

This report presents statistical estimates based on a stratified sample of approximately 138,000 unaudited returns selected from the nearly 5.3 million active corporate returns filed for Tax Year 2002 (defined to include accounting periods ending July 2002 through June 2003).

The report is divided into 6 sections. The first section provides statistics summarizing overall corporate activity for Tax Year 2002. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2001. Section 3 describes in detail the sample of income tax returns upon which the statistics are based, as well as the method of estimation used, the sampling variability of the data, and other limitations.

Section 4 presents basic tables that contain detailed statistics on 2002 assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data. These statistics are presented by industry, asset size, business receipts size, tax form type, accounting period ended, and other selected classifiers. **Table 5 in section 4 now contains two additional classifications for size of business receipts at the upper end, and a combined column of \$25,000 under \$100,000.** Section 5 contains detailed explanations of the terms used in this report. In most instances, the explanations include definitions of terms used, as well as adjustments made in preparing the statistics and any limitations inherent in the data. Section 6 consists of the key corporation tax return forms.

The industry classification used in this report is based on the North American Industry Classification System (NAICS), which replaced the Standard Industrial Classification (SIC) system used in years prior to 1998. For this Statistics of Income report, the data are listed under 22 industrial sectors, 82 major industries, and 200 minor industries. In 2002 substantial revisions were made to the construction, wholesale and information sectors. Table 1 presents selected financial data for all minor industries.

Since 2001, corporations classified with assets of

\$250 million or more are reported in three separate categories: \$250 million under \$500 million; \$500 million under \$2.5 billion and \$2.5 billion or more. Also, corporations previously classified in the \$1 under \$100,000, \$100,000 under \$250,000, and \$250,000 under \$500,000 ranges are now grouped under one category, \$1 under \$500,000.

The statistics in this publication present data primarily by major industries, sectors, return types, and specific categories. The statistics in the 2002 *Corporation Source Book of Statistics of Income* differ from this report by providing data by minor industry and size of total assets for balance sheet, income statement, tax, and selected other items. This publication also provides additional detail on the data provided in the *Statistics of Income Bulletin*, Volume 25, Number 1, Summer 2005.

Overall Corporate Summary

Figure A presents corporation summary statistics for Tax Years 2001 and 2002 for number of returns, total assets, total receipts, net income (less deficit), income subject to tax, total income tax before credits, and total income tax after credits.

The total number of returns continued to increase by approximately 2.6 percent for 2002. Total assets increased by 2.6 percent in 2002 from \$49.2 trillion in 2001 to \$50.4 trillion in 2002. Tax exempt securities and mortgage and real estate loans went up by 13.8 and 14.1 percent respectively between 2001 and 2002, and contributed to the overall increase in total assets. Gross profits (business receipts less costs of goods sold) also showed an increase of 3.5 percent in 2002. However, total receipts from operations and investments fell for the second year from the \$20.3 trillion reported for 2001 to \$19.7 trillion in 2002. This represented a 2.6 percent decrease. Total deductions fell from \$19.7 trillion in 2001 to \$19.2 trillion, a decrease of 2.5 percent. Net income (less deficit) fell from a reported \$603.6 billion in 2001 to \$563.7 billion in 2002, a 6.6 percent decrease. The tax base (income subject to tax) also decreased from \$635.3 billion in 2001 to \$600.6 billion in 2002, a 5.5 percent drop compared to a 34.9 percent decrease in 2001. This was a continuation of the contraction that began in 2001, resulting in continued lower tax revenues. Total income tax before credits decreased 5.1 percent below the amount reported for 2001, falling from \$220.9 billion to \$209.7 billion.

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2002 Corporation Returns- Introduction

Total income tax after credits, the amount payable to the U.S. Government, continued to decline in 2002 and showed a decrease of 7.9 percent from \$166.7 billion to \$153.6 billion. This amount also continued to decline as a percent of Gross Domestic Product. It fell from 1.7 percent of GDP in 2001 to 1.5 percent of GDP in 2002.

From the 5.3 million active corporations for Tax Year 2002, approximately 3.2 million were pass-through entities. These corporations file Forms 1120-S (Small Business corporations), 1120-REIT (Real Estate Investment Trusts), or 1120-RIC (Regulated Investment Companies). These corporations pass through reported income and deductions to their shareholders and, in general, pay no Federal income taxes directly.

The remaining 2.1 million returns reported total receipts of \$15.6 trillion, a decrease of 3.9 percent

from 2001 to 2002. Income subject to tax decreased 5.5 percent to \$599.6 billion, and total income tax after credits decreased 7.9 percent to \$153.2 billion. Excluding the pass-through entities, approximately 1 million corporations reported net income for Tax Year 2002 and 65.6 percent of those corporations had a tax liability, compared to 23.7 percent of all corporations with net income.

The number of returns with total assets of \$2.5 billion or more represented only 0.04 percent of the total number of returns, but 75.7 percent of total assets. These 1,909 returns for 2002 accounted for 44.8 percent of the total receipts; 67.0 percent of net income (less deficit); 67.4 percent of income subject to tax; 68.6 percent of total income tax before credits; and 62.3 percent of total income tax after credits. Roughly 62.2 percent of all returns with net income and total assets greater than \$2.5 billion, an increase of 1.8 percent, had a tax liability for 2002.

Figure A. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Assets, Tax Years 2001 and 2002

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

Year and size of total assets	Number of returns	Total assets	Total receipts	Net income (less deficit) ¹	Income subject to tax ²	Total income tax before credits ³	Total income tax after credits ⁴
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2001							
Total.....	5,135,591	49,154,424,202	20,272,957,624	603,623,352	635,257,416	220,874,245	166,711,988
Zero assets.....	344,208	-	360,372,836	1,251,334	12,100,794	4,269,662	3,409,748
\$1 under \$500,000.....	3,945,569	385,390,304	1,596,866,576	46,343,174	9,231,989	1,694,544	1,661,573
\$500,000 under \$1,000,000.....	342,215	240,480,514	544,156,021	8,260,214	4,624,468	1,051,155	1,026,728
\$1,000,000 under \$5,000,000.....	365,883	768,250,756	1,619,341,413	16,394,552	13,786,141	4,115,701	4,031,143
\$5,000,000 under \$10,000,000.....	58,094	402,692,507	804,249,430	4,144,795	7,090,624	2,376,979	2,310,457
\$10,000,000 under \$25,000,000.....	36,354	559,689,369	984,377,522	1,224,194	10,329,819	3,530,365	3,399,267
\$25,000,000 under \$50,000,000.....	14,103	496,173,704	617,502,169	-2,703,357	8,945,255	3,068,710	2,891,935
\$50,000,000 under \$100,000,000.....	9,504	674,582,132	581,257,233	-1,430,958	10,710,831	3,715,721	3,378,761
\$100,000,000 under \$250,000,000.....	8,672	1,382,719,089	810,880,798	6,442,167	20,613,258	7,198,927	6,378,107
\$250,000,000 under \$500,000,000.....	4,158	1,512,830,444	703,364,474	17,756,942	24,412,215	8,586,344	7,674,243
\$500,000,000 under \$2,500,000,000.....	4,935	5,891,983,756	2,455,837,059	88,738,064	91,811,525	32,584,110	27,597,590
\$2,500,000,000 or more.....	1,896	36,839,631,626	9,194,752,092	417,202,231	421,600,497	148,682,027	102,952,436
2002							
Total.....	5,266,607	50,413,501,942	19,749,426,052	563,656,558	600,553,517	209,691,130	153,612,870
Zero assets.....	589,768	-	281,776,726	-14,548,382	8,045,175	2,567,994	2,310,982
\$1 under \$500,000.....	3,825,530	377,820,614	1,608,972,468	41,734,405	8,071,605	1,488,170	1,453,139
\$500,000 under \$1,000,000.....	344,464	241,844,969	560,261,340	7,029,441	3,745,018	866,634	842,492
\$1,000,000 under \$5,000,000.....	369,682	774,819,400	1,576,839,937	17,801,498	11,749,521	3,490,308	3,377,404
\$5,000,000 under \$10,000,000.....	57,408	400,625,809	794,809,984	8,429,533	6,413,168	2,153,213	2,072,958
\$10,000,000 under \$25,000,000.....	36,819	566,602,509	995,457,502	4,805,044	9,357,856	3,196,467	3,007,177
\$25,000,000 under \$50,000,000.....	13,904	488,146,307	623,629,326	5,527,357	8,640,050	2,969,155	2,773,517
\$50,000,000 under \$100,000,000.....	9,344	662,743,268	578,155,173	5,781,520	10,090,301	3,470,413	3,198,358
\$100,000,000 under \$250,000,000.....	8,595	1,375,040,653	792,357,083	10,110,897	21,072,294	7,357,334	6,523,866
\$250,000,000 under \$500,000,000.....	4,226	1,533,982,557	701,765,257	16,452,094	21,581,483	7,599,490	6,717,384
\$500,000,000 under \$2,500,000,000.....	4,958	5,812,702,679	2,382,382,008	83,007,982	86,938,117	30,756,990	25,657,174
\$2,500,000,000 or more.....	1,909	38,179,173,178	8,853,019,246	377,525,169	404,848,929	143,774,963	95,678,419

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

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

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

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

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

Activities Covered

The estimates in this report encompass corporate business activities in the United States, as well as certain foreign activities as reported on returns of domestic corporations, and foreign corporations with U.S. business activities. The term domestic corporation refers to companies incorporated in the United States, but does not necessarily imply that all their activities are domestic. For instance, data for a U.S. corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries and, to a certain extent, their undistributed earnings. The effect of foreign activity on the statistics varies by type of industry and by size of assets. Income from foreign activity is reflected to a greater extent in manufacturing industries than other industries. Also, foreign activity is almost entirely concentrated among returns with assets of \$250 million or more [1]. For foreign corporations (defined as those incorporated abroad) engaged in trade or business in the United States, only income that was considered effectively connected with the conduct of a trade or business in the United States was included in the statistics; any investment income from U.S. sources was excluded from the data. Most foreign corporations are concentrated in the "Finance and Insurance" and "Real Estate and Rental and Leasing" sectors. Other foreign corporations, incorporated abroad and not engaged in trade or business in the U.S., were liable for tax only on investment income from U.S. sources, and these returns were excluded from this report.

This report also contains data on S corporations, which are not generally taxable. More detailed information on S corporations is contained in:

Bennett, Kelly, "S Corporation Returns, 2002," *Statistics of Income Bulletin*, Volume 24, Number 4, Spring 2005, pp. 59-113.

Section 6012 of the Internal Revenue Code requires that all corporations in existence at any time during the tax year file returns, regardless of whether they had income or not. This applied to active and inactive domestic corporations, unless they were expressly exempt from filing, as well as to active foreign corporations with insufficient taxes withheld at the source to satisfy their U.S. tax liability on income earned in the United States. However, inactive corporations have been excluded from these statistics. See Section 3 for more information on the sample.

In addition to legally defined corporations, the Internal Revenue Code recognized many types of businesses as corporations including: joint stock companies and unincorporated associations (such

as business trusts, savings and loan associations, certain partnerships, mutual savings banks, and cooperative banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, centralization of management apart from ownership, limited liability of owners, and transferability of shares of capital ownership.

Time Period Employed

The estimates in this report are based on data from returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ending during the span of months July 2002 through June 2003. This span, in effect, defines the tax year in such a way that the noncalendar year accounting periods are centered at the calendar year ended in December.

There are 12 accounting periods covered in this report. Code section 441 specified that, in general, a taxpayer's accounting period ends on the last day of the month. There is a span of 23 months between the first-included accounting period, which began on August 1, 2001, and closed on July 31, 2002, and the end of the last-included accounting period, which began on July 1, 2002, and closed on June 30, 2003. This report, therefore, shows income received or expenses incurred during any or all of the months in the 23-month span. For balance sheet items, the report shows a corporation's position only at the end of its accounting period. Corporations were required by Code section 441 to file returns for the accounting period customarily used in keeping their books.

Figure B shows that calendar year returns made up 83.9 percent of the number of returns and 72.0 percent of net income (less deficit) for 2002. In addition, these returns accounted for 76.7 percent of the total assets, 73.7 percent of the total receipts, 74.9 percent of the income subject to tax, 75.4 percent of the total income tax before credits, and 73.7 percent of total income tax after credits. Corporations were usually required to file within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of an additional 6 months. In addition to returns with accounting periods that spanned 12 months, the total number of active corporations includes returns with accounting periods of shorter duration. Such returns are referred to as part-year returns and were filed, for the most part, by continuing corporations changing their accounting periods, corporations in existence less than 12 months, merging corporations, and liquidating corporations.

2002 Corporation Returns- Introduction

Figure B. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, and Total Income Tax After Credits, by Ending Accounting Period for Tax Year 2002

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

Ending accounting period ¹	Number of returns	Total assets	Total receipts	Net income (less deficit) ²	Income subject to tax ³	Total income tax before credits ⁴	Total income tax after credit ⁵
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	5,266,607	50,413,501,942	19,749,426,052	563,656,558	600,553,517	209,691,130	153,612,870
December 2002.....	4,421,194	38,676,279,523	14,561,559,017	405,638,014	450,104,319	158,197,025	113,170,085
Noncalendar year total.....	845,413	11,737,222,419	5,187,867,035	158,018,544	150,449,197	51,494,105	40,442,785
July 2002.....	51,400	656,094,033	206,260,390	6,413,043	4,218,790	1,410,198	1,140,124
August 2002.....	52,198	915,253,049	260,373,302	12,353,350	6,932,367	2,357,802	1,984,923
September 2002.....	161,931	1,691,173,569	945,223,684	14,021,558	20,641,494	7,061,085	5,487,881
October 2002.....	72,053	1,350,682,286	381,875,356	8,685,192	6,296,846	2,173,912	1,842,351
November 2002.....	43,505	1,936,807,360	226,292,180	17,693,029	13,591,841	4,701,720	2,755,654
January 2003.....	47,633	832,302,703	880,114,585	32,798,456	31,366,322	10,918,458	10,261,012
February 2003.....	39,117	317,368,719	212,540,921	3,813,553	4,264,256	1,438,932	1,380,081
March 2003.....	111,017	1,545,184,774	810,316,791	20,105,970	18,274,971	6,078,791	5,493,012
April 2003.....	50,579	391,912,653	184,124,623	8,292,774	4,846,111	1,635,537	1,108,053
May 2003.....	50,384	521,054,344	280,847,520	5,883,981	9,259,198	3,175,731	2,428,767
June 2003.....	165,596	1,579,388,928	799,897,682	27,957,639	30,757,002	10,541,938	6,560,927

¹ Includes full and part-year returns.

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

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

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

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

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

Notes and References

[1] For more detailed information, see Mahony and Wenrich, "Controlled Foreign Corporations, 2000," *Statistics of Income Bulletin*, Volume 24, Number 1, Summer 2004, pp. 203-242.