapolated using the gross income procedure. Both ordinary income before tax and depreciation are from carrier reports to the Department of Transportation's Surface Transportation Board tabulated by the Association of American Railroads (AAR) [3]. For the quarterly estimates, a similar procedure is followed for extrapolation and interpolation, except that the augmented base consists of PBT and BEA estimates of tax-return-based depreciation. For the 55-day estimate, the AAR tabulation is not available, and BEA tabulates a matched sample of shareholder reports to use as an indicator.

**Transportation by air.** For the first July estimates, the base is extrapolated, using the gross income procedure. Both income and depreciation are from tabulations of reports by certified carriers [36] provided by the Office of Airline Statistics of the U.S. Department of Transportation. For the quarterly estimates, a similar procedure is followed for extrapolation and interpolation, except that the augmented base is the sum of PBT and BEA estimates of tax-return-based depreciation. For the quarterly interpolations beginning with the first July estimates, the income and depreciation are from the Department of Transportation tabulations [36]. For the 85-day estimates and the 55-day estimates, the income and depreciation are from BEA tabulations of a matched sample of shareholder reports [20].

**Trucking and warehousing.** For the first July estimates, the base is extrapolated by net income before tax tabulated by BEA from a matched sample of shareholder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates.

**Local and interurban passenger transit.** For the first July estimates, the base is extrapolated by net income tabulated by the Department of Transportation's Bureau of Transportation Statistics from carrier reports [35]. For the quarterly estimates, PBT is extrapolated and interpolated by net income of the 10 largest carriers tabulated by the Department of Transportation [35]. For the 55-day estimate, PBT is extrapolated judgmentally.

**Pipeline (except natural gas) and other transportation.** For the first July estimates, the base for water transportation is extrapolated by net income tabulated by BEA from a matched sample of shareholder reports [20]. The base for pipelines except natural gas and for transportation services is extrapolated judgmentally. For the quarterly estimates, PBT for each industry is extrapolated and interpolated judgmentally.

### Communications

For the first July estimates, the base for telephone and telegraph and for radio and television broadcasting is extrapolated using the gross income procedure for each industry; income and depreciation are from a sample of shareholder reports [20]. For the quarterly estimates, a similar procedure is followed for extrapolation and interpolation, applied to the sum of the two industries, except that the augmented base is the sum of PBT and BEA estimates of tax-return-based depreciation.

### Electric, gas, and sanitary services

**Electric utilities.** For the first July estimates, the base is extrapolated using the gross income procedure (see page 17); both income and depreciation are from a sample of shareholder reports. For the quarterly estimates, a similar procedure is followed for extrapolation and interpolation, except that the augmented base is the sum of PBT and BEA estimates of tax-return-based depreciation.

**Gas utilities.** For the first July estimates, the base is extrapolated using the gross income procedure. Both income and depreciation are from a BEA tabulation of a matched sample of shareholder reports for gas distribution companies [20]. For the quarterly estimates, a similar procedure is followed for extrapolation and interpolation, except that the augmented base is the sum of PBT and BEA estimates of tax-return-based depreciation.

**Combination companies.** For the first July estimates, the base is extrapolated using an indicator that is the weighted average of the indicators for electric and gas utilities. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates.

**Sanitary services.** For the first July estimates, the base is extrapolated judgmentally. For the quarterly estimates, PBT is extrapolated and interpolated judgmentally.

### Wholesale trade

For the first July estimates, the base is extrapolated by net income before tax from the *Quarterly Financial Report* [29]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as for the first July estimates.

### Retail trade

**General merchandise.** For the first July estimates, the base is extrapolated by net income before tax from the *Quarterly Financial Report* [29]. For the quarterly estimates, PBT is extrapolated by an indicator of net income before tax derived as sales multiplied by a profit margin. Sales are Census Bureau retail sales [24], and the margin is derived from a BEA tabulation of a matched sample of shareholder reports [20]. PBT is interpolated by the same indicator as that used for the first July estimates.

**Food.** For the first July estimates and for the quarterly estimates, the procedure is the same as that used for general merchandise.

**Auto dealers.** For the first July estimates and for the quarterly estimates, the procedure is the same as that used for general merchandise, except that the margin is from the National Association of Auto Dealers [15].

**All other retail.** For the first July estimates, the base is extrapolated by net income before tax from the *Quarterly Financial Report* [29]. For the quarterly estimates, PBT is extrapolated and interpolated by Census Bureau retail sales for retailers other than general merchandise, food, and auto [24].

### Banking

**Federal Reserve banks.** For the first July estimates, the base is equal to net income before tax—current net earnings less assessments for the Board of Governors and currency costs; it is obtained from the annual report of the Board of Governors of the Federal Reserve System [5]. For the quarterly estimates, PBT is based on unpublished information from the Federal Reserve Board.

**Commercial banks**. For the first July estimates, the base is extrapolated by net income before tax—income before security gains and losses plus provisions for loan loses—for insured commercial banks reported to bank regulatory agencies and compiled by the Federal Deposit Insurance Corporation (FDIC) in *Quarterly Banking Profile* [9]. For the quarterly estimates, PBT is extrapolated and interpolated using the same indicator as that used for the first July estimates. For the 55-day estimates, the FDIC data are not available, and BEA tabulates a matched sample of shareholder reports to use as an indicator [20].

**Mutual savings banks.** For the first July estimates, the base is extrapolated by net income before tax—income before security gains and losses plus provisions for loan losses—for insured savings institutions reported to bank regulatory agencies and compiled by the FDIC in *Quarterly Banking Profile* [10]. For the quarterly estimates, PBT is extrapolated and interpolated using the same indicator as the first July estimates. For the 55-day estimates, the FDIC data are not available, and BEA tabulates a matched sample of shareholder reports to use as an indicator [20].

### Credit agencies other than banks

**Credit unions.** For the first July estimates, the base is equal to net income—net income after dividend payments to shareholders and interest refunds—from the National Credit Union Administration [16]. For the quarterly estimates, PBT is extrapolated and interpolated judgmentally.

**Savings and loan associations**. For the first July estimates, the base is extrapolated by net income before tax—income before security gains and losses plus provisions for loan losses—for insured savings institutions reported to bank regulatory agencies and compiled by the FDIC in *Quarterly Banking Profile* [10]. For the quarterly estimates, PBT is extrapolated and interpolated using the same indicator as the first July estimates. For the 55-day estimate, the FDIC data are not available, and BEA tabulates a matched sample of shareholder reports to use an indicator [20].

**Federally sponsored credit agencies.** For the first July estimates, the base is equal to net income that is reported in the annual reports of the agencies involved: Federal Home Loan Bank Board [11], the Federal Home Loan Mortgage Corporation [12], and the Farm Credit System [8]. (The same sources are used for the second July estimates.) For the quarterly estimates, PBT for the credit agencies is extrapolated and interpolated by the same indicator as that used for the first July estimates.

**Other credit agencies**. For the first July estimates, the base is extrapolated by net income tabulated by BEA from a matched sample of share holder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates.

### Security, commodity brokers, and services

For the first July estimates, the base is extrapolated by net income of member firms of the New York Stock Exchange [17]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates. For the 55-day estimates, the stock exchange data are not available, and BEA tabulates a matched sample of shareholder reports to use as an indicator [20].

### Insurance carriers

**Life insurance carriers.** For the first July estimates, the base is extrapolated by net income from a BEA tabulation of a matched sample of shareholder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates.

**Property and casualty insurance carriers.** For the first July estimates, the base is extrapolated by net income before tax—investment income plus net underwriting gain less dividends paid to policyholders—from the Insurance Information Institute [13]. For the quarterly estimates, PBT is extrapolated for the 85-day estimates and interpolated by the same indicator; the 55-day estimates are based on a matched sample of shareholder reports [20].

### Insurance agents, brokers, and services

For the first July estimates, the base is extrapolated judgmentally. For the quarterly estimates, PBT is extrapolated and interpolated judgmentally.

### Real estate

For the first July estimates, the base is extrapolated by net income before tax tabulated by BEA from a matched sample of shareholder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated judgmentally.

### Real estate investment trusts

For the first July estimates, the base is extrapolated by net income before tax tabulated by BEA from a matched sample of shareholder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated by the same indicator as that used for the first July estimates.

### Holding and other investment companies excluding real estate investment trusts

For the first July estimates, the base for each of four industries is extrapolated judgmentally. For the quarterly estimates, PBT is extrapolated and interpolated judgmentally.

### Services

For the first July estimates, the base for each of the 11 industries is extrapolated by net income before tax tabulated by BEA from a matched sample of shareholder reports [20]. For the quarterly estimates, PBT is extrapolated and interpolated based on a matched sample of shareholder reports.

### Rest of the world

For the first July estimates, PBT is equal to the receipts of all U.S. residents, including both corporations and persons, of earnings (both distributed and reinvested) of foreign affiliates of U.S. direct investors and of the dividends portion of other private receipts, less corresponding outflows; all items are recorded net of capital gains and losses. All data are from BEA's international transactions accounts are adjusted (see table 5).

For the quarterly estimates, PBT for all years but the current one is the same as just described. For the 85-day and 55-day estimates, PBT is extrapolated by the BEA international transactions accounts (ITA's) data. This procedure does not incorporate revisions made to ITA's for earlier quarters.

## Extrapolated Annual and Quarterly Estimates of Profits Tax Liability

Paralleling the procedure used for profits before tax (PBT), several of the items that reconcile Federal income tax and excess profits tax in *Corporation Income Tax Returns* are prepared at the all-industry level and are then distributed by industry. These items are shown in table 9.

Table 9. Framework for the First "July" Estimates of Profits Tax Liability
[Millions of dollars]

| | 1996 estimate |
|---|---|
| Profits tax liability | 223,645 |
| Reconciliation items[1] | 53,023 |
| Audit taxes | 6,418 |
| Carryback refunds | –6,501 |
| Amounts paid to the U.S. Treasury by Federal Reserve banks | 20,083 |
| State and local corporate tax accruals | 33,023 |
| Control[2] | 170,622 |

1. The reconciliation items are prepared at the all-industry level.
2. The control totals are prepared at the all-industry level.

For the remainder of profits tax liability, representing the IRS measure of Federal income and excess profits taxes net of all tax credits, the procedure differs from that used for PBT in that there is an independently estimated control to which the industry extrapolations are forced. This control is prepared from information on tax collections and refunds, which are available from the Department of Treasury on a current basis.

### Reconciliation items: First July annual estimates

**Audit taxes.** The adjustment is obtained by extrapolation, using corporate tax collections from the *Monthly Treasury Statement* [37]. The industry distribution is the same as that used in the audit adjustment to PBT.

**Carryback refunds**. The adjustment is obtained from monthly unpublished IRS tabulations of applications for carryback refunds and allocated by industry on the basis of deficits reported in the last available *Corporation Income Tax Returns.*

**Amounts paid to the U.S. Treasury by Federal Reserve banks.** Data for the adjustment are from the Federal Reserve Board [5].

**State and local corporate profits tax accruals**. For the first July estimates, estimates are based on State and local government receipts compiled by the Bureau of the Census in *Quarterly Summary of State and Local Tax Revenue.* The industry distribution is the same as that of Federal corporate profits tax liability.

### Industry extrapolations and the control: Annual estimates

For each industry, Federal income and excess profits taxes net of all tax credits are obtained by extrapolation from the second July estimate, using an indicator of tax liability prepared from the same sources as those used for the PBT indicators. The *Quarterly Financial Report* [29] measure "provision for Federal tax liability" or its equivalent in regulatory and shareholder reports is the indicator generally used; for industries in which sales or other indirect measures are used to extrapolate PBT, profits tax liability is extrapolated by PBT, holding the implicit tax rate constant.

As noted earlier, an estimate of the control to which these industry extrapolations are forced is prepared using data on tax collections and refunds. For collections, monthly data are available in the *Monthly Treasury Statement* [37]. Because as illustrated in table 10 on the next page, these data are a mix of estimated tax payments and settlements covering several liability years, the data must be separated by liability year; the Office of Tax Analysis of the Department of Treasury provides the necessary information. When the first July estimates are being prepared, data on collections for the liability year are incomplete, and BEA estimates the remainder on the basis of prior years' experience; for example, when the first July estimate for 1996 was prepared, data were available only through the first quarter of 1997.

In the absence of data by liability year, refunds (by liability year) are estimated as the total, from July of the liability year through the following June, of monthly refunds associated with overpayment of tax liabilities [37].

Table 10. Relation of Total Tax Collections to Collection of Liabilities for 1996[1]

[Millions of dollars]

| | Liabilities for 1996 | | | Liabilities for 1995, 1997, and 1998 | Liabilities for 1995–98 |
|---|---|---|---|---|---|
| | Estimated liabilities | Final settle-ments | Total liabilities | | |
| 1995: I | 0 | 0 | 0 | 26,136 | 26,136 |
| II | 0 | 0 | 0 | 65,996 | 65,996 |
| III | 13 | 0 | 13 | 41,466 | 41,479 |
| IV | 480 | 0 | 480 | 46,343 | 46,823 |
| 1996: I | 5,564 | 0 | 5,564 | 22,407 | 27,971 |
| II | 58,188 | 0 | 58,188 | 10,321 | 68,509 |
| III | 37,467 | 64 | 37,531 | 8,221 | 45,752 |
| IV | 43,407 | 1,328 | 44,735 | 4,877 | 49,612 |
| 1997: I | 6,237 | 15,767 | 22,004[2] | 9,354 | 31,358 |
| II | 3,309 | 5,603 | 8,912 | 66,181 | 75,093 |
| III | 0 | 3,372 | 3,372 | 44,697 | 48,429 |
| IV | 0 | 1,014 | 1,014 | 55,216 | 56,230 |
| 1998: I | 0 | 414 | 414 | 33,225 | 33,639 |
| II | 0 | 272 | 272 | 75,442 | 75,714 |
| III | 0 | 189 | 189 | 47,499 | 47,688 |
| IV | 0 | 0 | 0 | 56,475 | 56,475 |

1. The total tax collections are from the *Monthly Treasury Statement*, which is available at <www.fms.treas.gov/mts/index.html>.
2. For the first “July” estimate of 1996, the data on total collections were available through the first quarter of 1997.

### Quarterly estimates

Current quarterly estimates for the all-industry totals of Federal and of State and local tax liability are obtained by extrapolation using as the indicator domestic PBT (less PBT of Federal Reserve banks, for which the tax liability is extrapolated separately). This procedure implicitly assumes the previous year’s tax rate. This assumption is modified to reflect any applicable changes in tax law effective in the current year. The extrapolation of Federal tax liability is carried out before the deduction of tax credits; judgmental estimates of these credits are then deducted.

The interpolation of quarterly estimates between annual estimates is carried out as a distribution of annual tax liabilities (other than those of Federal Reserve banks), for Federal and State and local taxes separately, in proportion to domestic PBT (less PBT of Federal Reserve banks). The only industry detail prepared quarterly is a separation between financial and nonfinancial corporations. PBT of financial institutions is the quarterly indicator used to extrapolate and interpolate the tax liability of financial corporations. Separate estimates are prepared for Federal Reserve banks and for other financial institutions. Profits tax liability of nonfinancial corporate business is obtained as a residual.

## Extrapolated Annual and Quarterly Estimates of Dividends

For the first July estimates, net dividend payments are extrapolated by industry detail and data sources used for profits before tax (PBT). The usual indicator is cash dividends charged to retained earnings in *Quarterly Financial Report* [29] or its equivalent in regulatory and shareholder reports. For industries where sales or other indirect measures are used to extrapolate PBT, the indicator is dividends paid by all firms listed on the New York Stock Exchange [17].

For quarterly estimates, the all-industry total is extrapolated and interpolated by a monthly series tabulated by BEA from a matched sample of shareholder reports [20]. This sample accounts for slightly less than one-third of dividend distributions.

## Sources

The following sources of publicly available information are used in preparing the estimates of corporate profits, and whenever possible, a chapter, a series, or a table number and title are given. In some cases, the information that is used to prepare the estimates is more detailed than the information that is publicly available, and the sources in the list are the ones that are accessible to the public.


1. American Council of Life Insurance. *Annual Statement of the Condition and Affairs of the U.S. Legal Reserve Life Insurance Companies.* Washington, DC: American Council of Life Insurance, annually.

2. American Petroleum Institute, Independent Petroleum Association of America, and Mid-Continent Oil and Gas Association. Joint Association Survey on Drilling Costs. Washington, DC: American Petroleum Institute, annually.

3. Association of American Railroads. Economics and Finance Department. *Railroad Revenues, Expenses, and Income.* Washington, DC: Association of American Railroads, quarterly.

4. A.M. Best, Company, Inc. “Industry and Group Data Studies: Cumulative By Line Underwriting Experience.” In *Aggregates and Averages: Property-Casualty.* Oldwick, NJ: A.M. Best Co., annually.

5. Board of Governors of the Federal Reserve System. “Income And Expenses of Federal Reserve Banks” (table). In *Annual Report.* Washington, DC: Board of Governors, or at <www.federalreserve.gov/boarddocs/rptcongress>.

6. Board of Governors of the Federal Reserve System. Financial and Business Statistics. *Federal Reserve Bulletin.* Washington, DC: Board of Governors, or at <www.federalreserve.gov/pubs/bulletin>.

7. Board of Governors of the Federal Reserve System. Financial Assets and Liabilities by Sector. In *Flow of Funds Accounts of the United States.* Federal Reserve statistical release Z.1. Washington, DC: Board of Governors, quarterly, or <www.federalreserve.gov/releases/Z1>.

8. Farm Credit System. Combined Financial Statements. In *Annual Information Statements.* Washington, DC: <www.farmcredit-ffcb.com/farmcredit/financials/statement.jsp>.

9. Federal Deposit Insurance Corporation (FDIC). “Aggregate Condition and Income Data, FDIC-Insured Commercial Banks.” *Quarterly Banking Profile.* Washington, DC: FDIC Public Information Center, or <www.fdic.gov>.

10. Federal Deposit Insurance Corporation (FDIC). “Aggregate Condition and Income Data, FDIC-Insured Savings Institutions.” *Quarterly Banking Profile.* Washington, DC: FDIC Public Information Center, or <www.fdic.gov>.

11. Federal Home Loan Bank Board. Office of Finance. *Financial Summary.* Washington, DC: <www.fhlb-of.com/specialinterest/financialframe.html>.

12. Federal Home Loan Mortgage Corporation. *Annual Report.* Washington, DC: Federal Home Loan Mortgage Corporation.

13. Insurance Information Institute. *Forecasts and Financial Results for the Property/Casualty Insurance Industry.* New York, NY: <www.iii.org/media/industry>.

14. Investment Company Institute. *Mutual Fund Fact Book.* Washington, DC: Investment Company Institute, or <www.ici.org/ici_info/publications.html#Fact%20Books>.

15. National Association of Auto Dealers (NADA). “NADA Data: Average Dealership Profile.” *NADA’s Auto Exec Magazine*, annually, or <www.nada.org/pdf/ND_ADP.pdf>.

16. National Credit Union Administration (NCUA). *Annual Report.* Alexandria, VA: NCUA, or <www.ncua.gov/ref/annualrpt/annualrpt.html>.

17. New York Stock Exchange (NYSE). *Fact Book.* New York, NY: NYSE Publications Department, annually, or <www.nyse.com/factbook>.

18. New York Stock Exchange (NYSE). Business Research Division. *Public Transaction Study.* New York, NY: NYSE, quarterly.

19. Renegotiation Board. *Annual Report.* Washington, DC: U.S. Government Printing Office, annually.

20. Standard & Poor’s. *Research Insight.* CD–ROM. Englewood, CO: weekly, or <www.compustat.com>.

21. U.S. Congress. House Ways and Means Committee. *President’s 1963 Tax Message.* Hearing, February 6–8, 1963. Part I, Exhibit 10. “Depletion Survey,

1958–60," 290–350. Washington, DC: U.S. Government Printing Office, 1963.

22. U.S. Department of Agriculture. Economic Research Service. "Table 5. Major Net Farm Income Components". *Economic Indicators of the Farm Sector: Income and Balance Sheet Statistics.* Washington, DC: U.S. Government Printing Office, annually.

23. U.S. Department of Commerce. Bureau of the Census. Industry Statistics: Census of Mineral Industries. Washington, DC: U.S. Government Printing Office, quinquennial, or <www.census.gov/main/www/industries.html>.

24. U.S. Department of Commerce. Bureau of the Census. *Current Business Reports: Monthly Retail Trade: Sales and Inventories.* Series BR. Washington, DC: U.S. Government Printing Office, monthly, or <www.census.gov/epcd/www/econ97.html>.

25. U.S. Department of Commerce. Bureau of the Census. *Current Construction Reports: Value of New Construction Put in Place.* Series C30. Washington, DC: U.S. Government Printing Office, monthly, or <census.gov/prod/www/abs/c30.html>.

26. U.S. Department of Commerce. Bureau of the Census. "Detailed Statistics for Companies Grouped by Accounting Method and Grouped by Legal Form of Organization" (table). In *Current Industrial Reports: Annual Survey of Oil and Gas.* Series MA–13K. Washington, DC: U.S. Government Printing Office, annually.

27. U.S. Department of Commerce. Bureau of the Census. *Government Finances.* Series GF. Washington, DC: U.S. Government Printing Office, annually, or <www.census.gov/govs/www/index.html>.

28. U.S. Department of Commerce. Bureau of the Census. *Quarterly Summary of State and Local Tax Revenue.* Washington, DC: U.S. Government Printing Office, or <www.census.gov/govs/www/qtax.html>.

29. U.S. Department of Commerce. Bureau of the Census. *Quarterly Financial Report for Manufacturing, Mining, and Trade Corporations.* Series QFR. Washington, DC: U.S. Government Printing Office, or <www.census.gov/csd/qfr>.

30. U.S. Department of Commerce. Bureau of the Census. Annual Capital Expenditures Survey. Washington, DC: U.S. Government Printing Office, or <www.census.gov/csd/ace>.

31. U.S. Department of Commerce. Bureau of Economic Analysis. "U.S. International Transactions." SURVEY OF CURRENT BUSINESS (January, April, July, and October), or <www.bea.gov/bea/pubs.htm> or <www.bea.gov/bea/di1.htm>.

32. U.S. Department of Energy. Energy Information Administration. Financial Reporting System. "Table B–11. "Consolidated Statement of Cash Flows for FRS Companies." In *Performance Profiles of Major Energy Producers.* Washington, DC: U.S. Government Printing Office, or <www.eia.doe.gov/emeu/perfpro/btab11.html>.

33. U.S. General Accounting Office (GAO). *Tax Policy: Congress Should Restrict Use of Complete Contract Method.* Report no. GAO–660–86–34. Washington, DC: GAO.

34. U.S. Department of Labor. Bureau of Labor Statistics. *Producer Price Indexes.* Washington, DC: U.S. Government Printing Office, monthly, or <www.bls.gov /ppi>.

35. U.S. Department of Transportation. Bureau of Transportation Statistics. *Motor Carrier Financial and Operating Statistics: Motor Carriers of Passengers.* Washington, DC: <www.bts.gov/mcs/prod.html>.

36. U.S. Department of Transportation. Bureau of Transportation Statistics. Office of Airline Information. *Air Traffic Statistics and Airline Financial Statistics.* Washington, DC: <www.bts.gov/oai/indicators/top.html>.

37. U.S. Department of the Treasury. Financial Management Service. *Monthly Treasury Statement of Receipts and Outlays of the United States Government.* Washington, DC: U.S. Government Printing Office, or <www.fms.treas.gov/mts/index.html>.

38. U.S. Department of the Treasury. Internal Revenue Service. Published and unpublished data from the Audit Information Management System database. "Returns Filed, Examination Coverage and Results: Recommended Additional Tax and Penalties." *Annual Report, Commissioner and Chief Counsel.* Publication no. 55. Washington, DC: U.S. Government Printing Office.

39. U.S. Department of the Treasury. Internal Revenue Service. "Nonprofit Organizations, 1975–1978." *Statistics of Income Bulletin* 1 (Fall 1981): 6–38; the *Bulletin* is also available at <www.irs.gov>

40. U.S. Department of the Treasury. Internal Revenue Service. *Statistics of Income: Corporation Income Tax Returns.* Washington, DC: U.S. Government Printing Office, annual, or <www.irs.gov>.

41. U.S. Securities and Exchange Commission. *SEC Monthly Statistical Review.* Washington, DC: U.S. Government Printing Office.

42. U.S. Securities and Exchange Commission. Registration Offering Statistics System. Washington, DC: National Archives and Records Administration, or <www.nara.gov/nara/electronic sec.html#ros>.

## Appendix A

# Financial, Tax, and National Income and Product Accounting Selected Differences

Both financial accounting and tax accounting follow generally accepted accounting principles, but the treatment of certain items differs. For selected items, table A–1 shows the financial treatment, the tax treatment, and the NIPA treatment.

Depreciation and inventory withdrawals, the first two items, are discussed in the text in connection with the capital consumption adjustment and inventory valuation adjustment.

Items 3 through 6 refer to several types of receipts and expenses that are recognized with different timing in financial and tax accounting. For example, for item 3, future expenditures are generally recognized earlier by financial accounting than by tax accounting. Thus, expenditures associated with plant closings, company reorganizations, future pension liabilities, and deferred compensation are recognized as a current expense in financial-accounting when the decisions to make the expenditures are made, but the expense is recognized in tax accounting only when the expenditures are actually made. This difference in the timing of expense recognition can result in substantial short-term divergence between financial-based and tax-based measures of industry profits.

Items 7 through 10 refer to differences in the definition of receipts and expenses used to calculate profits. Item 11 refers to a difference in the handling of the investment tax credit. Item 12 refers to differences in the level of consolidation used in reporting for parent corporations and subsidiaries. Totals of financial-based measures of profits may double count income of subsidiaries and thus tend to be larger than the tax-based measures. In addition, differences in the level of consolidation may lead to different industry classifications for the same firm in financial-accounting and tax-accounting measures.

Table A. Selected Differences in Accounting Methods for Profits From Current Production

| | | Financial accounting | Tax accounting | NIPA accounting |
|---|---|---|---|---|
| 1 | Depreciation[1] | Expenses are calculated with straight-line depreciation. | Expenses are calculated with accelerated formulas and with shorter service lives than those used in financial accounting. | Expenses are calculated with a geometric depreciation, service lives similar to those used in financial accounting, and current-replacement-cost valuation. |
| 2 | Inventory withdrawals[2] | Withdrawals are valued at various costs, including at acquisition cost and at current-replacement cost. | Withdrawals are valued at various costs, including at acquisition cost and at current-replacement cost. | Withdrawals are valued at current-replacement cost. |
| 3 | Future expenditures | Expenditures are recognized counted as current expense when the decision is made. | Expenditures are recognized as current expense when they are made. | Expenditures are treated the same as in tax accounting. |
| 4 | Certain mineral-exploration expenditures | Expenditures are capitalized and depreciated over the life of the asset. | Expenditures are recognized as current expense. | Expenditures are treated the same as in financial accounting. |
| 5 | Nonstatutory stock options | Options are not treated as an expense. | Deducted from profits when the options are exercised. | These options are treated the same as in tax accounting. |
| 6 | Bonus payments for drilling rights | Expenditures are charged as depletion when production begins and as current expense if drilling is abandoned. | Expenditures are charged as depletion when production begins and as current expense if drilling is abandoned. | These payments are not treated as expenditures in the NIPA's. |
| 7 | Interest on State and local government obligations | Receipts are recognized. | Receipts are recognized. | Same as in financial accounting. |
| 8 | Certain receipts from related foreign corporations | Receipts are not recognized. | Receipts are treated as "constructive taxable income." | Same as in financial accounting. |
| 9 | Depletion | Depletion is treated as expenses that are based on the cost of the asset. | Depletion is treated as expenses that are based on a percentage of gross income. | Expenses are not recognized. |
| 10 | Bad debts | Bad debts are treated as expenses when additions to the bad debt reserves are made. | Bad debts are treated as expenses when the debts are written off. | Expenses are not recognized. |
| 11 | Investment tax credit | The credit is spread over the life of the asset. | The credit is taken when the investment is made. | Same as in tax accounting. |
| 12 | Reporting by parent corporations and their subsidiaries | Parents and their subsidiaries provide a consolidated report. | Parents and their subsidiaries consistently provide a consolidated report or separate reports. | Same as in tax accounting. |

NIPA's National income and product accounts.

1. In profits before tax, expenses are calculated with straight-line depreciation.
2. In profits before tax, withdrawals are valued at various costs, including at acquisition cost and at current-replacement cost.

## Appendix B

This appendix presents the following samples of information from the Internal Revenue Service:

- IRS form 1120 U.S Corporation Income Tax Return and the major schedules of form 1120 that are used by most corporations,
- The Codes for Principal Business Activity that lists the industries that a corporation selects to best identify the industry from which the majority of its total receipts are derived, and
- A sample of table 6, one of the basic tables in *Corporation Income Tax Returns* that shows some of the items tabulated from the tax returns.

The industry classifications that were used in *Corporation Income Tax Returns* through 1997 are based on the Standard Industrial Classification (SIC) system, and the NIPA estimates by industry are presented on that basis.

The industry classifications in *Corporation Income Tax Returns* are now based on the North American Industry Classification System (NAICS). NAICS is an economic classification system that groups establishments into industries and provides the framework for collecting, analyzing, and disseminating economic data on an industry basis. NAICS is constructed under a single conceptual framework in which economic units using similar production processes are classified in the same industry. As a result, the data are more appropriately classified for measuring productivity, unit labor costs, and input-output relationships.

NAICS was adopted by the United States, Canada, and Mexico on April 9, 1997. NAICS replaces the SIC, which had been the U.S. standard since the 1930s and was last updated in 1987.

BEA plans to convert all of the industry-based NIPA estimates to a NAICS basis in 2003–2004. Until then, special tabulations from *Corporation Income Tax Returns* are prepared for BEA that convert the NAICS-based tax return data to an SIC basis. These tabulations are based on a concordance prepared by BEA that categorizes the NAICS industry into its closest SIC industry counterpart.

Form **1120**

Department of the Treasury
Internal Revenue Service

# U.S. Corporation Income Tax Return

**For calendar year 1996 or tax year beginning ........, 1996, ending ........, 19 ...**

**► Instructions are separate. See page 1 for Paperwork Reduction Act Notice.**

OMB No. 1545-0123

**1996**

**A** Check if a:
1 Consolidated return (attach Form 851) ☐
2 Personal holding co. (attach Sch. PH) ☐
3 Personal service corp. (as defined in Temporary Regs. sec. 1.441-4T—see instructions) ☐

**Use IRS label. Otherwise, print or type.**

Name

Number, street, and room or suite no. (If a P.O. box, see page 6 of instructions.)

City or town, state, and ZIP code

**B Employer identification number**

**C** Date incorporated

**D** Total assets (see page 6 of instructions)

$

**E** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Change of address

## Income

| | | | |
|---|---|---|---|
| 1a | Gross receipts or sales ______ **b** Less returns and allowances ______ **c** Bal ► | 1c | |
| 2 | Cost of goods sold (Schedule A, line 8) | 2 | |
| 3 | Gross profit. Subtract line 2 from line 1c | 3 | |
| 4 | Dividends (Schedule C, line 19) | 4 | |
| 5 | Interest | 5 | |
| 6 | Gross rents | 6 | |
| 7 | Gross royalties | 7 | |
| 8 | Capital gain net income (attach Schedule D (Form 1120)) | 8 | |
| 9 | Net gain or (loss) from Form 4797, Part II, line 20 (attach Form 4797) | 9 | |
| 10 | Other income (see page 7 of instructions—attach schedule) | 10 | |
| 11 | **Total income.** Add lines 3 through 10 ► | 11 | |

## Deductions (See instructions for limitations on deductions.)

| | | | |
|---|---|---|---|
| 12 | Compensation of officers (Schedule E, line 4) | 12 | |
| 13 | Salaries and wages (less employment credits) | 13 | |
| 14 | Repairs and maintenance | 14 | |
| 15 | Bad debts | 15 | |
| 16 | Rents | 16 | |
| 17 | Taxes and licenses | 17 | |
| 18 | Interest | 18 | |
| 19 | Charitable contributions (see page 8 of instructions for 10% limitation) | 19 | |
| 20 | Depreciation (attach Form 4562) — 20 | | |
| 21 | Less depreciation claimed on Schedule A and elsewhere on return — 21a | 21b | |
| 22 | Depletion | 22 | |
| 23 | Advertising | 23 | |
| 24 | Pension, profit-sharing, etc., plans | 24 | |
| 25 | Employee benefit programs | 25 | |
| 26 | Other deductions (attach schedule) | 26 | |
| 27 | **Total deductions.** Add lines 12 through 26 ► | 27 | |
| 28 | Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11 | 28 | |
| 29 | **Less:** **a** Net operating loss deduction (see page 10 of instructions) — 29a | | |
| | **b** Special deductions (Schedule C, line 20) — 29b | 29c | |

## Tax and Payments

| | | | |
|---|---|---|---|
| 30 | **Taxable income.** Subtract line 29c from line 28 | 30 | |
| 31 | **Total tax** (Schedule J, line 10) | 31 | |
| 32 | **Payments: a** 1995 overpayment credited to 1996 — 32a | | |
| b | 1996 estimated tax payments — 32b | | |
| c | Less 1996 refund applied for on Form 4466 — 32c ( ) **d Bal ►** 32d | | |
| e | Tax deposited with Form 7004 — 32e | | |
| f | Credit from regulated investment companies (attach Form 2439) — 32f | | |
| g | Credit for Federal tax on fuels (attach Form 4136). See instructions — 32g | 32h | |
| 33 | Estimated tax penalty (see page 11 of instructions). Check if Form 2220 is attached ► ☐ | 33 | |
| 34 | **Tax due.** If line 32h is smaller than the total of lines 31 and 33, enter amount owed | 34 | |
| 35 | **Overpayment.** If line 32h is larger than the total of lines 31 and 33, enter amount overpaid | 35 | |
| 36 | Enter amount of line 35 you want: **Credited to 1997 estimated tax ►** **Refunded ►** | 36 | |

## Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

► Signature of officer — Date — ► Title

## Paid Preparer's Use Only

Preparer's signature ► — Date — Check if self-employed ☐ — Preparer's social security number

Firm's name (or yours if self-employed) and address ► — EIN ► — ZIP code ►

## Schedule A Cost of Goods Sold (See page 11 of instructions.)

| | | | |
|---|---|---|---|
| 1 | Inventory at beginning of year | 1 | |
| 2 | Purchases | 2 | |
| 3 | Cost of labor | 3 | |
| 4 | Additional section 263A costs (attach schedule) | 4 | |
| 5 | Other costs (attach schedule) | 5 | |
| 6 | **Total.** Add lines 1 through 5 | 6 | |
| 7 | Inventory at end of year | 7 | |
| 8 | **Cost of goods sold.** Subtract line 7 from line 6. Enter here and on page 1, line 2 | 8 | |

**9a** Check all methods used for valuing closing inventory:

*(i)* ☐ Cost as described in Regulations section 1.471-3

*(ii)* ☐ Lower of cost or market as described in Regulations section 1.471-4

*(iii)* ☐ Other (Specify method used and attach explanation.) ▶ ____________

**b** Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ▶ ☐

**c** Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ▶ ☐

**d** If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO | **9d** | ____

**e** If property is produced or acquired for resale, do the rules of section 263A apply to the corporation? ☐ Yes ☐ No

**f** Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation ☐ Yes ☐ No

## Schedule C Dividends and Special Deductions (See page 12 of instructions.)

| | | **(a)** Dividends received | **(b)** % | **(c)** Special deductions **(a)** × **(b)** |
|---|---|---|---|---|
| 1 | Dividends from less-than-20%-owned domestic corporations that are subject to the 70% deduction (other than debt-financed stock) | | 70 | |
| 2 | Dividends from 20%-or-more-owned domestic corporations that are subject to the 80% deduction (other than debt-financed stock) | | 80 | |
| 3 | Dividends on debt-financed stock of domestic and foreign corporations (section 246A) | | see instructions | |
| 4 | Dividends on certain preferred stock of less-than-20%-owned public utilities | | 42 | |
| 5 | Dividends on certain preferred stock of 20%-or-more-owned public utilities | | 48 | |
| 6 | Dividends from less-than-20%-owned foreign corporations and certain FSCs that are subject to the 70% deduction | | 70 | |
| 7 | Dividends from 20%-or-more-owned foreign corporations and certain FSCs that are subject to the 80% deduction | | 80 | |
| 8 | Dividends from wholly owned foreign subsidiaries subject to the 100% deduction (section 245(b)) | | 100 | |
| 9 | **Total.** Add lines 1 through 8. See page 12 of instructions for limitation | | | |
| 10 | Dividends from domestic corporations received by a small business investment company operating under the Small Business Investment Act of 1958 | | 100 | |
| 11 | Dividends from certain FSCs that are subject to the 100% deduction (section 245(c)(1)) | | 100 | |
| 12 | Dividends from affiliated group members subject to the 100% deduction (section 243(a)(3)) | | 100 | |
| 13 | Other dividends from foreign corporations not included on lines 3, 6, 7, 8, or 11 | | | |
| 14 | Income from controlled foreign corporations under subpart F (attach Form(s) 5471) | | | |
| 15 | Foreign dividend gross-up (section 78) | | | |
| 16 | IC-DISC and former DISC dividends not included on lines 1, 2, or 3 (section 246(d)) | | | |
| 17 | Other dividends | | | |
| 18 | Deduction for dividends paid on certain preferred stock of public utilities | | | |
| 19 | **Total dividends.** Add lines 1 through 17. Enter here and on line 4, page 1 ▶ | | | |
| 20 | **Total special deductions.** Add lines 9, 10, 11, 12, and 18. Enter here and on line 29b, page 1 ▶ | | | |

## Schedule E Compensation of Officers (See instructions for line 12, page 1.)

*Complete Schedule E only if total receipts (line 1a plus lines 4 through 10 on page 1, Form 1120) are $500,000 or more.*

| | **(a)** Name of officer | **(b)** Social security number | **(c)** Percent of time devoted to business | Percent of corporation stock owned **(d)** Common | **(e)** Preferred | **(f)** Amount of compensation |
|---|---|---|---|---|---|---|
| 1 | | | % | % | % | |
| | | | % | % | % | |
| | | | % | % | % | |
| | | | % | % | % | |
| | | | % | % | % | |

| | | |
|---|---|---|
| 2 | Total compensation of officers | |
| 3 | Compensation of officers claimed on Schedule A and elsewhere on return | |
| 4 | Subtract line 3 from line 2. Enter the result here and on line 12, page 1 | |

Form 1120 (1996) Page **3**

## Schedule J Tax Computation (See page 13 of instructions.)

**1** Check if the corporation is a member of a controlled group (see sections 1561 and 1563) . . . . . ▶ ☐

**Important:** Members of a controlled group, see instructions on page 13.

**2a** If the box on line 1 is checked, enter the corporation's share of the $50,000, $25,000, and $9,925,000 taxable income brackets (in that order):

**(1)** $ ______ **(2)** $ ______ **(3)** $ ______

**b** Enter the corporation's share of:

**(1)** Additional 5% tax (not more than $11,750) $ ______

**(2)** Additional 3% tax (not more than $100,000) $ ______

**3** Income tax. Check this box if the corporation is a qualified personal service corporation as defined in section 448(d)(2) (see instructions on page 13) . . . ▶ ☐ **3**

**4a** Foreign tax credit (attach Form 1118) . . . **4a**

**b** Possessions tax credit (attach Form 5735) . . . **4b**

**c** Check: ☐ Nonconventional source fuel credit ☐ QEV credit (attach Form 8834) **4c**

**d** General business credit. Enter here and check which forms are attached:
☐ 3800 ☐ 3468 ☐ 5884 ☐ 6478 ☐ 6765 ☐ 8586 ☐ 8830
☐ 8826 ☐ 8835 ☐ 8844 ☐ 8845 ☐ 8846 ☐ 8820 ☐ 8847 **4d**

**e** Credit for prior year minimum tax (attach Form 8827) . . . **4e**

**5** **Total credits.** Add lines 4a through 4e . . . **5**

**6** Subtract line 5 from line 3 . . . **6**

**7** Personal holding company tax (attach Schedule PH (Form 1120)) . . . **7**

**8** Recapture taxes. Check if from: ☐ Form 4255 ☐ Form 8611 . . . **8**

**9** Alternative minimum tax (attach Form 4626) . . . **9**

**10** **Total tax.** Add lines 6 through 9. Enter here and on line 31, page 1 . . . **10**

## Schedule K Other Information (See page 15 of instructions.)

(Yes / No)

**1** Check method of accounting: **a** ☐ Cash **b** ☐ Accrual **c** ☐ Other (specify) ▶ ______

**2** See page 17 of the instructions and state the principal:

**a** Business activity code no. ▶ ______

**b** Business activity ▶ ______

**c** Product or service ▶ ______

**3** Did the corporation at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) . . .

If "Yes," attach a schedule showing: (a) name and identifying number, (b) percentage owned, and (c) taxable income or (loss) before NOL and special deductions of such corporation for the tax year ending with or within your tax year.

**4** Is the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? . . .

If "Yes," enter employer identification number and name of the parent corporation ▶ ______

**5** Did any individual, partnership, corporation, estate or trust at the end of the tax year own, directly or indirectly, 50% or more of the corporation's voting stock? (For rules of attribution, see section 267(c).) . . .

If "Yes," attach a schedule showing name and identifying number. (Do not include any information already entered in **4** above.) Enter percentage owned ▶ ______

**6** During this tax year, did the corporation pay dividends (other than stock dividends and distributions in exchange for stock) in excess of the corporation's current and accumulated earnings and profits? (See secs. 301 and 316.) . . .

If "Yes," file Form 5452. If this is a consolidated return, answer here for the parent corporation and on **Form 851,** Affiliations Schedule, for each subsidiary.

(Yes / No)

**7** Was the corporation a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) . . .

If "Yes," attach Form 5471 for each such corporation. Enter number of Forms 5471 attached ▶ ______

**8** At any time during the 1996 calendar year, did the corporation have an interest in or a signature or other authority over a financial account (such as a bank account, securities account, or other financial account) in a foreign country?

If "Yes," the corporation may have to file Form TD F 90-22.1.

If "Yes," enter name of foreign country ▶ ______

**9** During the tax year, did the corporation receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," see page 16 of the instructions for other forms the corporation may have to file . . .

**10** Did one foreign person at any time during the tax year own, directly or indirectly, at least 25% 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? If "Yes,"

**a** Enter percentage owned ▶ ______

**b** Enter owner's country ▶ ______

**c** The corporation may have to file Form 5472. Enter number of Forms 5472 attached ▶ ______

**11** Check this box if the corporation issued publicly offered debt instruments with original issue discount . ▶ ☐

If so, the corporation may have to file Form 8281.

**12** Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $ ______

**13** If there were 35 or fewer shareholders at the end of the tax year, enter the number ▶ ______

**14** If the corporation has an NOL for the tax year and is electing to forego the carryback period, check here ▶ ☐

**15** Enter the available NOL carryover from prior tax years (Do not reduce it by any deduction on line 29a.) ▶ $

## Schedule L Balance Sheets per Books

| Assets | Beginning of tax year (a) | (b) | End of tax year (c) | (d) |
|---|---|---|---|---|
| 1 Cash | | | | |
| 2a Trade notes and accounts receivable | | | | |
| b Less allowance for bad debts | ( ) | | ( ) | |
| 3 Inventories | | | | |
| 4 U.S. government obligations | | | | |
| 5 Tax-exempt securities (see instructions) | | | | |
| 6 Other current assets (attach schedule) | | | | |
| 7 Loans to stockholders | | | | |
| 8 Mortgage and real estate loans | | | | |
| 9 Other investments (attach schedule) | | | | |
| 10a Buildings and other depreciable assets | | | | |
| b Less accumulated depreciation | ( ) | | ( ) | |
| 11a Depletable assets | | | | |
| b Less accumulated depletion | ( ) | | ( ) | |
| 12 Land (net of any amortization) | | | | |
| 13a Intangible assets (amortizable only) | | | | |
| b Less accumulated amortization | ( ) | | ( ) | |
| 14 Other assets (attach schedule) | | | | |
| 15 Total assets | | | | |
| **Liabilities and Stockholders' Equity** | | | | |
| 16 Accounts payable | | | | |
| 17 Mortgages, notes, bonds payable in less than 1 year | | | | |
| 18 Other current liabilities (attach schedule) | | | | |
| 19 Loans from stockholders | | | | |
| 20 Mortgages, notes, bonds payable in 1 year or more | | | | |
| 21 Other liabilities (attach schedule) | | | | |
| 22 Capital stock: a Preferred stock | | | | |
| b Common stock | | | | |
| 23 Paid-in or capital surplus | | | | |
| 24 Retained earnings—Appropriated (attach schedule) | | | | |
| 25 Retained earnings—Unappropriated | | | | |
| 26 Less cost of treasury stock | | ( ) | | ( ) |
| 27 Total liabilities and stockholders' equity | | | | |

**Note:** *You are not required to complete Schedules M-1 and M-2 below if the total assets on line 15, column (d) of Schedule L are less than $25,000.*

## Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return (See page 16 of instructions.)

| | | | |
|---|---|---|---|
| 1 Net income (loss) per books | | 7 Income recorded on books this year not included on this return (itemize): Tax-exempt interest $ | |
| 2 Federal income tax | | | |
| 3 Excess of capital losses over capital gains | | | |
| 4 Income subject to tax not recorded on books this year (itemize): | | 8 Deductions on this return not charged against book income this year (itemize): | |
| 5 Expenses recorded on books this year not deducted on this return (itemize): | | a Depreciation $ | |
| a Depreciation $ | | b Contributions carryover $ | |
| b Contributions carryover $ | | | |
| c Travel and entertainment $ | | | |
| | | 9 Add lines 7 and 8 | |
| 6 Add lines 1 through 5 | | 10 Income (line 28, page 1)—line 6 less line 9 | |

## Schedule M-2 Analysis of Unappropriated Retained Earnings per Books (Line 25, Schedule L)

| | | | |
|---|---|---|---|
| 1 Balance at beginning of year | | 5 Distributions: a Cash | |
| 2 Net income (loss) per books | | b Stock | |
| 3 Other increases (itemize): | | c Property | |
| | | 6 Other decreases (itemize): | |
| | | 7 Add lines 5 and 6 | |
| 4 Add lines 1, 2, and 3 | | 8 Balance at end of year (line 4 less line 7) | |

# Codes for Principal Business Activity

These codes for the Principal Business Activity are designed to classify enterprises by the type of activity in which they are engaged to facilitate the administration of the Internal Revenue Code. Though similar in format and structure to the Standard Industrial Classification (SIC) codes, they should not be used as SIC codes.

Using the list below, enter on Form 1120, Schedule K, line 2a (Form 1120-A, Part II, line 1a) the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1a, page 1) plus all other income (lines 4 through 10, page 1).

On Form 1120, Schedule K, lines 2b and 2c (Form 1120-A, Part II, lines 1b and 1c), state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

If, as its principal business activity, the corporation: (1) purchases raw materials, (2) subcontracts out for labor to make a finished product from the raw materials, and (3) retains title to the goods, the corporation is considered to be a manufacturer and must enter one of the codes (2010-3998) under "Manufacturing."

## Agriculture, Forestry, and Fishing

*Code*

0400 Agricultural production
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping

## Mining

**Metal mining**

1010 Iron ores
1070 Copper, lead and zinc, gold and silver ores
1098 Other metal mining
1150 Coal mining

**Oil and gas extraction**

1330 Crude petroleum, natural gas, and natural gas liquids
1380 Oil and gas field services

**Nonmetallic minerals, except fuels**

1430 Dimension, crushed and broken stone; sand and gravel
1498 Other nonmetallic minerals, except fuels

## Construction

**General building contractors and operative builders**

1510 General building contractors
1531 Operative builders

**1600 Heavy construction contractors**

**Special trade contractors**

1711 Plumbing, heating, and air conditioning
1731 Electrical work
1798 Other special trade contractors

## Manufacturing

**Food and kindred products**

2010 Meat products
2020 Dairy products
2030 Preserved fruits and vegetables
2040 Grain mill products
2050 Bakery products
2060 Sugar and confectionary products
2081 Malt liquors and malt
2088 Alcoholic beverages, except malt liquors and malt
2089 Bottled soft drinks, and flavorings
2096 Other food and kindred products

**2100 Tobacco manufacturers**

**Textile mill products**

2228 Weaving mills and textile finishing
2250 Knitting mills
2298 Other textile mill products

**Apparel and other textile products**

2315 Men's and boys' clothing
2345 Women's and children's clothing
2388 Other apparel and accessories
2390 Miscellaneous fabricated textile products

**Lumber and wood products**

2415 Logging, sawmills, and planing mills
2430 Millwork, plywood, and related products
2498 Other wood products, including wood buildings and mobile homes

**2500 Furniture and fixtures**

*Code*

**Paper and allied products**

2625 Pulp, paper, and board mills
2699 Other paper products

**Printing and publishing**

2710 Newspapers
2720 Periodicals
2735 Books, greeting cards, and miscellaneous publishing
2799 Commercial and other printing, and printing trade services

**Chemicals and allied products**

2815 Industrial chemicals, plastics materials, and synthetics
2830 Drugs
2840 Soap, cleaners, and toilet goods
2850 Paints and allied products
2898 Agricultural and other chemical products

**Petroleum refining and related industries (including those integrated with extraction)**

2910 Petroleum refining (including integrated)
2998 Other petroleum and coal products

**Rubber and misc. plastics products**

3050 Rubber products, plastics footwear, hose and belting
3070 Misc. plastics products

**Leather and leather products**

3140 Footwear, except rubber
3198 Other leather and leather products

**Stone, clay, and glass products**

3225 Glass products
3240 Cement, hydraulic
3270 Concrete, gypsum, and plaster products
3298 Other nonmetallic mineral products

**Primary metal industries**

3370 Ferrous metal industries; misc. primary metal products
3380 Nonferrous metal industries

**Fabricated metal products**

3410 Metal cans and shipping containers
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products
3430 Plumbing and heating, except electric and warm air
3440 Fabricated structural metal products
3460 Metal forgings and stampings
3470 Coating, engraving, and allied services
3480 Ordnance and accessories, except vehicles and guided missiles
3490 Misc. fabricated metal products

**Machinery, except electrical**

3520 Farm machinery
3530 Construction and related machinery
3540 Metalworking machinery
3550 Special industry machinery
3560 General industrial machinery
3570 Office, computing, and accounting machines
3598 Other machinery except electrical

*Code*

**Electrical and electronic equipment**

3630 Household appliances
3665 Radio, television, and communication equipment
3670 Electronic components and accessories
3698 Other electrical equipment

**3710 Motor vehicles and equipment**

**Transportation equipment, except motor vehicles**

3725 Aircraft, guided missiles and parts
3730 Ship and boat building and repairing
3798 Other transportation equipment, except motor vehicles

**Instruments and related products**

3815 Scientific instruments and measuring devices; watches and clocks
3845 Optical, medical, and ophthalmic goods
3860 Photographic equipment and supplies

**3998 Other manufacturing products**

## Transportation and Public Utilities

**Transportation**

4000 Railroad transportation
4100 Local and interurban passenger transit
4200 Trucking and warehousing
4400 Water transportation
4500 Transportation by air
4600 Pipe lines, except natural gas
4700 Miscellaneous transportation services

**Communication**

4825 Telephone, telegraph, and other communication services
4830 Radio and television broadcasting

**Electric, gas, and sanitary services**

4910 Electric services
4920 Gas production and distribution
4930 Combination utility services
4990 Water supply and other sanitary services

## Wholesale Trade

**Durable**

5008 Machinery, equipment, and supplies
5010 Motor vehicles and automotive equipment
5020 Furniture and home furnishings
5030 Lumber and construction materials
5040 Sporting, recreational, photographic, and hobby goods, toys and supplies
5050 Metals and minerals, except petroleum and scrap
5060 Electrical goods
5070 Hardware, plumbing and heating equipment and supplies
5098 Other durable goods

**Nondurable**

5110 Paper and paper products
5129 Drugs, drug proprietaries, and druggists' sundries
5130 Apparel, piece goods, and notions
5140 Groceries and related products
5150 Farm-product raw materials
5160 Chemicals and allied products
5170 Petroleum and petroleum products
5180 Alcoholic beverages
5190 Misc. nondurable goods

## Retail Trade

**Building materials, garden supplies, and mobile home dealers**

5220 Building materials dealers
5251 Hardware stores
5265 Garden supplies and mobile home dealers

**5300 General merchandise stores**

**Food stores**

5410 Grocery stores
5490 Other food stores

**Automotive dealers and service stations**

5515 Motor vehicle dealers
5541 Gasoline service stations
5598 Other automotive dealers

**5600 Apparel and accessory stores**

**5700 Furniture and home furnishings stores**

*Code*

**5800 Eating and drinking places**

**Misc. retail stores**

5912 Drug stores and proprietary stores
5921 Liquor stores
5995 Other retail stores

## Finance, Insurance, and Real Estate

**Banking**

6030 Mutual savings banks
6060 Bank holding companies
6090 Banks, except mutual savings banks and bank holding companies

**Credit agencies other than banks**

6120 Savings and loan associations
6140 Personal credit institutions
6150 Business credit institutions
6199 Other credit agencies

**Security, commodity brokers and services**

6210 Security brokers, dealers, and flotation companies
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services

**Insurance**

6355 Life insurance
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies
6359 Other insurance companies
6411 Insurance agents, brokers, and service

**Real estate**

6511 Real estate operators and lessors of buildings
6516 Lessors of mining, oil, and similar property
6518 Lessors of railroad property and other real property
6530 Condominium management and cooperative housing associations
6550 Subdividers and developers
6599 Other real estate

**Holding and other investment companies, except bank holding companies**

6744 Small business investment companies
6749 Other holding and investment companies except bank holding companies

## Services

**7000 Hotels and other lodging places**

**7200 Personal services**

**Business services**

7310 Advertising
7389 Business services, except advertising

**Auto repair; misc. repair services**

7500 Auto repair and services
7600 Misc. repair services

**Amusement and recreation services**

7812 Motion picture production, distribution, and services
7830 Motion picture theaters
7900 Amusement and recreation services, except motion pictures

**Other services**

8015 Offices of physicians, including osteopathic physicians
8021 Offices of dentists
8040 Offices of other health practitioners
8050 Nursing and personal care facilities
8060 Hospitals
8071 Medical laboratories
8099 Other medical services
8111 Legal services
8200 Educational services
8300 Social services
8600 Membership organizations
8911 Architectural and engineering services
8930 Accounting, auditing, and bookkeeping
8980 Miscellaneous services (including veterinarians)

## Sample Table: Returns of Active Corporations for 1996

Table 6. Balance Sheet, Income Statement, Tax, and Selected Other Items by Major Industry

(All figures are estimates based on samples; money amounts are in thouands of dollars)

| Item | All industries | Agriculture, forestry, and fishing | Mining | | | | |
|---|---|---|---|---|---|---|---|
| | | | Total | Metal mining | Coal mining | Oil and gas extraction | Nonmetallic minerals except fuels |
| | (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| **Number of returns, total** | **4,631,370** | **158,963** | **35,799** | **1,912** | **1,959** | **27,074** | **4,855** |
| **Total assets** | **28,642,263,127** | **94,140,118** | **299,106,231** | **37,552,500** | **43,065,807** | **178,564,560** | **39,923,364** |
| Cash | 1,097,176,746 | 6,509,497 | 11,343,335 | 1,570,689 | 1,094,307 | 7,002,244 | 1,676,095 |
| Notes and accounts receivable | 5,782,978,199 | 8,837,147 | 43,020,445 | 3,926,477 | 11,120,991 | 17,573,723 | 10,399,254 |
| Less: Allowance for bad debts | 119,237,620 | 68,463 | 334,623 | *9,461 | 22,128 | 240,360 | 62,674 |
| Inventories | 1,079,396,261 | 9,045,728 | 7,674,818 | 1,493,848 | 952,505 | 3,555,509 | 1,672,956 |
| Investments in Government obligations | 1,338,891,561 | 157,491 | 1,216,037 | *33,628 | *242,063 | 839,853 | *100,493 |
| Tax-exempt securities | 851,259,000 | 234,437 | 266,629 | *15,944 | *68,315 | 128,461 | *53,909 |
| Other current assets | 2,045,356,655 | 3,992,281 | 10,811,548 | 1,175,506 | 721,814 | 7,533,328 | 1,380,900 |
| Loans to stockholders | 113,266,363 | 2,437,611 | 2,048,335 | 892,443 | 171,629 | 860,861 | 123,402 |
| Mortgage and real estate loans | 1,825,115,246 | 760,424 | 137,052 | *283 | 1,652 | 116,207 | *18,909 |
| Other investments | 8,657,455,602 | 10,169,905 | 103,389,569 | 9,650,706 | 15,540,426 | 66,663,464 | 11,534,972 |
| Depreciable assets | 5,923,297,939 | 71,074,034 | 123,622,768 | 18,982,237 | 14,461,208 | 71,793,565 | 18,385,758 |
| Less: Accumulated depreciation | 2,760,002,783 | 44,236,331 | 60,376,889 | 7,802,124 | 8,065,824 | 34,130,187 | 10,378,753 |
| Depletable assets | 168,555,605 | 772,120 | 62,255,462 | 3,369,165 | 3,663,605 | 52,820,071 | 2,402,622 |
| Less: Accumulated depletion | 82,027,771 | 298,427 | 28,015,075 | 1,209,207 | 814,263 | 25,437,260 | 554,345 |
| Land | 254,038,940 | 18,367,401 | 4,240,474 | 444,699 | 845,550 | 1,442,302 | 1,507,923 |
| Intangible assets (amortizable) | 923,607,329 | 1,161,983 | 11,544,221 | 2,255,838 | 2,135,874 | 6,029,961 | 1,122,548 |
| Less: Accumulated amortization | 184,363,914 | 243,843 | 4,563,198 | 887,091 | 918,061 | 2,539,780 | 218,265 |
| Other assets | 1,727,499,772 | 5,467,121 | 10,825,322 | 3,648,920 | 1,866,143 | 4,552,599 | 757,659 |
| **Total liabilities** | **28,642,263,127** | **94,140,118** | **299,106,231** | **37,552,500** | **43,065,807** | **178,564,560** | **39,923,364** |
| Accounts payable | 1,904,796,115 | 5,076,008 | 23,628,346 | 1,568,091 | 3,314,867 | 11,288,450 | 7,456,938 |
| Mortgages, notes, bonds payable less than 1 yr. | 2,327,699,690 | 12,746,742 | 9,215,016 | 890,210 | 1,024,471 | 4,258,812 | 3,041,522 |
| Other current liabilities | 7,032,759,943 | 4,858,862 | 14,886,820 | 2,293,481 | 3,603,950 | 7,667,070 | 1,322,318 |
| Loans from stockholders | 332,858,006 | 11,432,268 | 8,432,979 | 1,489,039 | 1,249,368 | 5,416,378 | 278,194 |
| Mortgages, notes, bonds payable 1 yr. or more | 3,650,975,449 | 23,051,648 | 56,629,422 | 6,590,219 | 4,451,341 | 40,772,917 | 4,814,945 |
| Other liabilities | 3,897,947,822 | 4,217,417 | 34,592,842 | 5,453,404 | 9,433,181 | 16,415,784 | 3,290,473 |
| Capital stock | 2,278,486,551 | 10,491,557 | 19,056,325 | 4,390,160 | 2,558,031 | 10,263,002 | 1,845,131 |
| Paid-in or capital surplus | 6,426,779,286 | 13,712,429 | 133,778,618 | 16,079,601 | 15,236,105 | 88,497,287 | 13,965,626 |
| Retained earnings, appropriated | 119,900,185 | 252,229 | 252,639 | - | 60,689 | 108,358 | *83,592 |
| Retained earnings, unappropriated | 2,398,629,035 | 10,965,900 | 2,436,118 | -589,316 | 2,449,715 | -4,065,035 | 4,640,754 |
| Less: Cost of treasury stock | 1,728,568,951 | 2,664,942 | 3,802,895 | 612,390 | 315,912 | 2,058,465 | 816,129 |
| **Total receipts** | **15,525,718,006** | **119,737,058** | **141,278,092** | **12,470,694** | **21,180,667** | **88,586,701** | **19,040,030** |
| Business receipts | 13,659,470,309 | 111,727,224 | 127,583,639 | 11,331,162 | 19,483,197 | 78,612,521 | 18,156,759 |
| Interest | 1,037,373,687 | 719,378 | 3,058,595 | 360,998 | 520,067 | 1,884,051 | 293,478 |
| Interest on Government obligations: State, local | 44,698,016 | 40,580 | 37,683 | *1,090 | 8,609 | 23,500 | 4,484 |
| Rents | 91,414,648 | 652,388 | 428,084 | 21,388 | 50,184 | 262,065 | 94,447 |
| Royalties | 65,148,709 | 115,048 | 710,454 | 41,967 | 179,200 | 426,927 | 62,360 |
| Net short-term capital gain reduced by net long-term capital loss | 35,925,017 | 52,954 | 63,254 | 2,785 | *3,887 | 47,749 | 8,833 |
| Net long-term capital gain reduced by net short-term capital loss | 75,171,594 | 631,910 | 1,194,790 | 77,696 | 174,895 | 874,516 | 67,683 |
| Net gain, noncapital assets | 52,270,420 | 628,885 | 1,256,356 | 55,107 | 47,179 | 1,104,671 | 49,399 |
| Dividends received from domestic corporations | 16,314,809 | 104,252 | 238,269 | 7,600 | 11,277 | 210,955 | 8,437 |
| Dividends received from foreign corporations | 46,245,061 | 122,801 | 398,458 | 152,929 | *6,585 | 228,886 | 10,058 |
| Other receipts | 401,685,737 | 4,941,639 | 6,308,510 | 417,972 | 695,586 | 4,910,860 | 284,092 |
| **Total deductions** | 14,728,089,018 | 117,166,334 | 133,385,823 | 12,781,705 | 20,329,655 | 81,972,491 | 18,301,973 |
| Cost of goods sold | 8,707,100,240 | 63,581,911 | 78,022,883 | 6,778,142 | 13,004,940 | 46,575,115 | 11,664,686 |
| Compensation of officers | 319,104,055 | 3,178,099 | 1,863,535 | 71,301 | 112,607 | 1,317,578 | 362,049 |
| Salaries and wages | 1,335,622,425 | 8,824,275 | 6,906,451 | 430,523 | 551,829 | 4,963,294 | 960,805 |
| Repairs | 126,163,589 | 2,548,253 | 1,372,237 | 35,776 | 307,885 | 653,068 | 375,508 |
| Bad debts | 74,656,580 | 126,334 | 278,257 | 69,233 | 13,386 | 148,587 | 47,050 |
| Rent paid on business property | 248,260,668 | 4,223,645 | 1,398,184 | 136,458 | 202,434 | 864,496 | 194,795 |
| Taxes paid | 341,133,797 | 2,740,333 | 3,889,217 | 278,316 | 1,134,947 | 1,982,668 | 493,285 |
| Interest paid | 770,885,334 | 3,008,936 | 6,179,872 | 877,772 | 677,670 | 3,935,087 | 689,342 |
| Contributions or gifts | 7,821,988 | 47,023 | 59,100 | 9,704 | 4,537 | 26,364 | 18,494 |
| Amortization | 52,174,446 | 108,873 | 1,057,251 | 392,221 | 112,207 | 496,721 | 56,103 |
| Depreciation | 473,964,879 | 5,317,472 | 7,832,437 | 1,137,826 | 1,017,870 | 4,388,111 | 1,288,630 |
| Depletion | 10,068,300 | 84,007 | 4,120,459 | 839,660 | 609,571 | 2,303,149 | 368,078 |
| Advertising | 177,382,991 | 463,607 | 135,354 | 6,637 | 8,911 | 84,782 | 35,024 |
| Pension,profit-sharing,stock bonus, annuity plans | 67,012,249 | 175,267 | 539,994 | 51,969 | 67,093 | 298,794 | 122,138 |
| Employee benefit programs | 174,043,676 | 818,625 | 1,594,047 | 97,718 | 568,624 | 652,992 | 274,713 |
| Net loss, noncapital assets | 25,907,405 | 88,009 | 591,725 | 77,466 | 99,860 | 384,319 | 30,081 |
| Other deductions | 1,816,786,399 | 21,831,664 | 17,544,820 | 1,490,980 | 1,835,283 | 12,897,366 | 1,321,190 |
| Total receipts less total deductions | 797,628,988 | 2,570,724 | 7,892,269 | -311,011 | 851,013 | 6,614,209 | 738,057 |
| Constructive taxable income from related foreign corporations | 53,554,019 | 83,987 | 298,022 | 42,630 | 8,906 | 243,144 | 3,342 |
| Net income (less deficit) | 806,484,990 | 2,614,131 | 8,152,607 | -269,471 | 851,310 | 6,833,852 | 736,916 |
| Income subject to tax | 639,839,995 | 2,656,366 | 6,813,164 | 737,772 | 1,002,508 | 4,402,409 | 670,475 |
| Total income tax before credits[7] | 223,712,985 | 764,345 | 2,525,467 | 279,799 | 376,598 | 1,619,308 | 249,763 |
| Income tax | 219,756,610 | 748,862 | 2,348,394 | 257,844 | 348,188 | 1,515,118 | 227,243 |
| Personal holding company tax | 11,790 | - | *188 | - | - | *188 | - |
| Recapture taxes | 21,331 | - | - | - | - | - | - |
| Alternative minimum tax | 3,848,966 | 13,334 | 172,523 | 21,946 | 28,093 | 100,009 | 22,475 |
| Environmental tax | 55,918 | 765 | 529 | *9 | 171 | 319 | *30 |
| Foreign tax credit | 40,243,751 | 80,723 | 931,326 | 162,363 | 203,260 | 561,121 | *4,581 |
| U.S. possessions tax credit | 3,059,299 | 96 | - | - | - | - | - |
| Nonconventional source fuel credit | 887,374 | *244 | 59,312 | 279 | *172 | 56,736 | *2,126 |
| General business credit | 4,228,030 | 8,165 | 82,145 | 5 | *185 | 79,718 | *2,238 |
| Prior year minimum tax credit | 4,673,199 | 15,126 | 102,007 | *4,113 | *13,442 | 77,907 | 6,546 |
| Total income tax after credits[2] | 170,620,945 | 659,991 | 1,350,676 | 113,039 | 159,540 | 843,826 | 234,272 |