

Statistics of Income

SOI BULLETIN



Department of the Treasury
Internal Revenue Service

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Department of the Treasury
Internal Revenue Service

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The SOI Bulletin provides the earliest published annual financial statistics from various types of tax and information returns filed with the Internal Revenue Service. It also includes information from periodic or special analytical studies of particular interest to tax administrators. In addition, historical data are provided for selected types of taxpayers, as well as on gross internal revenue collections and other tax related items.

Information on the availability of additional unpublished data concerning the topics in this issue may be obtained by writing to the Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

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CORRECTIONS

Revisions have been made to preliminary data published in the previous issue, Winter 1983-84, for individual income tax returns for 1982, and for corporation income tax returns for 1981. Preliminary data should always be used with caution, as they are typically produced from incomplete files. However, some of the revisions to individual income tax data were significant and should be noted:

On page 10 (Winter issue): Corrected Preliminary
 (millions of dollars)

business net income less loss	51,193	50,948
all other income	54,830	62,796
total tax liability	283,465	285,627

On page 12 (Winter issue): Corrected Preliminary
 (thousands of dollars)

other income (less loss)	-16,071,298	-7,714,298
total income tax	276,936,694	278,473,358
total tax liability	283,465,148	285,627,470

The reader should refer to pages 84 and 85 of this issue for additional corrections of both national and State data.

Revisions to the preliminary data on individual income tax returns for 1982, as published in Table 1 of the Selected Statistical Series in the Winter issue, are presented on page 90 of this issue. Revisions to the preliminary data on corporation income tax returns for 1981, as published in Tables 5 and 6, are presented on pages 94-96.

Tax Incentives for Saving

By Harvey Galper and Eugene Steuerle*

The promotion of a healthy rate of economic growth has long been a central goal of public policy. The two principal categories of initiatives deployed in pursuit of that goal have been macroeconomic measures and structural tax incentives. The tax code now contains a variety of provisions intended to encourage saving and investment--and, through them, growth. Because of the lagging performance of the economy in recent years, many new incentives for household saving have been proposed. Unfortunately, few supporters of these proposals or of the saving provisions now on the books have developed a systematic conception of the attributes required for a saving incentive to be effective. In this article, we will grapple with that crucial issue.

Two disclaimers should be noted at the outset. First, we are not suggesting that increasing household saving is the only, or even the most important, goal of structural tax reform. An equitable distribution of tax burdens, minimal distortion of economic choices, and effective administration of the tax system must be considered as well. Each of these goals may place serious constraints on the possibilities for changing the tax structure to promote saving. Equity objectives may limit the extent of tax changes in particular income classes. The goal of a minimally distorting tax system requires that consideration be given to the impact of potential saving incentives on labor supply, consumption patterns, and resource allocation in general. Moreover, a tax system should be capable of being administered without imposing excessive paperwork or record-keeping burdens on the taxpaying public. Tax reforms that are designed to promote saving ought to be judged along these dimensions as well.

Second, we make no claim that tax incentives, even if well-designed, will necessarily generate substantially higher saving rates;

saving may just not be very responsive to tax changes that increase after-tax rewards. It is possible, however, to identify the criteria that incentives must satisfy if they are to have any chance of increasing saving levels.

In this essay, we first set out those criteria. Then we review existing tax incentives and evaluate them in terms of the criteria. Lastly, after determining that current incentives are decidedly deficient, we describe several tax changes that would constitute genuine saving incentives.

The Internal Revenue Code has numerous provisions, involving hundreds of billions of dollars annually, that affect the return to household saving. These include special deductions for retirement saving; dividend and interest exclusions; deferral and exclusion from taxation of unrealized capital gains; and full deductions for both real and inflationary components of interest expenses. Because these provisions were adopted in a piecemeal fashion, they are uncoordinated and arbitrary in their distribution of tax reductions among individuals and among different types of assets.

In an inflationary environment, the combined effect of these special purpose provisions become even more random and arbitrary. For example, inflation may increase the tax advantages of saving in the form of owner-occupied housing relative to the advantages conferred by purchases of corporate stock; the reason is that the yield from housing in the form of in-kind services to the homeowner goes untaxed, while the inflation-induced appreciation of stock values may lead to higher capital gains taxes. Such disparities in the treatment of different forms of capital income make the appropriate design of saving incentives especially crucial.

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Tax Incentives for Saving

DESIGN CRITERIA FOR AN EFFICIENT SAVING INCENTIVE

For any tax proposal or provision accurately to be labeled a saving incentive, three criteria must be met. First, tax benefits should not go to taxpayers who simply switch assets from one form of saving (or one kind of account) to another. The shift of assets into a tax-preferred form permits taxpayers to achieve tax reductions with no increase in their saving. When one asset is favored over others, there will indeed be additional investment in the advantaged activity. However, there will also be less investment in other activities and a less efficient allocation of investment across sectors and activities. Thus, although total saving and investment could conceivably increase if overall returns to capital rise, that increase would come at the cost of a poorer allocation of the capital stock.

Second, no tax provision can be considered a true incentive if it does not apply at the margin. A deduction with a cap--that is, one with a limit on the amount of deduction or exclusion permitted--provides little marginal incentive for a person already receiving income in excess of the maximum. For example, a cap of \$500 on the amount of interest or dividends that can be received tax-free would have only a very modest marginal incentive effect, since taxpayers who receive more than \$500 of dividend and interest income account for more than 97 percent of such income.

Third, a tax incentive for saving must provide symmetrical treatment of positive saving on the one hand and negative saving or borrowing on the other. If a taxpayer can borrow and deduct the costs of interest while at the same time acquiring an asset yielding income that is partially or fully tax-exempt--a process that is known as "tax arbitrage"--the taxpayer may achieve a tax reduction with no increase in net saving whatsoever.

Imagine a simple case in which the before-tax rate of interest on borrowing and the rate of return from an asset are both 10 percent. Suppose the income from the asset is advantaged through a partial exclusion so that the taxpayer need include only half of the 10 percent rate of return in income subject to tax. Since the interest paid on borrowing can be deducted fully and immediately, the taxpayer has an incentive to purchase the asset--but does not necessarily have an incentive to undertake any net saving. For instance, a taxpayer in the 50 percent bracket who borrows \$10,000 and invests it in the tax-favored asset realizes a subsidy equal to \$250 while engaging in no net saving (column 1 of Table 1 below). If that same taxpayer invests \$10,000 of new saving in the asset, the tax subsidy received still equals

only \$250 (column 2 of Table 1). Thus, the tax preference provides no additional return for increasing net saving. This problem can be overcome only if the rule that is applied to positive saving and capital income is also applied to negative saving and capital income. If an interest deduction were allowed as a deduction--then a taxpayer would not benefit from engaging in simultaneous borrowing and lending transactions.

Tax arbitrage reduces incentives to save--and incentives to work--in two ways. First, it permits taxpayers to increase their disposable income without doing any additional saving or productive labor--and may, therefore, encourage them to devote more time and resources, including otherwise unnecessary legal and administrative expense, to non-productive efforts. Because tax arbitrage reduces taxable income, it also lowers a taxpayer's marginal tax rate. However, this effect on the marginal tax rate results from any increases in deductions--not just those deductions that are intended to increase saving. Second, the loss of tax revenues due to arbitrage by some taxpayers necessitates increases in revenue collections from other taxpayers. Those in the latter group face higher tax rates on their labor income and on their income from capital--and, as a result, have somewhat diminished incentives to work and to save.

Table 1.--Example of Tax Arbitrage

	Arbitrager (1)	Saver (2)
A. Earnings on asset	\$1,000	\$1,000
B. Interest paid	1,000	0
C. Change in taxable income before exclusion (A-B)	0	1,000
D. Exclusion or other tax preference	500	500
E. Tax savings	250	250

An inflationary environment intensifies the problems created by tax arbitrage because the deduction of nominal interest payments may result in a negative real after-tax borrowing rate. For example, if the interest rate is 14 percent and the inflation rate is 8 percent, the after-tax cost of funds to a taxpayer in the 50 percent bracket is -1.0 percent (.5(14%) - 8%). Even if the after-tax rate is not negative, the gap between a partially exempt rate of return and the deductible rate of interest will increase with inflation--and so, too, will the potential rewards of arbitrage. Thus, if inflation increases the nominal interest rate (and the cost of borrowing) from 10 percent to 15 percent, a taxpayer in the 50 percent bracket who deposits borrowed money in

an IRA will experience a jump in arbitrage profits from \$50 to \$75 for each \$1,000 borrowed. Furthermore, since the taxpayer in such a transaction is both a debtor and an creditor and since inflation will affect both sides of that transaction equally, the taxpayer's real wealth will not be eroded by inflation. In the IRA transaction just described, the taxpayer's 50 percent increase in arbitrage profits will be a pure windfall.

The practice of tax arbitrage is neither unusual nor inconsequential. It is quite common for individuals to borrow at the same time that they purchase such tax-favored investments as pensions, annuities, land or corporate stock. The borrowing may take a variety of forms, including second mortgages, increased leverage in business investments, or decreased equity in housing as an asset when a home is sold and a new one purchased. The asset used as collateral need not be related to the assets actually purchased with borrowed funds. Individuals who borrow will receive the same tax subsidy as those who increase their net saving when they invest in tax-preferred assets.

In summary, for a saving incentive to be effective, it must meet three criteria: little or no inducement to shift forms of asset ownership, a positive incentive to save at the margin, and the prevention of tax arbitrage. We now turn to a review of the saving incentives in current law and an analysis of how well these incentives satisfy our criteria for effectiveness.

THE CURRENT TAXATION OF CAPITAL INCOME

Although proposed new forms of saving incentives have been the subject of public debate and countless congressional hearings in recent years, the extent to which capital income flows are already granted deferral or exclusion from taxation may not be well-known. Many of these preferences have been in the tax law for a long time and reflect the fact that the tax system generally taxes realized flows of cash and excludes or defers from taxation both unrealized accruals of income and receipts of in-kind service flows, such as those from housing and durables.

Perhaps the easiest way to indicate the pervasiveness of these existing incentives is to relate them to the broad categories of assets held by individual taxpayers. As indicated in Table 2, there were approximately \$10.5 trillion of these assets at the beginning of 1981, of which roughly \$5.9 trillion were in tangible assets--such as housing, durables, and land--and \$4.5 trillion were in financial assets. Very little of the income from tangible assets held by individuals is taxed.

Table 2.--Assets and Liabilities of Individuals in the United States--1981

Billions of Dollars Outstanding at Beginning of Year	
Tangible Assets	\$5,931
Reproducible Assets	\$4,267
Owner-occupied housing	1,920
Other residential structures	486
Consumer durables	995
Inventories and non-residential plant and equipment	864
Land	1,665
Owner-occupied	590
Farm business and nonfarm noncorporate business	1,032
Other	43
Financial Assets	4,521
Currency, Saving Accounts, and Money Market Funds	1,657
Demand deposits and currency	288
Time & savings accounts	1,294
Money market fund shares	74
Securities	1,644
U.S. savings bonds	73
Other U.S. government securities	210
State and local obligations	74
Corporate and foreign bonds	87
Open-market paper	38
Corporate equities (excluding corporate farms)	1,162
Pension and Life Insurance Reserves	950
Life insurance reserves	223
Pension fund reserves	727
Miscellaneous Assets	271
Total Assets	10,452
Home Mortgage	946
Consumer Credit	385
Other Mortgage Debt	240
Other Debt	284
Total Liabilities	1,855
Net Worth	8,598

Source: Balance Sheets of the U.S. Economy (Washington: Board of Governors of the Federal Reserve System, 1981).

Tax Incentives for Saving

For example, the benefits provided by owner-occupied housing and durables are not subject to tax (although interest payments on mortgages and installment debt are deductible, as are property taxes). Income from investments in real estate is not taxed fully, in part because the owners of these assets are allowed generous investment credits and depreciation or cost recovery allowances.

Much of the total return from both household and business investments in land and real estate consists of appreciation in value. Very little tax is collected on this appreciation because of the capital gains exclusion and, more important, because of provisions in the tax code that defer increases in value from taxation until they are realized and exclude them completely from taxation in the event of death [1]. Taxpayers who are 55 years of age or older also receive a generous exclusion for gains from the sale of owner-occupied housing, while younger taxpayers are allowed to defer such gains by purchasing houses of equal or greater value. We should note, too, that compliance data published by the Internal Revenue Service indicate a substantial amount of underreporting of rental income and income from farms and non-corporate businesses.

Of the \$4.5 trillion held in financial assets, about 21 percent, or \$950 billion, was in the form of life insurance and pension reserves. Most of these assets receive favorable tax treatment because their purchase price is deducted from other income, or the income that they generate is excluded from the tax base, or tax liability for that income is deferred to the future. In addition, 1981 amendments to the tax code permit workers to deduct deposits of up to \$2,000 per year in Individual Retirement Accounts (IRA's).

Another \$1.2 trillion of the financial assets of individuals were held directly in corporate stock. Corporate stock ownership by individuals is given favorable tax treatment through several provisions: the exclusion of 60 percent of long-term gains from taxation; a dividend exclusion of \$100 per taxpayer (\$200 per joint return); a deferral from taxation and an eventual conversion to capital gains for a limited amount of dividends reinvested in public utility stock; and, most important, the combination of tax deferral of any gains until they are realized and the exclusion from taxation of all gains unrealized at the time of a taxpayer's death.

Individuals also held \$74 billion worth of state and local obligations, the income from which is non-taxable, and \$73 billion worth of U.S. savings bonds, the income from which can be deferred from taxation until the bonds are sold. For years after 1984, a 15 percent exclusion is provided for net interest income

of up to \$3,000 (\$6,000 on a joint return), but only to the extent that interest income exceeds itemized interest expenses other than interest paid on debt related to a taxpayer's dwelling or conduct of a trade or business [2].

In the aggregate, then, about 80 percent of the \$10.5 trillion in individual assets is held in forms that are subject to some type of "saving" incentive.

Relationship of Existing Incentives to the Criteria for Efficiency

The hodgepodge of provisions relating to the taxation of income from capital may appear at first glance to have moved the tax structure toward some version of a consumption tax. This view is quite misleading, however, because it bypasses the question of whether the existing incentives actually work. Are they efficient according to the three criteria set out earlier?

As to the first criterion--the prevention of asset shifts--saving incentives adopted on a piecemeal basis and applying only to certain forms of saving will almost certainly encourage households to reorganize their portfolios. Because each investment decision will be based partly on tax considerations rather than exclusively on true economic productivity, the overall efficiency and productivity of investment will decline.

One especially important aspect of the efficiency losses induced by asset shifts has been generally overlooked. The exclusion of interest income and payment from most incentives means that individuals are charged the highest effective tax rate for direct lending to others, and a much lower tax rate for holding their saving in other forms.

Financial intermediaries--such as banks and thrift institutions--typically channel money deposited by savers to investors making investments for which economic returns are the greatest. However, when individuals restructure their portfolios to achieve the highest available after-tax returns, this process of financial intermediation is distorted. Lower-income individuals and new businesses are discouraged from borrowing in order to invest, while higher-income individuals and established businesses with current flows of income are encouraged to borrow and to leverage their investments even further or to retain earnings for investment in their own projects. The resulting loss in efficiency occurs not because of shifts in aggregate saving, but because the saving is not made available to those whose potential investments could yield the highest return.

It is clear that inducing individuals to switch their assets from one form to another

has adverse economic consequences. Even if saving and investment increase, the resultant net economic benefit is diminished--and perhaps even made negative--by the need for an increase in the capital stock just to offset the misallocation of capital across sectors and uses.

As to the second criterion for effectiveness, current tax preferences for capital income provide no incentive for increased saving on the margin in situations where a cap is placed on the amount of income eligible for a tax reduction. The current exclusion of \$100 of dividends per taxpayer (\$200 for a joint return) is a prime example. The tax provisions regarding IRA's include both a cap and an inducement to shift assets into tax-preferred accounts. While IRA's may provide some saving incentive for persons whose current rate of saving places them below the cap amount, inevitably those who can most easily obtain the tax reductions that IRA's offer are those who need only to switch the form of their saving, rather than those who actually must increase net saving. Accordingly, it should come as no surprise that in 1977 over half of the eligible taxpayers with incomes over \$50,000 made deposits in IRA's, but less than 5 percent of those with incomes under \$20,000 did so. Data on utilization rates for more recent years are not yet available, but preliminary evidence shows a similar distribution of benefits by income class.

Finally, all of the existing incentives are found to be deficient in terms of the third criterion; none of them effectively disallows tax arbitrage through borrowing. Indeed, much of the interest paid on the \$1.9 trillion of individual financial liabilities is deducted immediately, even though it is likely that many of these borrowed funds are used to acquire assets--such as pensions, annuities, land, housing, and corporate stock--for which income is deferred.

Although the tax law reflects some recognition of the problem of tax arbitrage, restrictions now in the law have had little impact. One provision bars the deduction of interest expenses incurred in borrowing funds used to purchase tax-exempt securities. However, the provision is difficult to enforce. Unless the tax-exempt securities themselves are used directly as collateral for the loan that finances their purchase, it is almost impossible to trace the connection between such a purchase and an increase in borrowing. Moreover, commercial banks and property and casualty insurance companies, which are major purchasers of tax-exempt securities, are ordinarily not affected by this limitation. A second provision limits itemized interest deductions in excess of investment

income, but this restriction does not apply to borrowing against one's home or through one's business.

Tax arbitrage is also possible when purchasing physical capital. In many cases, the combination of the investment tax credit and the vastly accelerated depreciation available under the new accelerated capital recovery system (ACRS) provides the equivalent of an immediate deduction for, or expensing of, the acquisition costs of particular investment. Since expensing is tantamount to exempting from taxation the return on investments, failure to deal with the deductibility of interest expenses results in negative tax rates for many leveraged investments.

One further question needs to be addressed: Is it possible that the various preferential tax provisions that we have been discussing, although they are sources of sectoral misallocation when taken one at a time, largely cancel each other out when treated in the aggregate? Three considerations argue against such an outcome. First, as already noted, interest income received by households is conspicuously absent from the list of items for which tax preferences are allowed. Second, the provisions are so varied in their approach and subject to so many caps and limits that the differentials among rates of taxation (or subsidy) for different types of assets are still quite significant. Finally, the ability to arbitrage the system undercuts any possible incentive effect, since the tax benefits can be obtained without increasing saving at all.

In summary, none of the saving incentives now in the tax code meets each of the three criteria for an efficient incentive: avoidance of unnecessary and inefficient asset shifts, provision of incentives at the margin, and prevention of tax arbitrage through borrowing. Most fail the first test, many fail the second, and all fail the last.

SAVING INCENTIVES THAT WOULD WORK

At this point, one might begin to question whether the tax code is even capable of accommodating an effective saving incentive. We believe that it is, and we offer as evidence three options that would meet all of the above criteria for effectiveness: a comprehensive income tax base conjoined with a reduction in marginal tax rates; a comprehensive personal consumption tax; and the indexation for inflation of income from capital. Particular advocates of these options may not view them as being intended primarily as incentives for saving; nonetheless, as the analysis below will indicate, each option would be an effective means to that end.

Tax Incentives for Saving

Broader-Base, Lower-Rate Income Tax

The adoption of a broader income tax base--and, with it, lower rates of taxation--is a traditional approach to tax reform. This course is supported by those who decry the erosion of the tax base and the attendant adverse impacts on the distribution of tax burdens and the allocation of resources. In terms of our current perspective, however, a broader base and lower rates would also meet all of the criteria for efficient saving incentives. A broader base would provide a more uniform treatment of capital income from disparate sources, thereby improving resource allocation. Saving would be directed toward the most efficient, rather than the most tax-favored, uses. Even if some assets continued to receive tax preferences, lower tax rates would reinforce the tendency toward efficient allocation by automatically decreasing the value of tax-preferred assets relative to other assets.

The remaining two criteria would also be met easily by a broader-base, lower-rate tax structure. The very nature of rate reduction means that incentives would apply at the margin, since marginal tax rates would be reduced for most, if not all, transactions. Finally, the tax arbitrage problem that is characteristic of existing saving incentives would be avoided because the rate reductions would apply equally to both receipts and deductions. In fact, lower rates would actually reduce the potential gains from tax arbitrage by narrowing any remaining differential between the tax treatment of interest and the treatment of other types of capital income.

There are two aspects of rate reductions that are generally ignored and that make these reductions even better at encouraging saving than is commonly recognized. First, a decrease in rates is one of the easiest ways to reduce the tax incentive to borrow without actually increasing the taxes paid by any borrower. All borrowers with positive net taxable income would benefit from a tax decrease because the reduction in taxes on their positive income would more than offset the increase in taxes on interest payments that are now deductible. Nonetheless, their *marginal* incentive to borrow would be reduced; only taxpayers with zero or negative taxable income, for whom the net tax change would be zero, would have an undiminished marginal incentive to borrow.

Second, in an inflationary economy with high nominal interest rates, a reduction in tax rates would provide a much greater percentage reduction in the tax on real interest income than in the tax on real wages or on the real return from partially taxable assets. For instance, suppose the inflation rate were 7

percent and the interest rate 12 percent. A reduction in a taxpayer's marginal tax rate from 33 percent to 25 percent would initially double the real after-tax rate of return for holding interest-bearing assets (because an increase from 8 percent to 9 percent in the nominal after-tax yield would amount to an increase from 1 percent to 2 percent in the real after-tax yield). However, the rate reduction would increase the return from work by only 12 percent (from 67 cents to 75 cents of each additional dollar earned).

Although the magnitude of potential tax rate cuts would depend on the degree of base-broadening, even modest efforts toward a broader base could represent an improvement over current saving incentives. For example, a more uniform and comprehensive inclusion of capital income in the tax base, offset by a reduction in the corporate tax rate, would be likely to increase efficiency in the allocation of capital across sectors and uses without producing any decrease in net saving. Similarly, returning to the tax base certain forms of labor income now excluded--such as employer payments of health premiums on behalf of employees--would encourage saving if the resultant revenue increases were used to finance a rate reduction for all forms of income.

In terms of saving incentives, perhaps the only objection to a broader-base, lower rate structure comes from those who fear that taxes on capital income--or taxes paid by those with relatively high propensities to save--would be increased. In a revenue-neutral proposal, for instance, the preponderance of a rate reduction might be directed at labor income, rather than at capital income. Whether capital income would face a higher average tax rate would depend on the particulars of the restructured tax and, in no small part, on how the eliminated tax preferences had been distributed as between capital income and labor income.

There are reasons to discount this objection. First, it often leads to the type of "saving incentive" proposals that exist today--proposals that would cost revenue and decrease the efficiency of capital allocation, but would have at best an uncertain effect on total saving. Second, a proposal can always be designed to insure that labor income comes in for at least a proportionate share of base-broadening and that taxation of capital income is not increased.

Comprehensive Consumption Taxation

A second effective method of providing a saving incentive would be to convert the existing individual income tax into an individual consumption or expenditure tax. The nature of such a consumption tax should be made

clear. In general terms, the tax base would be household consumption, defined as income minus saving. This base could be taxed at progressive rates. Advocates of a consumption tax claim that it is superior to the income tax on a variety of grounds, only one of which is its efficiency as a saving incentive. Our purpose here is not to spell out the details of such a tax or to provide a complete evaluation of its merits and drawbacks, but to indicate the ways in which a comprehensive consumption tax would differ from the piecemeal saving incentives of current law.

A comprehensive consumption tax would meet our criteria for an efficient saving incentive in much the same way as would a broader-base, lower-rate income tax. The source of funds for consumption would not affect their tax treatment. Saving would also be treated uniformly; neither the source of the saving nor the type of investment financed by the saving would directly affect the tax rate. Thus, a consumption tax could be considered the equivalent for many purposes of a tax on labor income accompanied by no tax on capital income.

Because of its uniform treatment of all capital income and all saving, a comprehensive consumption tax provides a much more efficient saving incentive than does the current tax structure. A consumption tax would be neutral as among forms of saving--in contrast to existing saving incentives, which generally favor one form of saving over another. In a consumption tax, incentives would apply at the margin for all taxpayers; even for the wealthiest of individuals, the tax rate for income from saving would in effect be zero. Few saving incentives now in the tax code meet that second criterion. Finally, while existing incentives all increase the benefits that can be obtained by borrowing and simultaneously investing the proceeds in a tax-favored asset, a properly designed consumption tax would address the tax arbitrage problem directly by eliminating the deduction for interest paid or by treating all borrowed dollars as receipts (and gross saving as deductions from receipts).

Indexation of Capital Income

A third option--and one not generally considered a saving incentive--would be the indexation for inflation of all capital income [3]. Full indexing of capital income would mean that all depreciation deductions would be adjusted for increases in the price level that take place after the purchase of the depreciable asset; real, rather than nominal, capital gains would be subject to taxation, and only the real component of interest income or expense would be added to or subtracted from the tax base.

Indexing can be supported as a tax reform measure on more or less the same grounds as base-broadening--namely, that the more accurate measurement of income would increase the efficiency of resource allocation and tend to equalize the tax burdens of individuals with equal amounts of real income. But it is also possible for indexing to be a saving incentive, although its force as an incentive would depend upon whether marginal rates on all capital income were raised--as in the case of base-broadening with no corresponding rate reduction--then the outcome would be ambiguous and would turn on whether the improvement in the allocation of capital across uses was more than offset by the losses associated with a reduction in aggregate investment. However, if average marginal tax rates on capital income were lowered, the gains from increasing the aggregate capital stock would reinforce the gains from improving its allocation.

As one component of an effort to measure and to tax all real income uniformly, indexing would fulfill all the criteria for an efficient saving incentive. First, it would reduce the unnecessary asset shifts that occur under the existing tax rules. Second, to the extent that real after-tax returns would be increased, the incentives to save would be applied at the margin. Finally, the indexing of capital income would reduce the potential rewards of tax arbitrage by allowing the deduction of only real interest expenses (even as it would permit the taxation of only the real component of interest receipts).

There are several advantages to providing incentives for saving through full indexing. Because indexing would affect capital income only, a revenue-neutral tax program containing full indexing could be designed to avoid raising the average marginal tax rate on capital income--an outcome feared by many of those who oppose the creation of a broader-base, lower-rate income tax structure. At the same time, indexation would work within the context of the income tax; it would neither remove real capital income from the tax base nor exempt wealth accumulation from taxation, as would a consumption tax. Finally, indexation would meet almost everyone's standards of fairness, because it would be a move toward the more accurate measurement of income.

Many of the existing tax preferences for capital income were adopted as crude forms of indexing or have had the effect, whether intended or not, of moderating the tendency of inflation to change real effective tax rates across assets. However, such ad hoc indexing operates in an imperfect, uneven, and haphazard way; some assets are fully or partially

Tax Incentives for Saving

shielded from inflation and others are essentially exposed. Among the current instances of ad hoc indexing are: for fixed physical capital, accelerated depreciation and the investment tax credit; for inventories, the last-in-first-out (LIFO) method of accounting; and for corporate stock and other assets that appreciate in value, deferral and exclusion of realized capital gains. Of the various types of capital income, interest is least protected and thus the most vulnerable to the effects of inflation.

Short of comprehensive indexation, there are two ways in which the existing system of ad hoc indexation could be brought closer to conformance with our criteria for efficiency. First, improvements could be made in how indexing is provided for particular items of income. For instance, the current method of accelerated depreciation--which results in highly disparate tax rates being imposed on different types of capital income--could be replaced with an adjustment that would lower tax rates simply by assuring that inflation does not reduce the real value of allowed deductions.

Second, even partial indexation of interest income would reduce significantly the existing incentive for asset shifts and portfolio reallocations. A concomitant indexation of deductible interest expense would decrease the incentive to borrow and reduce the gains that can be realized through tax arbitrage. One possibility would be fractional inclusion of both interest income and expense--with lenders paying tax on only a portion of their nominal interest receipts, and borrowers deducting only a portion of their nominal interest payments; this arrangement would clearly measure net real income more accurately than does current law.

CONCLUSION

Although the tax code contains numerous provisions that are designed to provide incentives for saving, virtually none of them meets the criteria for an effective incentive.

Most cause unnecessary and inefficient asset shifts, many fail to provide incentives at the margin, and all permit tax arbitrage through borrowing.

As we have seen, however, it is possible to design an effective incentive; three comprehensive options were delineated above. Short of these more thoroughgoing measures, partial reforms in the direction of a more uniform treatment of income, additional rate reductions, and the indexation of interest could provide some enhancement of saving incentives. We would emphasize, however, that the top priority for designers of tax incentives--and one that has been neglected for too long--should be the revision of interest deductibility rules in order to minimize the opportunities for tax arbitrage.

NOTES AND REFERENCES

NOTE: Additional materials, not referenced in this article, which relate to subjects discussed, are listed in [4 and 5].

- [1] This exclusion applies to heirs as well as to decedents and is achieved by increasing the heir's basis in an asset to the asset's value at the time of the decedent's death.
- [2] This provision has not yet come into effect, and many bills now before Congress would defer or eliminate it.
- [3] We are considering here the effects of inflation on the size of the tax base and on the measurement of real income; we are not examining the so-called "bracket creep" effect.
- [4] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income--Individual Income Tax Returns*, appropriate years.
- [5] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income--1976, Individual Retirement Arrangements*.

The Life Cycle of Individual Income Tax Returns

By Paul E. Grayson*

Information on year-to-year changes in the characteristics of an identical group (or "panel") of taxpayers is a useful supplement to cross-section studies based on recurring samples. This article draws on several sources over the 1978-1983 period to suggest the "life-cycle" through which the returns of taxpayers pass over time. For example, 9 percent of the 1983 filings of Form 1040A were "start-filers," while less than 3 percent of the Forms 1040 were similarly classified. Data also suggest that relatively few taxpayers shift from the 1040A to the 1040 in the subsequent year if their returns show a small adjusted gross income (AGI)--e.g., below \$5,000; but as many as 40 percent may do so if their AGI is over \$30,000. The 1040A filer who prepared his (her) own return in 1981 was about 90 percent likely to prepare it again in 1982, and this probability was little affected by the taxpayer's filing status and only moderately by size of AGI. The probability of continuing to use a paid preparer did, however, increase markedly with size of AGI reported on the 1040A.

The percentage of taxpayers changing filing status from one year to the next is likely to be very small for those married filing joint 1040A returns in the first year, but the switching rate is substantially higher for single returns and highest among the married filing separately. A taxpayer filing for a refund in one year (on a 1040 or 1040A) was more than 80 percent likely to be a refund filer in the next year, but a "balance due" filer (i.e., a taxpayer with remittance due with the return) was almost as likely to be a refund filer as a balance due filer in the subsequent year. And, finally, there are "stop-filers": About 14 percent of the 1040A's filed during 1982 did not appear in the following year; the corresponding rate among 1040's was less than half as great.

START-FILERS

Start-filers, in general, are the "births" in the tax administration system, as stop-filers are the "deaths" [1]. (A tax return is classed as a "start-filer" if it is filed under a primary Social Security Number (SSN) that has

not appeared as a primary SSN during the two previous reporting periods.) Of a total of about 96 million returns filed in 1983, about 5 percent were start-filers. While more Form 1040 returns are filed than any other single type, most start-filers entered the system by filing the 1040A or 1040EZ. On a nationwide basis, start-filers accounted for almost 9 percent of the Form 1040A/EZ returns filed in 1983; this was three times their relative importance among 1040 returns of which only 2.6 percent were start-filers (see Table 1). Start-filer rates were particularly significant in the lowest adjusted gross income (AGI) class of 1040A/EZ returns: almost 15 percent among returns with less than \$10,000 AGI, compared with 0.5 percent among those with \$15,000 or more. Comparable 1982 data tell the same story, with the rates somewhat higher than in 1983.

It should be noted that changes in filing status can affect start-filer statistics. Since divorce or separation may result in two tax returns in place of one jointly filed return, what has been a secondary tax identification number--normally, of a wife--will now show up as a primary number on its own separate return. ("Filing status shifts," of which this case is only one example, are treated in more detail later in this article.)

The parallelism between national and Atlanta Internal Revenue District data is notable. The latter are shown as a "bridge" to the following sections that are based on information from the Atlanta District in the absence of national data.

SWITCHING FROM FORM 1040A TO FORM 1040

"Form 1040A switchers" might be considered members of the system who have "graduated." Their tax situation has become more involved than that for which the 1040A was designed, or it is to their financial advantage to use the more complex Form 1040. This is the type of development one associates with such factors as increasing income, age, and labor force experience, or with income diversification, family formation and home ownership.

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Table 1.--Start-Filer Rates by Type of Return and Adjusted Gross Income Class, U.S. and Atlanta District, Filing Years 1982 and 1983

Return group (type of return, adjusted gross income class) ¹	Percent of groups appearing as start-filers			
	In 1983		In 1982	
	U.S.	Atlanta District	U.S.	Atlanta District
	(1)	(2)	(3)	(4)
Forms 1040 and 1040A, total	5.1	5.7	6.9	7.4
Forms 1040A, total	8.9	9.2	11.5	11.5
Under \$10,000	14.7	14.0	17.7	16.8
\$10,000 under \$15,000	1.9	1.7	2.8	2.6
\$15,000 under \$50,000	0.5	0.7	1.2	1.2
Forms 1040, total	2.6	2.5	3.8	3.6

¹1040EZ returns are combined with 1040A's to make 1982 and 1983 data comparable.

Source: see [1].

From a study of taxpayers filing Form 1040A in the Atlanta District in 1981 come data that show how strongly the tendency to switch to a Form 1040 in 1982 was associated with increasing levels of adjusted gross income (Table 2, Figure A) [2]. Thus, less than 5 percent of those reporting under \$5,000 AGI on returns filed in 1981 shifted to a 1040 in the following year. The comparable figure for taxpayers with \$30,000 or over was 41 percent. Consistent with the "graduation" or development hypothesis are the shift rates by filing status. While almost 20 percent of the married couples filing joint returns on the 1040A shifted to the 1040 in 1982, only about 7 percent of the comparable singles made the shift.

Table 2.--Rates of Switching from Form 1040A to 1040, by Adjusted Gross Income Class and Filing Status, Atlanta District, Filing Years 1981-1982
[Estimates based on sample data]

Return group (adjusted gross income class, filing status) ¹	Percent of 1981 1040A groups switching to Form 1040 in 1982
Total	10.1
Under \$1	3.0
\$1 under 5,000	4.6
\$5,000 under 10,000	8.2
\$10,000 under \$20,000	15.6
\$20,000 under \$30,000	30.1
\$30,000 or more	40.6
Married filing jointly	18.4
Married filing separately	10.2
Head of household	7.3
Single	6.9

¹AGI class and filing status are as reported in 1981 for Tax Year 1980.

Source: see [2].

Future studies will indicate the effect on these relationships of such modifications in the tax forms system as, for example, the introduction of Form 1040EZ and the inclusion of additional items on the Form 1040A.

CONSISTENCY IN USE OF PAID PREPARERS

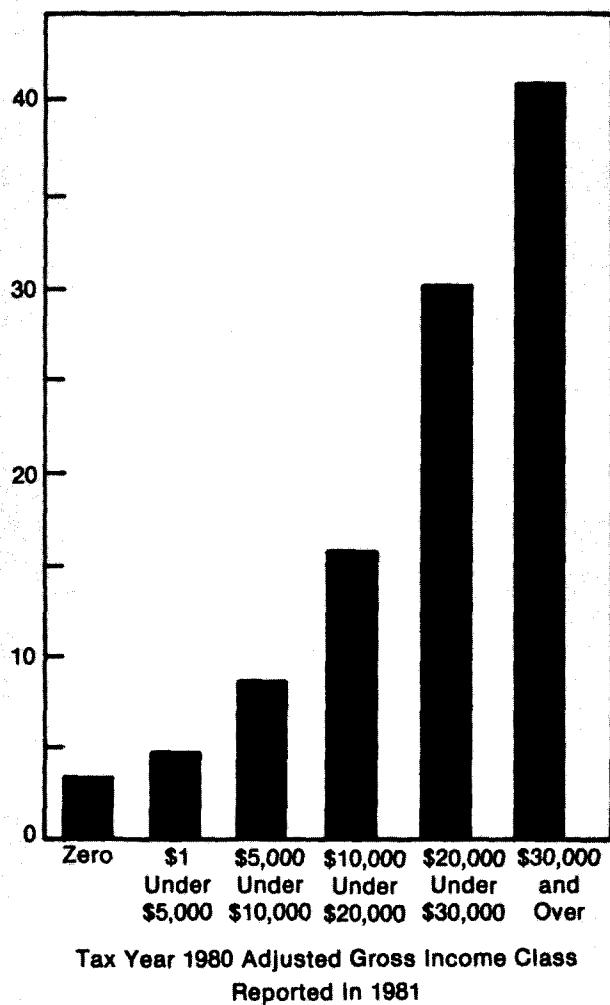
The choice of which return form to file interacts, as both cause and effect, with the decision to prepare the return oneself or have it commercially prepared. Nationwide, about 15 percent of Form 1040A returns filed in 1982 and of combined 1040A and EZ returns in 1983 bore the signatures of commercial preparers, according to Taxpayer Usage Study reports [3].

But, here we are concerned with how taxpayer decisions about return preparation in 1982 related to their 1981 decisions. The Atlanta District sample of taxpayers filing Form 1040A in both years provides some insights. Table 3 shows that taxpayers who prepared their own 1040A returns in one year were very likely--90 percent likely, on the average--to prepare their own returns also in the following year, and were moderately influenced by income level. But taxpayers paying for return preparation in one year were more strongly affected by their income level (or by factors associated with income) in the decision to engage a commercial preparer in the next year. Thus, among the taxpayers using paid preparers, 54 percent of the lowest income group also paid in the following year; for the highest income group the comparable figure was 91 percent.

As for filing status, taxpayers filing joint 1040A returns appeared to have the highest overall level of year-to-year consistency with respect to both self-preparation of the return and paid preparation. Returns of married

Figure A.
Forms 1040A Filed in 1981:
Percentage Switching to
Form 1040 in 1982,
by Adjusted Gross Income Classes
(Atlanta District)

Percent Switching to Form 1040 in 1982



taxpayers filing separately appeared to have the lowest overall rates of consistency.

Of related interest were the results from a study of Tax Year 1982 Form 1040 returns with itemized deductions that claimed a deduction for payment of a preparer's fee (in 1982) [4]. The study showed that 91 percent of these returns bore a paid preparer's signature (entered in 1983). Thus, there is an indication that the rate of year-to-year consistency of preparer usage may be substantially higher, as might be expected, among 1040 filers than among 1040A filers.

Quite likely, changes in the income level or filing status of taxpayers affect consistency of preparer usage even more than level or status in a given year. The following two sections provide information on these topics.

ADJUSTED GROSS INCOME SHIFTS, FORM 1040A FILERS

It is common knowledge that the effect of inflation in recent years has been to thrust many taxpayers into higher nominal income classes. Based on the Atlanta District study, Table 4 shows that, for taxpayers filing Form 1040A in both 1981 and 1982, 25 percent found themselves in a higher AGI class in the second year and 9 percent in a lower class--in terms of the classes as defined. (Smaller class intervals, of course, would yield larger percentages of change.) The percentage reporting in a higher income class--25.3 percent--was almost three times as large as the percentage reporting in a lower class.

How filing status groups compared to this overall average is summarized in Table 5. Joint returns showed a stronger than average increase in AGI and the highest ratio--3.50--of increase to decrease. Single returns approximated the overall averages. And "other" filing statuses (married filing separately and head of household, combined) were below average. The greater propensity for increased income among the joint returns, it will be noted, was consistent with their previously noted tendency to switch from Form 1040A to 1040.

FILING STATUS SHIFTS, FORM 1040A FILERS

Overall, 10.5 percent of the Atlanta District filers of 1040A in both 1981 and 1982, reported a shift in filing status. The proportion shifting, however, varied widely, depending on initial filing status (see Table 6). "Married filing separately" was apparently the most unstable of all the filing status groups, over one-half of the 1981 reports for that filing status being associated with a different one in the following year. On the other hand, only 6 percent of the "married filing joint" returns shifted to a different filing status in the second year.

Of the 1981 single returns, one notes that 5 percent shifted to "married filing joint" status in the following year. This is reasonably consistent with the reporting of marriage in 1979 for 6.3 percent of all U.S. unmarried women [5]. One also notes that 4 percent of the single returns shifted to "head of household" which implies one or more dependents. To the extent that these dependents were children, the data could be of special interest to students of current social trends. (According to Statistics of Income data, the "head of household" filing status occurred on only 5 percent of all returns

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Table 3.--Rates of Consistency in Preparation of Form 1040A Returns, by Adjusted Gross Income Class and Filing Status, Atlanta District, Filing Years 1981-1982

[Estimates based on sample data]

Return group (adjusted gross income class, filing status)	Percent of	
	Taxpayer-prepared returns in 1981 prepared same in 1982	Paid-prepared returns in 1981 prepared same in 1982
Total	89.6	66.6
Under \$5,000	89.5	54.1
\$5,000 under \$10,000	87.4	65.3
\$10,000 under \$20,000	91.1	74.7
\$20,000 under \$30,000	92.2	77.0
\$30,000 or more	96.2	90.8
Married filing jointly	88.8	76.2
Head of household	89.0	62.9
Single	90.1	61.6
Married filing separately	86.8	55.5

¹ AGI and filing status are as reported in 1982 for 1981.

Source: see [2].

Table 4.--Adjusted Gross Income (AGI) Reported in Filing Year 1981 by AGI Reported in 1982, Forms 1040A, Atlanta District

[Estimates based on sample data]

Adjusted gross income reported in 1981	Percentage distribution						
	Total	Adjusted gross income reported in 1982					
		Under \$1	\$1 under \$5,000	\$5,000 under \$10,000	\$10,000 under \$20,000	\$20,000 under \$30,000	\$30,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	100.00	0.27	25.52	34.69	31.79	6.93	0.80
Under \$1	0.09	.08	-	*	*	-	-
\$1 under \$5,000	31.66	.17	19.65	10.21	1.58	0.04	-
\$5,000 under \$10,000	36.47	.01	5.23	21.90	9.05	.29	*
		9.12% with decrease			25.32% with increase		
\$10,000 under \$20,000 ...	27.53	.01	0.64	2.56	20.69	3.59	0.04
\$20,000 under \$30,000 ...	3.98	-	0.01	0.01	0.46	2.99	.52
\$30,000 or more	0.27	-	0.01	-	.01	.02	.23

*Less than 0.005 percent.

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

Source: see [2].

Table 5.--Comparison of Proportions of Form 1040A Returns with Increased or Decreased Adjusted Gross Income, by Filing Status, Atlanta District, Filing Years 1981-1982

Filing status ¹	Percentage of Form 1040A filers moving to		Ratio, higher to lower (1 ÷ 2)
	Higher AGI classes	Lower AGI classes	
	(1)	(2)	(3)
Total	25.32	9.12	2.78
Married filing jointly	28.69	8.19	3.50
Single	25.05	8.84	2.83
Other	24.59	13.04	1.89

¹As reported in 1982.

Source: see [2].

filed for 1971 compared with almost 9 percent for 1981; the number of such returns increased over the 10-year period by 125 percent while total returns increased by only 28 percent.)

TAX PAYMENT STATUS AND SIZE OF REFUND/BALANCE DUE

Having chosen to file a return, having selected a form and having decided whether to continue to have the new form prepared in the same way as in the previous year, taxpayers in the various income and filing status classes report their tax, indicating whether they have a balance due, payable with the return, or have overpaid and expect a refund. (A minor proportion have no tax liability and even fewer have already paid the exact amount of their tax.) Of the taxpayers filing returns (Forms 1040 and 1040A) for either Tax Years 1978 or 1979 (or both), more than half (53.5 percent) filed for refunds for both years. About 10 percent filed balance due returns for the two successive years. Thus, for 64 percent of the 1978-79 filing population, tax payment status remained the same across both years; for 36 percent, there were changes among the five specified categories [6].

Persistence of tax payment status, as might be anticipated, was much greater among refund filers than among balance due filers (see Table 7). Of the 1978 refund filers (who also filed for 1979), 88 percent also claimed refunds for 1979, as against 10.5 percent who switched to balance due--a ratio of more than 8:1. By contrast, only 52 percent of 1978 balance due filers repeated that payment status the following year, against 43 percent who switched to refund--a ratio of only 1.2:1. In other words, 90 percent of the time the 1978 refund filer was likely to repeat as a refund filer; on the other hand, the average 1978 balance due filer was almost as likely to switch to refund as to repeat the prior status.

To what extent were these average relationships related to the size of the amount involved? Very considerably, it appeared, for balance due taxpayers; and very little for refund taxpayers. According to Table 8 (from which payers of estimated tax have been excluded), only about one-third of taxpayers in the lowest balance due class (less than \$100) for Tax Year 1978 continued as balance due for 1979, while almost two-thirds in the highest class (with a mean balance due of about \$2,300) persisted as balance due (also see Figure B). The two-thirds shift in the lowest size class suggests that many taxpayers with a small balance due are in that situation temporarily and, perhaps, accidentally. Since the amount involved is small, a taxpayer's situation may easily change from a "negative refund" (i.e., balance due) to a "positive refund." Those with a large balance due, on the other hand, for the most part apparently "know what they are doing" and intend to continue their past practice.

Continuing as a refund filer, however, is highly likely from one year to the next, irrespective of size of refund: Repeat performance was almost as high--89.5 percent--in the lowest refund size class, as the 94.4 percent reported for the highest class (where the mean refund was about \$1,000). Comparable data for Tax Years 1977 and 1978 yielded similar results.

How do refund amounts in one year--or balance due amounts--compare with the following year? To what extent do they tend to remain at about the same level or disperse over time? Tables 9 and 10 provide insight into the patterns of persistence and dispersion, despite the limitation that they are for returns with some withholding and no estimated tax payments. (The data are also somewhat limited to the extent of the low dollar value--\$400--of the lower bound of the open-ended class.)

The Life Cycle of Individual Income Tax Returns

Table 6.--Filing Status Reported in Filing Year 1981 by Filing Status Reported in 1982, Forms 1040A, Atlanta District

[Estimates based on sample data]

Filing status reported in 1981	Percentage distribution					Percent shifting filing status	
	Total	Filing status reported in 1982					
		Single	Married filing jointly	Married filing separately	Head of household		
	(1)	(2)	(3)	(4)	(5)	(6)	
Total	100.0	52.8	28.1	1.4	17.8	10.5	
Single	100.0	89.8	5.2	0.6	4.3	10.2	
Married filing jointly	100.0	3.1	93.5	1.1	2.3	6.5	
Married filing separately	100.0	23.4	23.5	36.1	17.0	63.9	
Head of household	100.0	8.9	2.8	1.0	87.4	12.6	

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

Source: see [2].

Table 7.--Tax Year 1978 Tax Payment Status--Percentage Distribution by Tax Year 1979 Tax Payment Status, Form 1040 and 1040A Returns.

[Estimates based on sample data]

Tax Year 1978 tax payment status	Total	No return for Tax Year 1979	Return filed for Tax Year 1979	Returns filed for Tax Year 1979				
				Total	Refund	Exact ⁽¹⁾	Balance due	No liability, no refund
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	100.0	7.8	92.2	100.0	77.0	*	20.5	2.4
No return for Tax Year 1978	100.0	X	100.0	100.0	88.8	0.1	9.7	1.5
Returns for Tax Year 1978, total	100.0	8.6	91.4	100.0	75.7	*	21.7	2.5
Refund	100.0	9.1	90.9	100.0	88.4	*	10.5	1.1
Exact ¹	100.0	8.3	91.7	100.0	76.1	0	23.4	0.5
Balance due	100.0	6.7	93.3	100.0	42.7	0.1	51.7	5.6
No liability, no refund	100.0	10.4	89.6	100.0	32.2	*	54.1	13.7

¹Estimates subject to very large relative sampling error.

* Less than 0.05 percent.

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

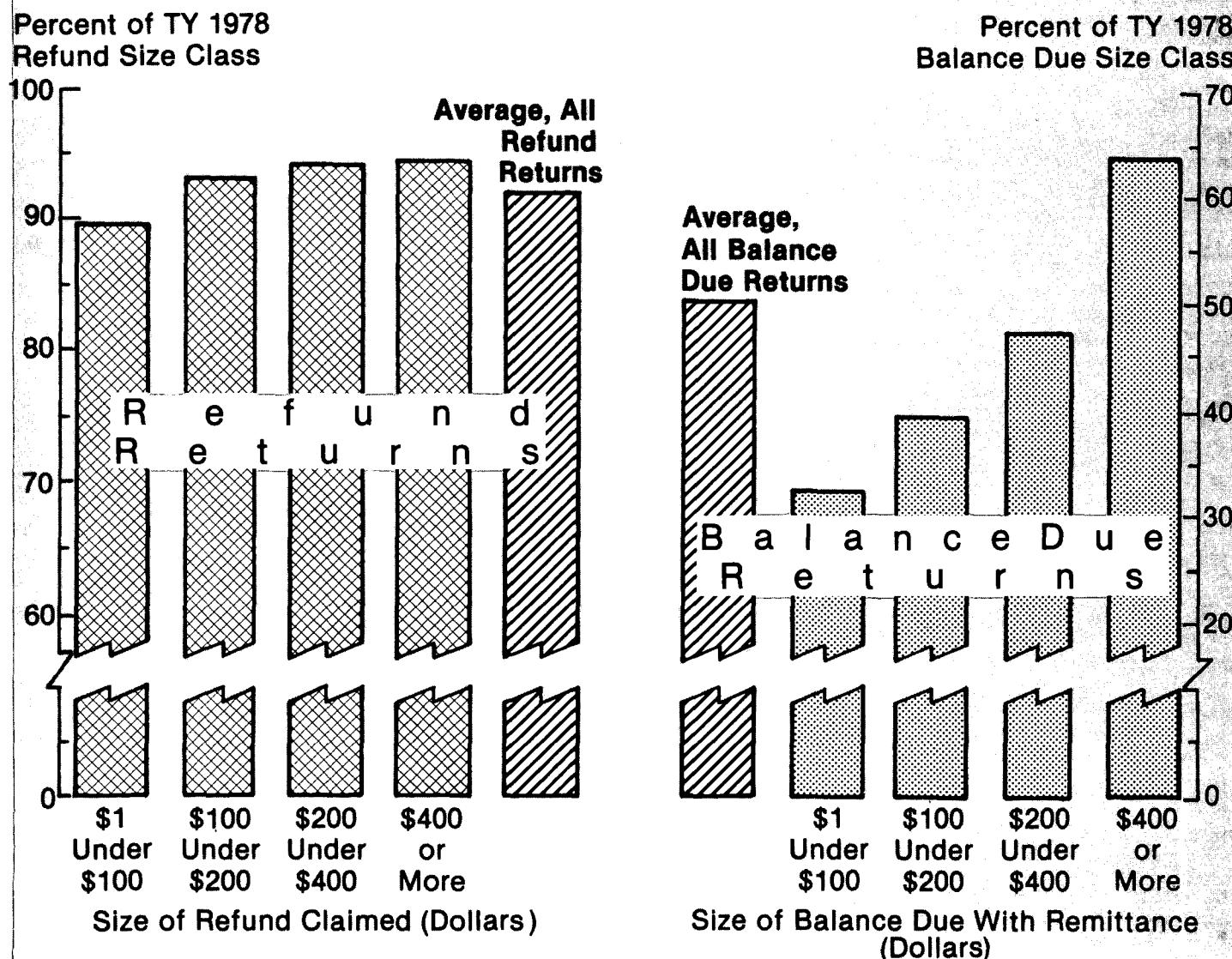
Source: see [6].

Table 8.--Rates of Consistency in Payment Status by Size of Balance Due or Refund, All Returns, Tax Years 1978-1979

Size of balance due or refund, Tax Year 1978	Percent of returns with	
	1978 balance due continuing as balance due for 1979	1978 refund continuing as refund for 1979
\$1 under \$100	32.1	89.5
\$100 under \$200	39.6	92.6
\$200 under \$400	47.2	94.3
\$400 or more	63.8	94.4

Source: see [6].

Figure B.
Percentage of Tax Year 1978 Tax Payment Status Class
Continuing In Same Payment Status for 1979



The Life Cycle of Individual Income Tax Returns

Table 9.--Tax Year 1978 Refund Size Classes by Tax Year 1979 Refund Size Classes--Percentage
Distribution of Refund Filers for Both Years, Form 1040 and 1040A Returns

[Estimates based on sample data]

Size of refund, Tax Year 1978	Total	Size of refund, Tax Year 1979				
		\$1 under \$100	\$100 under \$200	\$200 under \$300	\$300 under \$400	\$400 or more
		(1)	(2)	(3)	(4)	(5)
Total	100.0	8.5	12.9	12.9	14.1	51.5
\$1 under \$100	14.0	3.9	3.5	2.4	1.7	2.5
\$100 under \$200	16.9	1.9	4.8	3.9	2.7	3.6
\$200 under \$300	16.1	1.1	2.3	3.3	4.6	4.9
		15.0% with decrease		*	36.6% with increase	
\$300 under \$400	13.0	0.6	1.1	1.6	2.8	6.9
\$400 or more	40.0	0.9	1.3	1.8	2.4	33.6

* Remaining in same size class: 48.4 percent.

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

Source: see [6].

Table 9 distributes refund filers for both 1978 and 1979 by size-of-refund amounts in the two years. The proportion of these taxpayers claiming a larger refund for 1979--36.6 percent--was more than double the proportion--15 percent--that claimed a smaller amount. The ratio of the two percentages is 2.44. Close to one-half (those on the diagonal) remained in the same amount class for 1979 as for 1978.

Table 10 provides comparable data for balance due filers. Consistent with the net shift to larger refunds is the net shift to smaller balance due amounts: The percentages with increases and decreases--22.7 and 29.9, respectively--yield a ratio of 0.76.

The summary in Table 11 provides an instructive comparison of these results with a similar analysis for 1977-78. One sees not merely the extent of year-to-year change but the extent of changes in the pattern of change: The pattern for 1977-78 is roughly the reverse of that for 1978-79, both with respect to the percentages and the ratios.

Also reflected in the 1978-79 pattern was the impact of tax law changes that affected TY 1979 returns, namely, liberalized (higher) income filing requirements, reduced tax rates, and liberalized eligibility for the earned income credit. The shift into larger refund amount and smaller balance due amount classes undoubtedly related to those developments. In the absence of comparable factors intervening between 1977 and 1978, the pattern across those two years was much different. Refund filers were almost in balance as between "increased"

and "decreased" amounts. And balance due filers for 1978 were more than twice as likely to be in the increase group (38.9 percent) as the decrease group (17.8 percent).

STOP-FILERS

Stop-filers are taxpayers whose returns are known from the previous reporting period, but who have not filed in the following one. (This is indicated by the presence of a return with a given "primary" Social Security Number (SSN) in one year, but no return with that primary SSN in the subsequent year.) Of a total of about 94 million primary taxpayers filing returns during 1982, 9 percent did not show up in 1983. Over 60 percent of these stop-filers were 1040A filers in 1982, among which the drop-out rate was 14 percent, more than double the 1040 rate of less than 6 percent. The stop-filer rate, Table 12 shows, was highest among the lower adjusted gross income 1040A returns and declined with higher AGI.

While some of the stop-filer phenomenon reflects newly deceased taxpayers, its relation to income suggests that a decrease in income among a substantial proportion of taxpayers with already low income dropped them below the level where they were required to file a tax return. Another consideration, and by no means the only one, is illustrated by the young unmarried woman who starts out as the primary tax filer on a single return. With marriage, she typically no longer appears in the tax file as a "primary" taxpayer, generally becoming a "secondary" taxpayer on a joint return.

Table 10.--Tax Year 1978 Balance Due Size Classes by Tax Year 1979 Balance Due Size Classes--
Percentage Distribution of Balance Due Filers for Both Years, Form 1040 and 1040A Returns

[Estimates based on sample data]

Size of balance due, Tax Year 1978	Total	Size of balance due, Tax Year 1979				
		\$1 under \$100	\$100 under \$200	\$200 under \$300	\$300 under \$400	\$400 or more
		(1)	(2)	(3)	(4)	(5)
Total	100.0	16.7	13.6	11.0	8.6	50.1
\$1 under \$100	13.2	4.8	2.6	1.8	1.0	3.1
\$100 under \$200	12.4	3.6	2.8	1.8	1.2	3.1
\$200 under \$300	10.6	2.2	2.1	1.7	1.2	3.4
		29.9% with decrease		*	22.7% with increase	
\$300 under \$400	9.5	1.7	1.7	1.4	1.2	3.6
\$400 or more	54.2	4.3	4.5	4.4	4.0	36.9

* Remaining in same size class: 47.4 percent.

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

Source: see [6].

Table 11.--Comparison of Proportions of Returns with Increased Amounts or Decreased Amounts of Balance Due or Refund, All Returns, 1978-1979 and 1977-78

Payment status	Tax Years 1978-79			Tax Years 1977-78		
	Percent of filers with		Ratio, (1 ÷ 2)	Percent of filers with		Ratio, (4 ÷ 5)
	Increased Amounts	Decreased Amounts		Increased Amounts	Decreased Amounts	
	(1)	(2)	(3)	(4)	(5)	(6)
Refund filers, both years	36.6	15.0	2.44	24.3	26.7	0.91
Balance due filers, both years	22.7	29.9	0.76	38.9	17.8	2.19

Source: see [6].

The Atlanta District mirrored the national experience, and no substantial difference was apparent between 1981 and 1982.

From the Tax Years 1978-1979 data, an analysis of stop-filing by payment status showed that the likelihood of stop-filers was greatest when the size of refund (for the previous year) was smallest, and that this likelihood decreased as the refund became larger (see Table 13).

The story was quite different, however, among the balance due filers: About 4 percent of 1978 balance due taxpayers became stop-filers, and this proportion was quite insensitive to the size of the amount due, in contrast to the situation for refund filers. Comparable data for 1977 and 1978 yielded the same results. It is quite likely, therefore, that the decline of stop-filer rates with increasing AGI is mainly confined to the refund filers, and not to those filing with balance due.

The Life Cycle of Individual Income Tax Returns

Table 12.--Stop-Filer Rates by Type of Return and Adjusted Gross Income Class, U.S. and Atlanta District, Filing Years 1982 and 1983

Return group (type of return, adjusted gross income class)	Percent of groups filing			
	In 1981 absent in 1982		In 1982 absent in 1983	
	U.S.	Atlanta District	U.S.	Atlanta District
(1)	(2)	(3)	(4)	
Forms 1040 and 1040A, total	8.2	9.2	9.1	10.0
Forms 1040A, total	13.8	13.6	14.1	14.8
Under \$10,000	17.9	17.5	20.1	19.8
\$10,000 under \$15,000	7.1	6.4	5.2	7.3
\$15,000 under \$50,000	3.7	3.6	4.7	4.2
Forms 1040, total	4.6	5.1	5.8	5.5

Source: see [1].

Table 13.--Stop-Filer Rates for Refund and Balance Due Filers, by Size of Balance Due or Refund, All Returns, Tax Years 1978-1979

Size of refund or balance due, Tax Year 1978	Percent of	
	1978 refund taxpayers not filing for 1979	1978 balance due taxpayers not filing for 1979
\$1 under \$100	16.7	3.2
\$100 under \$200	10.8	4.6
\$200 under \$400	8.9	4.1
\$400 or more	5.1	4.1

Source: see [6].

CONCLUSION

The previous discussion outlines some of the kinds of changes that take place in tax returns as they are filed by taxpayers over the years by individual income taxpayers. By means of a longitudinal or panel approach, the analysis has drawn upon data on year-to-year changes in the characteristics of returns from identical taxpayers, starting with their entrance into the tax administration system [7].

Most "new" taxpayers, or start-filers, are likely to enter the tax system as young, single, with no dependents, and with little additional income beyond wages. Hence, at the outset, they file the simplest return form. Prior to 1983 this was the Form 1040A; in 1983 it was the 1040EZ. With family formation, home ownership and diversification and/or increases in income, taxpayers tend to switch to the more complex Form 1040. Thus, what and how the taxpayer reports is a reflection of the changes

in his (her) social and economic status. Similarly, the individual income tax returns, taken as an aggregate, reflect the society and economy at large.

Whether to prepare the 1040A return oneself or to use a paid preparer is a decision that is strongly affected by what the taxpayer did the previous year and his (her) level of income. The indications were that 1040A filers, once they start to file and prepare their own returns, generally continue to prepare them over the years, despite increases in income. However, when a paid preparer is used, that decision is quite likely to be reversed in the following year if the taxpayer's income is low. The higher the income level, the greater is the likelihood that the paid preparer will be used again.

A significant concern to the tax system is the payment status of a taxpayer at the time

his (her) return is filed, namely, whether a payment is due or tax was overpaid. The Internal Revenue Service has explored ways by which taxpayers could bring their prepayments (mainly by withholding) in line with their self-assessed tax liabilities. It is one kind of problem to attempt to reduce payment delinquency by facilitating increased withholding. But it is a different kind of problem to try to deal with the 75 percent of all returns filed in recent years that have claimed a refund.

The present analysis found that about 10 percent of the refund filers in a given year had shifted to a balance due status in the next year. This level held irrespective of the size of the refund. Whether a balance due filer, however, retained the same status in the next year appeared to depend markedly on the size of the amount due with the return. If the amount due was \$400 or more, almost two-thirds of the taxpayers continued to file with a balance due. As the amount due decreased below \$400, the proportion with balance due in the next year progressively declined.

The final stage in the life cycle of a return is its disappearance from the filing population. Three major reasons account for these (legitimate) "stop-filer" returns: death of the taxpayer; the taxpayer no longer required to file a return; and the taxpayer no longer filing a non-joint (generally single) return, but now filing as a partner on a joint return. While the present data do not permit a precise accounting, some generalizations are possible.

About 5 percent of Atlanta 1040A returns were non-joint returns that shifted to joint filing status. This component thus may have accounted for about one-third of the 15 percent stop-filer rate. For the remaining two-thirds of the stop-filers, a chief factor probably was declining income. This would appear to be particularly likely in view of the greater than average stop-filer rates observed among 1040A filers with incomes below \$10,000, and especially below \$5,000. (These observations are confirmed by analyses of nonbusiness 1040 filers and of farm and nonfarm business filers.) With income declining below the filing requirements, many taxpayers no longer file returns, and attainment of age 65 emphasizes the process. Nevertheless, there still remain many million taxpayers who continue to file returns and to contend with one member of a well-known pair, taxes, till they meet the other member, death.

NOTES AND REFERENCES

- [1] The data source for start-filers and stop-filers is the annual 100 percent tabulation from the Individual Master File (Series D:R:S-44) of Forms 1040, 1040A, and 1040EZ. Strictly defined, "start-filers" are those

for whom no indication is found of filing an individual income tax return, amended return, or estimated tax in either of the two previous reporting periods, as determined by matching on primary Social Security Numbers (SSN's). The "reporting period" for start-filers--and "stop-filers"--runs from July 1 to June 30 of the following year. For purposes of simplicity--and because it does little violence to the facts--the reporting period is referred to as the filing year that begins on January 1 of the middle of the period. Thus the term, "returns filed during 1981", refers to the reporting period July 1, 1980, to June 30, 1981.

- [2] The data source: systematic sample of 20,700 Forms 1040A for Tax Year 1981, stratified by Tax Year 1980 filing status, filed by June 1982 from Atlanta District. This source provided the data base for the sections:
 - Switching from Form 1040A to 1040,
 - Consistency in Use of Paid Preparers (1040A data),
 - Adjusted Gross Income Shifts, and
 - Filing Status Shifts
- [3] U.S. Department of the Treasury, Internal Revenue Service, *Taxpayer Usage Study, Forms 1040 and 1040A*, Document 6528, Statistics of Income Division, October 1982 and September 1983.
- [4] For the study of 1982 Form 1040 returns itemizing a deduction for a paid preparer's fee, the data base was the Taxpayer Usage Sample. For a description of the sample, see Riley, Dorothea, "Individual Income Tax Returns: Selected Characteristics from the 1982 Taxpayer Usage Study," *Statistics of Income Bulletin*, Volume 3, Number 1, pp. 46-47.
- [5] U.S. National Center for Health Statistics, *Vital Statistics for the United States*, annual.
- [6] For tax payment status and size of refund/balance due, the data source was a systematic sample (selected at 0.52 percent rate) of over 500,000 Form 1040 and 1040A returns on the Individual Master File as of November 1980.

All data involving amount of balance due or refund are based on the records of taxpayers who had some income tax withheld for 1978 and 1979 and who made no estimated tax payments. If the returns thus excluded, had been included, the general patterns of results presented here would not have been materially affected. In Table 7, however, the "excluded" taxpayers have been included

The Life Cycle of Individual Income Tax Returns

and distributed among the categories shown, according to ratios derived from Statistics of Income data and independent estimates by the author.

- [7] The longitudinal study approach has been found to contribute significantly to the understanding of tax policy and tax administration issues. Some examples in the individual income tax area are:

Steuerle, Eugene and McHugh, Richard, "Income Averaging: Evidence of Benefits and Utilization," OTA Paper Number 24, Office of Tax Analysis, U.S. Department of the Treasury, August 1977.

Auten, Gerald E., "Estimation of the Effects of Capital Gains Taxes on the Realization of Capital Gains," Office of Tax Analysis, U.S. Department of the Treasury, March 1982, unpublished.

In the corporate area, however, continuity of identity over time is an acute problem owing to mergers, acquisitions, change of corporate name, and the like. For an example see Berry, Charles, "Corporate Concentration in Industry, 1948-1962," Brookings Institution, 1970, unpublished.

Investment Tax Credit for Individual Taxpayers, 1981

By Jon Maiden and David Paris*

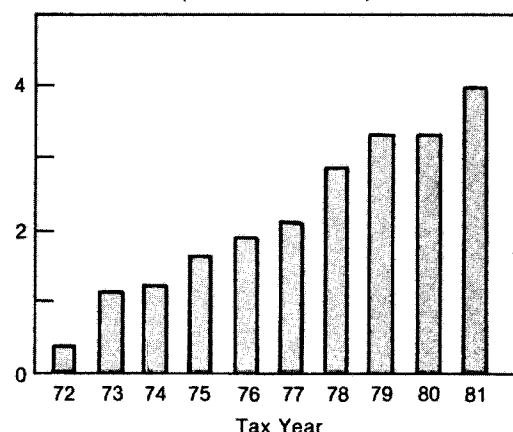
The rate of growth of the investment tax credit claimed on individual income tax returns has been significant in terms of both the amount claimed and the number of individuals claiming this credit. During the decade of 1972-1981, the credit grew almost six-fold, increasing to nearly \$4 billion for Tax Year 1981 [1]. This growth is primarily attributable to tax law changes [2], inflationary increases in the prices of "qualified property," and a near doubling of the number of returns reporting the credit. Over these years the number of returns reporting the credit increased from 2.3 million for 1972 to 4.5 million for 1981. Figure A shows the annual growth in both the amount of the credit claimed and the number of returns claiming it.

A credit against income tax is allowed taxpayers who acquire qualified property anytime during the year for which a tax return is filed. Qualified property is tangible depreciable personal property, such as machinery and equipment, used by the taxpayer in a trade or business. The credit is a percentage of "qualified investment," an amount that depends on the depreciable life of the property. For 1981, regular investment tax credit claimed equaled, in general, 10 percent of qualified investment. An additional 10 percent credit was allowed business taxpayers for investment in certain "qualified energy property." In effect, the investment tax credit is a subsidy that reduces the private cost of acquiring qualified property and, in this way, encourages private capital formation.

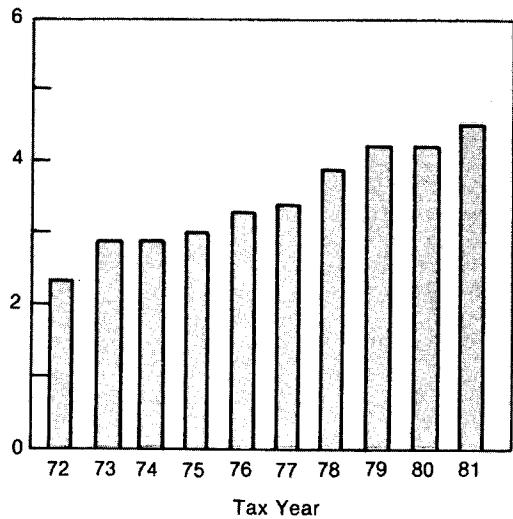
The investment tax credit claimed by individuals on Form 1040 represents amounts allowed for investments in qualified new and used business property acquired by sole proprietorships, partnerships and Small Business Corporations electing to be taxed through their shareholders. However, the cost reported for investment credit property represents only that attributable to sole proprietorship businesses; the cost due to partnerships or Small Business Corporation property was reported on the separate tax returns filed by these businesses.

**Figure A.
Individual Investment Tax Credit -
Amount of Credit and Numbers
of Returns, Tax Years 1972-1981**

Amount of Credit (Billions of Dollars)



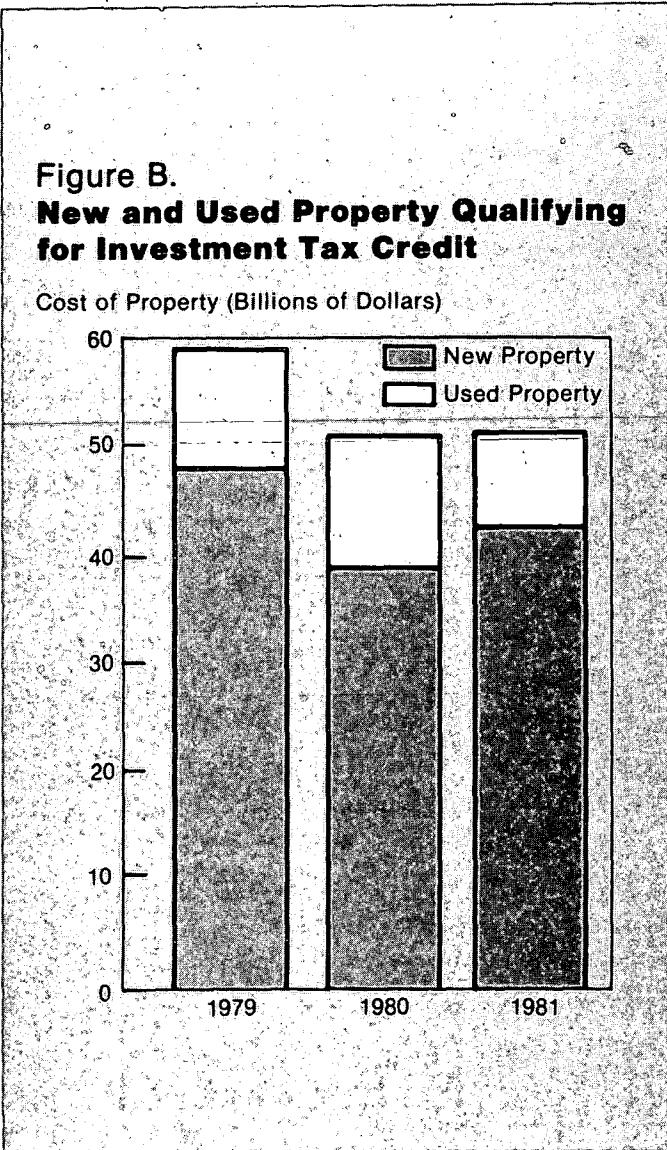
Number of Returns (Millions)



*Individual Returns Analysis Section. David Paris is Acting Chief, and Jon Maiden is a member of that section.

Investment Tax Credit for Individual Taxpayers, 1981

This helps explain why the total amount of investment credit increased, while the amount of individual investment in qualified business property declined--by approximately 15 percent from 1979 to 1981 [3]. As shown in Figure B, the reported investment costs were approximately \$59.5 billion for 1979, \$50.3 billion for 1980, and \$50.4 billion for 1981.



INVESTMENT TAX CREDIT REPORTED ON INDIVIDUAL TAX RETURNS

During the five years, 1977 to 1981, there was a 93-percent increase in the amount of investment tax credit claimed by individuals (see Figure C). In addition, over this same period there was a 31-percent increase in individual income tax returns reporting this credit. As expected, the average amount of

credit per return also grew over this period, by 47 percent, from \$600 to \$883.

Figure C.--Individual Investment Tax Credit, 1977-1981

Tax Year	Number of returns (thousands)	Amount of credit (billions)	Average credit per return
	(1)	(2)	(3)
1977	3,435	\$2.06	\$600
1978	3,942	2.93	743
1979	4,232	3.31	782
1980	4,207	3.31	786
1981	4,496	3.97	883

The investment tax credit had a greater impact for 1981 than any other single tax credit [3]. As shown in Figure D, the investment credit accounted for over 50 percent of the total amount of all regular tax credits. The next two largest credits were the child care and foreign tax credits, which when combined equaled only slightly more than one-half of the investment tax credit.

Figure D.--Individual Tax Credits by Type of Credit, 1981

[Money amounts are in millions of dollars]

Type of credit	Amount of credit	Percent of total credits
Total	7,905	100.0
Investment	3,971	50.2
Foreign tax	1,234	15.6
Child care	1,148	14.5
Residential energy	601	7.6
Earned income	452	5.7
Political contributions ..	262	3.3
For the elderly	124	1.6
Jobs	97	1.2
Work incentive	12	0.2
Research and experimentation	2	*
Other tax credits	2	*

*Less than .1 percent.

Further analysis of all individual returns with tax credits shows the relative importance of the investment tax credit for those "wealthier" taxpayers with adjusted gross income (AGI) of \$100,000 or more. As can be seen in Figure E the investment tax credit claimed amounted to almost 62 percent of the total of all tax credits claimed for this group. Of particular note were those returns which showed an AGI of between \$500,000 and \$1,000,000. For these taxpayers, the investment tax credit claimed amounted to more than 75 percent of all tax credits claimed.

Figure E.--Individual Investment Tax Credit by Size of Adjusted Gross Income, 1981

Size of adjusted gross income	All returns filed number (thousands)	Returns with investment tax credit (thousands)	Percentage with investment tax credit	Total tax credits (millions)	Investment tax credit (millions)	Percentage of total credits
	(1)	(2)	(3)	(4)	(5)	(6)
Total	95,396	4,496	4.7	\$7,905.2	\$3,971.2	50.2
Under \$20,000	61,589	1,442	2.3	1,639.2	532.9	32.5
\$20,000 under \$50,000	29,710	2,064	7.0	2,926.6	1,439.4	49.2
\$50,000 under \$100,000	3,443	698	20.3	1,545.2	874.6	56.6
\$100,000 under \$200,000	517	214	41.4	883.8	510.4	57.8
\$200,000 under \$500,000	118	64	54.2	537.0	345.4	64.3
\$500,000 under \$1,000,000	15	9	63.8	159.8	122.5	76.7
\$1,000,000 or more	5	4	71.7	213.6	146.0	68.4

NOTE: Percentages are computed before rounding of the number of returns in columns 1 and 2.

The importance of the credit for those taxpayers with an AGI of \$100,000 or more is also evident when examining the use of the credit among all returns filed, regardless of whether or not the taxpayers claimed any tax credits. For taxpayers with an AGI of \$100,000 or more, the investment tax credit was claimed on almost 45 percent of the returns. For each size classification shown for this group the percent ranged from a low of only about 41 percent of all returns filed with an AGI of \$100,000 to \$200,000 to a high of almost 72 percent of all returns filed with an AGI of \$1,000,000 or more. In contrast, for those returns with less than \$100,000 of adjusted gross income, the investment tax credit was reported on less than 5 percent of the returns (see Table 1 for more details).

COST AND DEPRECIATION OF INVESTMENT CREDIT PROPERTY

As defined in section 38 of the Internal Revenue Code, an investment credit is allowed for most purchases of new or used business-related property which is depreciable or amortizable tangible property having a useful life of at least 3 years. For "recovery property" (most property placed in service after 1980), the percentage of property cost to be used in establishing the credit is 60 percent for property recovered over 3 years, and 100 percent of the cost of property recovered over 15-year, 10-year, and 5-year periods.

In the case of "nonrecovery property," the amount of investment qualifying for the tax credit is limited by the previous class life

ADR depreciation rules. Generally, 100 percent of the cost of property with a 7-years or more class life qualifies for the credit; 66 2/3 percent of the cost of property with a class life of 5 years to less than 7 years; and 33 1/3 percent of the cost of property with a class life of less than 5 years but at least 3 years. An investment credit is not allowed for property with a useful life of less than 3 years.

An analysis of the data by class life periods for both Tax Years 1979 and 1980 indicates that approximately 70 percent of the total cost of investment credit property was for nonrecovery property with a class life period of 7 years or more, which allows 100 percent of the property cost to be used in determining the investment credit. Comparable data are not shown for 1981 because the method for determining the amount of investment qualifying for the tax credit was changed by the Economic Recovery Tax Act of 1981 which introduced the Accelerated Cost Recovery System (ACRS). This new system shortened the recovery period of property qualifying for the full investment tax credit. Figure F below shows a comparison of the class life periods for 1979 and 1980 covering the cost of investment credit property as reported by individual taxpayers.

SOLE PROPRIETOR AND OTHER BUSINESS USAGE OF THE INVESTMENT TAX CREDIT

There are three major forms of business enterprise whose investment credit was reported on individual income tax returns. They are sole

Investment Tax Credit for Individual Taxpayers, 1981

Figure G.--Nonfarm Sole Proprietorship Returns Reporting Investment Tax Credit

Tax Year	Number of returns (thousands)	Amount of credit ¹ (billions)	Average credit per return
	(1)	(2)	(3)
1977	2,309	\$1.38	\$598
1978	2,800	2.15	768
1979	2,960	2.39	807
1980	2,901	2.27	782
1981	2,185	1.87	855

¹May also include investment tax credit from other business sources.

Furthermore, returns with sole proprietorships schedules accounted for up to 47 percent of the total individual investment credit taken for 1981, declining from 69 percent for 1980 and 72 percent for 1979 [5]. This decrease by sole proprietorship tax filers in the use of the credit was offset by the growth in use by owners of partnerships and electing Small Business Corporations [6].

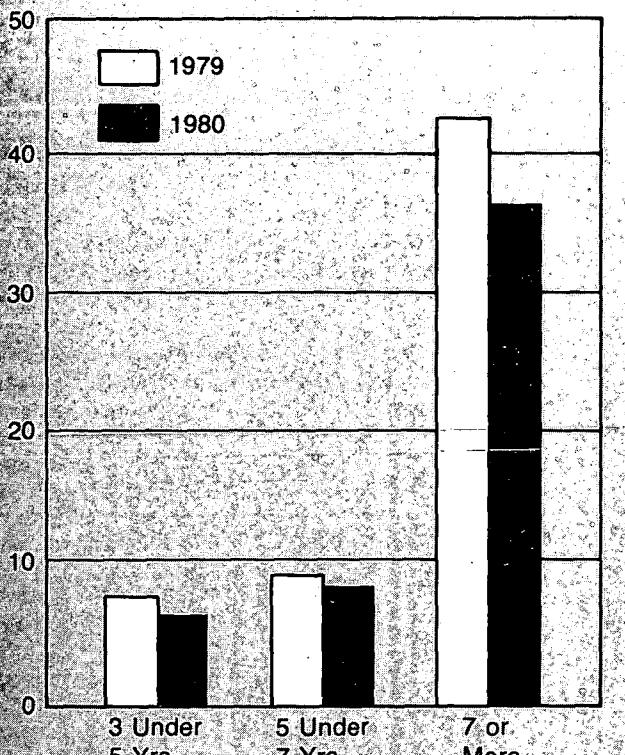
Selected sole proprietorship nonfarm industries accounted for a significant portion of the investment credit property used in determining the investment tax credit. Five nonfarm industries accounted for over 50 percent of the total property used to determine the investment credit. Among these are: mining; retail trade; business services; finance, insurance and real estate; and construction. Investment credit property reported for these five nonfarm industries accounted for 53.5 percent of the total cost of sole proprietorship investment credit property for 1981 (see Table 2 for more details).

Among these five nonfarm industry categories, the cost of investment credit property in mining consistently increased for Tax Years 1979-1981, while in construction, the amount of investment credit property consistently decreased. Figure H below covers the trends in the cost of investment credit property reported for these five nonfarm industry categories [7].

These data highlight certain sole proprietorship industries which are most sensitive to economic downswings. The consistent reduction in the amount of investment credit property purchased for the construction and retail trade industries reflected in part a contraction in two key consumer-oriented industries. The major increase in the purchase of mining-related equipment was a partial result of the increase in the cost of certain minerals, especially oil, gold and silver, which rose dramatically in value during this period.

Figure F.
Cost of Investment Property
by Class Life Period
Tax Years: 1979 and 1980

Cost of all Property¹ (Billions of Dollars)



¹Excludes all cost of property where class life was not reported

proprietorships (both nonfarm businesses and farm operations); partnerships; and electing Small Business Corporations, the profits of which are taxed after distribution to the individual shareholders and which, therefore, are not typically subject to corporate taxes. Certain estates and trusts also qualify for the investment tax credit. As shown in Figure G, the extent to which returns with nonfarm sole proprietorship business activity reported the investment credit and the amount of the credit claimed peaked for Tax Year 1979, then declined for both Tax Years 1980 and 1981. However, despite these downturns, the average amount of credit per proprietorship return increased from 1980 to 1981 as shown below.

Figure H.--Cost of Property Used by Sole Proprietorships for Investment Tax Credit, 1979-1981

Industry	Amount (billions)	Percent of total credit
<u>1979</u>		
Business services	\$2.2	8.9
Construction	3.1	12.6
Finance, insurance and real estate	2.7	10.9
Mining	2.1	8.3
Retail trade	4.3	17.5
<u>1980</u>		
Business services	2.3	10.2
Construction	2.2	9.5
Finance, insurance and real estate	2.4	10.7
Mining	2.4	10.6
Retail trade	3.8	16.9
<u>1981¹</u>		
Business services	2.5	9.8
Construction	1.9	7.6
Finance, insurance and real estate	2.3	9.0
Mining	3.4	13.5
Retail trade	3.4	13.7

¹The 1981 data are not altogether comparable with prior years because multiple businesses reported on a return were all classified into one predominant industrial activity.

SUMMARY

The increasing importance of the investment tax credit as a tax incentive for business investment is amply demonstrated by its growth and expansion during the past decade. Because of tax law changes and real growth in the economy, the credit is being reported by twice as many individual taxpayers as it was a decade ago. The average credit per tax return has also increased at a significant pace.

Additional impetus for the continued growth in the usage of investment tax credit has resulted from the provisions in the Revenue Act of 1978 and the Economic Recovery Tax Act of 1981 (ERTA), which increased annually the carryover of unused credits and for additional credits of 15 percent, 20 percent, and 25 percent for rehabilitating older structures for business usage. ERTA also added the Accelerated Cost Recovery System, under which the total cost of all property with at least a 5-year recovery period qualified for the full credit.

Over the past 21 years the investment tax credit has grown to become the largest single tax credit claimed by individual taxpayers for Tax Year 1981.

DATA SOURCES AND LIMITATIONS

These statistics are based on a sample of individual income tax returns, Forms 1040, filed for Tax Year 1981. A general description of sampling procedures and data limitations applicable to the Statistics of Income (SOI) tabulations is contained in the Appendix to this report.

As the data presented in this article are estimates based on a sample of documents filed with the Internal Revenue Service, they are subject to sampling error. To use properly the statistical data provided, the magnitude of the potential sampling error must be known. Coefficients of variation (CV's) are used to measure the magnitude of the sampling errors.

The table below presents approximated coefficients of variation for frequency estimates. The approximate CV's shown there are intended only as a general indication of the reliability of the data. For a number other than those shown below, the corresponding CV's can be estimated by interpolation. The reliability of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates are discussed in the Appendix.

Estimated Number of Returns	Approximated Coefficient of Variation
5,033,400	.02
806,300	.05
201,300	.10
50,300	.20
22,400	.30
8,100	.50

Sample Selection

The 1981 individual tax return statistics are based on a sample of individual income tax returns, Forms 1040 and 1040A, processed by the IRS during 1982. The sample was stratified based on presence or absence of Schedule C, Profit (or Loss) from Business or Profession; State in which filed; adjusted gross income or deficit or largest selected source of income or loss; and size of business plus farm receipts. The returns were selected at rates that ranged from 0.05 percent to 100 percent. There were 144,322 returns in the sample drawn from a population of 95,396,123.

DEFINITIONS

A brief definition of certain terms used in this article are given below.

Accelerated Cost Recovery System (ACRS).--The Economic Recovery Tax Act of 1981 provided a new capital cost recovery system for both new and used property. The cost of most tangible

Investment Tax Credit for Individual Taxpayers, 1981

depreciable property placed in service after 1980 must be recovered using the ACRS accelerated methods and is classified as recovery property under this system. When computing cost recovery under the ACRS system the salvage value is disregarded. The cost of eligible property is recoverable over 3-year, 5-year, 10-year, or 15-year periods depending on the type of property. The ACRS system generally replaces the Class Life Asset Depreciation Range (ADR) System [8].

Class Life ADR System.--This optional depreciation system is used for tangible assets first placed in service after 1970 and before 1981. Under the Asset Depreciation Range (ADR) System an asset is grouped with related assets into "guideline classes" and depreciated over a specific class life period. This period covers a given range of years over which the cost or other basis can be written off.

Qualified Investment.--Qualified investment was the amount remaining after reducing the cost of investment credit property by the percentage limitations contained in the Internal Revenue Code and was the base on which the credit was computed.

Recovery Property.--For purposes of ACRS, most tangible depreciable property placed in service after 1980 and used in a trade or business or held for production of income must be recovered using accelerated methods of cost recovery. Recovery property describes property acquired under ACRS which is classified under 3-year, 5-year, 10-year, and 15-year periods for cost recovery. These periods determine the length of time over which an asset can be recovered.

NOTES AND REFERENCES

- [1] The investment credit claimed on individual income tax returns for 1981 overstates the credit "earned" in 1981 to the extent that it includes amounts "unused" in prior years and carried forward to 1981. At the same time, the 1981 credit is overstated to the extent it does not reflect the effect of future paybacks of 1981 credit due to early disposition of assets for which credit was claimed. For 1981, nearly \$0.5 billion was reported as additional tax from the recapture of prior year investment credits.
- [2] Tax law changes which had a major impact on the growth of the investment tax credit were contained in the Tax Reduction Act of 1975 which increased the allowable credit to 10 percent, the Revenue Act of 1978 which made the 10 percent credit permanent and increased the portion of tax liability
- [3] For 1981, the amount of investment tax credit claimed was limited by the income tax liability of the individual. For individuals with a tax liability of \$25,000 or less, the limitation was 100 percent of U.S. income tax after the credit for the elderly and the foreign tax credit. For those individuals with a tax liability of more than \$25,000, it was limited to \$25,000 plus 80 percent of the tax in excess of \$25,000. Any unused credit can be carried back or carried over for use in other tax years. No amounts are shown in tables 1 and 2 for carryback of unused credit because these amounts are not reportable on the current year's return, but are reported on future claims for tax refunds or on amended returns which are excluded from Statistics of Income data.
- [4] The rate reduction "credit" is excluded from this discussion due to the fact that it was a one-time calculation designed specifically to reduce income tax liability before credits as computed under the former rates to an amount based on the revised tax rates provided for in the tax reduction provisions contained in the Economic Recovery Tax Act of 1981.
- [5] U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income--Sole Proprietorship Returns for 1977-1981*.
- [6] Investment credit reported here is associated with property purchased for a sole proprietorship business as indicated by the presence of sole proprietorship income. For individual returns showing business income from more than one form of business, e.g., sole proprietorships, partnerships, etc., it was not possible to determine with accuracy which business enterprise was the source of the credit.
- [7] U.S. Department of the Treasury, Internal Revenue Service, "Sole Proprietorship Returns/1981," unpublished tables.
- [8] Joint Committee on Taxation (Staff), *General Explanation of the Economic Recovery Tax Act of 1981*, U.S. Government Printing Office, 1981, pp. 75-79.

over \$25,000 that could be offset by the credit, and the Economic Recovery Tax Act of 1981 which extended the carryover period for unused credit and provided increased credits of 15 percent, 20 percent, and 25 percent for rehabilitation of nonresidential buildings and residential certified historic structures.

ADDITIONAL REFERENCES

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Congress, Congressional Research Service, January 3, 1983.

Gravelle, Jane, "Analysis of a Refundable Investment Tax Credit," Library of Congress, Congressional Research Service, July 14, 1980.

U.S. Department of the Treasury, Internal Revenue Service, *Statistics of Income--Individual Income Tax Returns* for 1962-1981.

Table 1—Individual Income Tax Returns With Investment Credit Items: Cost of Investment Credit Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Size of Adjusted Gross Income, 1981

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns	Adjusted gross income less deficit	Investment credit			Investment credit items									
			Number of returns	Amount	Total	Cost of property used for investment credit						Recovery property			
						Total			New—3-year			New—other		Used-3-year	
						Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)			
All returns	4,495,860	193,455,974	4,495,860	3,971,199	50,416,467	3,904,645	43,471,181	1,222,441	7,855,407	2,634,625	27,618,033	492,508	1,983,092		
No adjusted gross income	486	-12,325	486	1,064	13,966	486	13,961	398	1,976	485	11,755	**	**		
\$1 under \$5,000	59,276	234,397	59,276	6,000	181,667	41,710	136,227	11,606	29,118	27,237	55,730	**5,172	**19,700		
\$5,000 under \$10,000	372,602	2,983,643	372,602	86,416	2,487,224	300,357	2,209,741	86,649	367,823	184,035	1,070,404	47,160	155,278		
\$10,000 under \$20,000	1,010,345	15,305,807	1,010,345	439,460	7,082,561	865,167	6,409,577	231,142	1,125,022	531,350	3,554,212	146,131	516,823		
\$20,000 under \$50,000	2,064,145	66,682,116	2,064,145	1,439,372	18,315,171	1,806,819	16,198,231	596,918	3,493,973	1,177,194	9,266,170	226,628	938,829		
\$50,000 under \$100,000	698,149	47,078,116	698,149	874,646	9,817,830	628,077	8,590,212	208,432	1,699,111	484,521	5,608,677	48,917	231,314		
\$100,000 under \$500,000	277,664	46,597,134	277,664	855,774	9,784,878	250,181	7,956,383	82,572	1,018,898	218,614	6,290,749	17,506	110,852		
\$500,000 under \$1,000,000	9,421	6,302,183	9,421	122,454	1,312,829	8,488	1,027,212	3,242	82,374	7,980	897,179	708	5,907		
\$1,000,000 or more	3,772	8,284,902	3,772	146,013	1,420,340	3,360	929,637	1,482	37,112	3,209	863,158	286	4,389		
Investment credit items—Continued															
Cost of property used for investment credit—Continued															
Size of adjusted gross income	Recovery property—Continued						Nonrecovery property								
	Used—other		Total		New—3 under 5 years		New—5 under 7 years		New—7 or more years		Used—3 under 5 years				
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)			
All returns	840,790	6,014,649	506,625	5,558,158	131,807	584,388	171,509	1,135,762	246,931	2,950,015	71,664	232,509			
No adjusted gross income	68	221	**	**	—	—	—	—	**	**	—	—			
\$1 under \$5,000	10,002	31,688	**11,752	**38,155	*2,969	*3,961	*7,187	*8,583	**5,278	**17,809	*2,164	*988			
\$5,000 under \$10,000	81,455	616,236	38,232	270,591	8,012	30,019	12,470	82,228	13,863	78,675	4,048	14,840			
\$10,000 under \$20,000	224,894	1,213,521	110,683	649,086	25,436	65,986	35,539	106,282	44,929	276,010	20,314	74,479			
\$20,000 under \$50,000	362,407	2,499,258	208,411	1,727,787	57,717	204,381	61,285	239,601	97,177	905,830	32,302	105,477			
\$50,000 under \$100,000	112,439	1,051,111	81,696	1,032,850	22,210	104,087	31,796	125,651	46,794	673,480	9,086	24,236			
\$100,000 under \$500,000	46,490	535,884	52,348	1,253,699	14,268	158,178	21,587	190,459	36,335	823,726	3,508	10,394			
\$500,000 under \$1,000,000	2,036	41,753	2,402	205,577	812	10,476	1,105	87,826	1,746	101,025	168	939			
\$1,000,000 or more	999	24,978	1,101	380,411	385	7,299	540	295,132	809	73,460	74	1,156			

Footnote(s) at end of table.

Table 1—Individual Income Tax Returns With Investment Credit Items: Cost of Investment Credit Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Size of Adjusted Gross Income, 1981—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Investment credit items—Continued												
	Cost of property used for investment credit—Continued								Qualified investment in 10% property				
	Nonrecovery property—Continued				Cost of property, life years not stated		Cost of property, type not stated		Total	Recovery property		Nonrecovery property	
	Used—5 under 7 years	Used—7 or more years	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount
(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	
All returns	61,723	302,863	62,501	352,622	113	7,577	36,869	1,379,550	45,842,508	3,904,645	39,535,337	506,619	4,532,624
No adjusted gross income	—	—	—	—	—	—	13,172	486	13,167
\$1 under \$5,000	**4,089	**1,509	*671	*5,305	—	—	*4,503	*7,291	*155,894	41,710	116,697	**11,752	**31,476
\$5,000 under \$10,000	*4,835	*20,493	6,432	44,336	—	—	*1,781	*6,891	*2,227,344	300,357	2,000,469	38,232	206,349
\$10,000 under \$20,000	13,664	56,735	13,731	69,595	—	—	4,415	23,897	6,154,520	865,167	5,752,755	110,683	500,919
\$20,000 under \$50,000	27,325	176,438	22,340	96,060	*110	*7,290	13,152	381,864	16,328,664	1,806,819	14,424,899	208,411	1,382,082
\$50,000 under \$100,000	7,695	18,235	10,967	87,161	—	—	7,195	194,768	9,117,433	628,077	7,817,964	81,696	899,176
\$100,000 under \$500,000	3,884	27,069	7,911	43,873	—	—	5,322	574,795	9,253,604	250,181	7,504,452	52,347	1,068,592
\$500,000 under \$1,000,000	164	1,561	317	3,750	**3	**288	312	80,039	1,259,431	8,488	991,899	2,397	168,108
\$1,000,000 or more	67	823	132	2,541	**	**	189	110,005	1,332,446	3,360	913,036	1,101	275,922
Investment credit items—Continued													
Qualified investment in 10% property—Continued													
Size of adjusted gross income	New commuter highway vehicles				Used commuter highway vehicles		Rehabilitation expenditures—5 under 7 years		Rehabilitation expenditures—over 7 years		Qualified rehabilitation expenditures		
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Certified historic structures	
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	
All returns	14,481	85,794	6,012	33,424	1,793	7,291	25,997	668,745	654	13,782	829	6,101	
No adjusted gross income	—	—	—	—	—	—	—	—	—	—	—	—	
\$1 under \$5,000	—	—	—	—	—	—	—	—	—	—	—	—	
\$5,000 under \$10,000	*2,236	*10,050	*1,283	*5,385	—	—	*211	*42	—	—	—	—	
\$10,000 under \$20,000	*2,753	*5,069	*2,870	*15,580	—	—	*2,228	*43,275	*217	*468	—	—	
\$20,000 under \$50,000	7,410	56,796	*1,246	*8,799	*299	*87	10,974	90,557	—	—	*703	*102	
\$50,000 under \$100,000	1,872	11,816	*390	*2,384	*1,223	*3,951	7,400	213,378	*259	*2,113	*87	*2,610	
\$100,000 under \$500,000	*204	*1,792	*217	*1,261	253	2,460	4,724	264,799	*171	*11,092	**39	**3,390	
\$500,000 under \$1,000,000	*6	**270	6	17	6	319	300	23,955	**7	**109	**	**	
\$1,000,000 or more	**	**	—	—	12	474	160	32,740	**	**	—	—	

Footnote(s) at end of table.

Investment Tax Credit on Individual Returns, 1981

Table 1—Individual Income Tax Returns With Investment Credit Items: Cost of Investment Credit Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Size of Adjusted Gross Income, 1981—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Investment credit items—Continued												
	Total qualified investment		Current year regular investment credit										
	Number of returns	Amount	Total		10 Percent portion		15 Percent portion		20 Percent portion				
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount			
(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)				
All returns.....	4,333,132	45,862,391	4,393,573	4,708,110	4,331,091	4,582,601	20	275	634	2,390			
No adjusted gross income	486	13,172	486	1,317	486	1,317	—	—	—	—			
\$1 under \$5,000	56,867	155,894	56,867	15,683	56,867	15,569	—	—	—	—			
\$5,000 under \$10,000	337,640	2,227,344	345,741	251,352	337,640	222,622	—	—	—	—			
\$10,000 under \$20,000	961,147	6,154,989	976,673	621,608	961,137	615,101	—	—	*217	*94			
\$20,000 under \$50,000	1,999,990	16,328,766	2,030,889	1,677,388	1,998,874	1,632,112	—	—	—	—			
\$50,000 under \$100,000	688,631	9,122,156	693,304	924,343	687,894	911,457	**20	**275	*259	*423			
\$100,000 under \$500,000	275,258	9,267,982	276,474	948,026	275,083	925,242	**20	**151	*151	*1,852			
\$500,000 under \$1,000,000	9,387	1,259,641	9,383	127,009	9,365	125,939	**20	**7	*7	*22			
\$1,000,000 or more	3,746	1,332,447	3,756	141,384	3,745	133,243	—	—	—	—			
Investment credit items—Continued													
Size of adjusted gross income													
Current year regular investment credit—Continued				Carryback of unused credit		Tentative regular investment credit		Business energy investment credit					
25 Percent portion				Number of returns		Number of returns		Number of returns		Number of returns			
Number of returns	Amount	Number of returns	Amount	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)
(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)				
All returns.....	829	1,525	374,866	1,280,391	—	—	4,493,603	5,988,501	22,463	49,617			
No adjusted gross income	—	—	3	13	—	—	486	1,330	13	8			
\$1 under \$5,000	—	—	7,987	8,274	—	—	59,276	23,958	—	—			
\$5,000 under \$10,000	—	—	99,875	246,643	—	—	372,155	497,996	*447	*30			
\$10,000 under \$20,000	—	—	137,311	394,880	—	—	1,009,916	1,016,488	*754	*1,810			
\$20,000 under \$50,000	*703	*25	102,077	348,486	—	—	2,063,563	2,025,874	12,712	12,474			
\$50,000 under \$100,000	*87	*652	20,435	122,685	—	—	697,589	1,047,028	5,221	12,582			
\$100,000 under \$500,000	*39	**847	6,587	89,641	—	—	277,431	1,037,667	3,039	19,582			
\$500,000 under \$1,000,000	**	**	363	26,105	—	—	9,415	153,114	181	2,352			
\$1,000,000 or more	—	—	228	43,662	—	—	3,772	185,046	96	779			

*Estimate should be used with caution because of the small number of sample returns on which it is based.

**Data combined to avoid disclosure of information for specific taxpayers.

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

Table 2—Individuals With Sole Proprietorship Businesses With Investment Credit Items: Cost of Investment Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Selected Industry, 1981

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

Selected industries	Number of returns	Adjusted gross income less deficit	Investment credit			Recovery property used for investment credit								
						Cost of property used for investment credit			New					
			Total	Number of returns	Amount	Total	Number of returns	Amount	New-3-year	Number of returns	Amount			
All nonfarm industries	2,184,992	86,232,761	2,184,992	1,873,984	25,191,457	1,929,616	21,979,223	646,644	4,958,993	1,241,374	12,807,780	293,221	1,556,865	
Agricultural services, forestry, and fishing	85,564	55,564	57,760	56,035	632,056	20,604	114,995	33,982	367,983	10,281	52,640			
Mining	67,475	7,984,614	67,475	3,396,708	60,639	21,067,137	16,486	4,879	2,341,155	4,879	32,825			
Construction	5,897,373	223,174	141,007	1,823,860	188,135	1,770,793	70,664	437,943	112,957	800,897	47,913	181,783		
General building contractors and operative builders	51,424	1,481,507	35,591	454,507	465,652	408,341	17,913	102,151	23,212	152,501	13,707	57,835		
Special trade contractors	154,214	154,214	85,941	1,181,675	137,115	1,090,998	48,381	271,549	81,287	524,494	31,501	110,324		
Other construction	17,535	452,082	17,536	19,475	287,677	15,368	271,453	4,370	57,542	8,158	123,911	2,842	13,824	
Manufacturing	75,488	2,528,359	75,488	60,541	716,700	67,069	631,785	23,224	127,970	37,776	378,576	10,570	35,096	
Transportation, communication, electric, gas, and sanitary services	11,687,070	3,216,416	116,870	148,650	2,482,591	98,747	2,186,512	26,927	357,334	49,537	1,199,181	23,256	210,061	
Trucking and warehousing	88,535	2,008,287	86,353	111,197	1,950,778	70,224	1,690,744	19,183	287,346	30,987	888,124	17,477	179,885	
Other	30,517	1,208,129	30,517	37,453	53,812	28,523	495,767	7,134	69,388	18,540	311,057	5,779	30,977	
Wholesale and retail trade	498,307	15,606,845	498,307	346,544	4,697,839	435,371	4,158,919	17,493	961,970	271,012	2,204,878	72,147	316,326	
Wholesale trade	53,782	1,997,782	53,782	63,822	695,040	47,810	651,362	21,110	180,578	28,095	290,437	7,230	43,331	
Retail trade	391,755	1,828,264	391,755	252,729	342,786	313,426	10,714	672,637	221,687	1,713,532	56,232	235,967		
Food stores	47,804	1,217,360	47,804	31,680	416,221	39,642	377,928	11,140	52,024	22,755	7,394	2,245		
Automotive dealers and service stations	47,634	1,425,023	47,634	30,568	458,365	41,785	428,972	13,170	86,802	26,385	236,891	6,929	32,281	
Eating and drinking places	54,899	1,471,024	54,899	36,810	477,880	47,947	398,323	11,387	46,120	36,837	46,401	6,964	37,436	
Direct selling organizations	82,411	2,446,120	82,411	43,032	650,537	71,587	595,108	28,766	193,125	39,390	300,811	9,560	41,445	
Other retail trade	159,007	5,269,337	159,007	110,638	1,433,539	141,725	1,313,085	44,251	292,665	92,197	227,785	27,079	103,561	
Wholesale and retail trade not allocable	50,770	1,778,799	50,770	39,993	565,257	44,775	394,131	18,101	114,756	24,230	200,610	37,028		
Finance, insurance, and real estate	184,855	8,680,542	184,855	166,300	2,255,672	167,093	2,050,341	76,400	649,163	91,576	1,121,163	24,062	104,583	
Finance	11,683	939,603	11,683	18,023	244,620	10,992	222,803	3,771	36,710	22,907	34,199	16,163	9,842	
Insurance agents, brokers, and service	64,912	2,728,796	64,912	54,832	715,239	58,942	665,127	27,691	373,716	6,706	24,138			
Real estate	107,975	5,014,143	107,975	93,439	1,298,814	1,162,410	44,938	386,546	50,551	585,815	15,067	70,803		
Services	934,343	39,351,558	934,343	67,4,507	8,786,063	828,511	7,415,555	260,376	1,776,489	578,784	4,325,985	98,673	422,356	
Hotels and other lodging places	13,598	60,146	13,598	14,057	178,267	11,862	157,912	5,183	32,821	9,783	92,703	1,075		
Business services	121,250	3,210,333	121,250	121,250	659,011	105,043	558,388	25,739	133,276	71,226	250,940	9,641		
Automobile repair and services	200,069	9,385,201	200,069	191,906	2,464,195	181,125	210,619	62,205	48,816	11,796	1,283,649	23,849		
Amusement and recreation services except motion pictures	65,991	1,439,104	54,578	227,235	398,685	347,364	344,401	15,731	106,563	27,870	110,561	10,081	50,062	
Medical and health services	148,764	2,867,985	65,991	56,396	765,773	58,798	555,001	14,945	111,440	82,007	6,883	6,883	45,541	
Offices of dentists	60,499	4,542,928	60,499	60,499	52,183	1,310,599	136,755	43,610	350,074	22,541	44,439	3,263	26,207	
Offices of physicians	39,434	2,191,458	39,434	39,434	450,734	36,473	415,832	9,866	54,887	30,391	30,391	1,444	2,587	
Other medical services	48,831	2,159,424	48,831	48,831	43,301	325,600	11,203	7,069	36,610	17,855	3,972	16,477		
Legal services	64,304	3,491,742	64,304	52,455	583,624	54,773	482,254	11,384	43,842	3,492	19,963			
Other services	265,788	9,461,538	265,788	2,386,219	186,830	185,724	185,724	15,916	119,726	185,724	1,056,926	28,973	100,606	
Nature of business not allocable	20,936	849,910	20,936	16,741							88,042	440	1,394	

Footnote(s) at end of table.

Table 2—Individuals With Sole Proprietorship Businesses With Investment Credit Items: Cost of Investment Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Selected Industry, 1981—Continued

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

Selected industries	Investment credit items—Continued											
	Cost of property used for investment credit—Continued											
	Recovery property—Continued		Nonrecovery property									
	Used—other		Total		New—3 under 5 years		New—5 under 7 years		New—7 or more years		Used—3 under 5 years	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
All nonfarm industries	359,398	2,855,585	215,622	2,644,673	54,143	264,449	66,610	497,239	87,401	1,369,572	32,244	136,308
Agricultural services, forestry and fishing	11,680	97,927	6,127	77,156	2,654	12,631	2,057	4,554	2,057	44,653	*1,545	*3,552
Mining	12,658	138,544	7,843	432,770	2,362	21,164	3,379	52,452	5,837	347,293	637	2,177
Construction	42,355	350,760	17,206	111,540	3,471	16,004	5,464	26,396	5,155	43,512	3,712	9,085
General building contractors and operative builders	9,437	95,854	2,499	16,627	566	3,561	687	3,128	1,158	3,319	*258	*1,769
Special trade contractors	27,402	178,531	13,529	78,688	2,793	11,460	4,527	21,178	3,555	30,290	3,173	6,455
Other construction	5,516	76,375	1,178	16,225	*112	*983	*250	*2,090	*442	*9,903	*281	*860
Manufacturing	18,308	96,143	6,910	72,527	1,273	11,091	2,881	10,448	2,284	24,633	*1,631	*14,640
Transportation, communication, electric, gas, and sanitary services	26,308	419,836	12,368	244,507	2,762	24,245	1,963	15,083	4,444	132,044	4,240	43,134
Trucking and warehousing	19,982	334,689	10,549	212,876	1,916	14,023	1,557	12,459	3,671	115,299	4,219	43,097
Other	6,326	85,146	1,819	31,630	846	10,222	406	2,624	773	16,745	*21	*37
Wholesale and retail trade	85,459	669,745	47,098	481,253	12,140	55,250	16,422	55,663	17,526	231,756	5,458	14,826
Wholesale trade	10,265	137,017	4,439	40,094	1,827	14,638	1,116	10,967	1,959	9,991	647	1,966
Retail trade	67,589	491,190	37,326	283,323	9,241	35,651	13,815	41,856	13,219	100,067	3,883	9,841
Food stores	10,364	77,008	3,989	36,275	758	3,944	977	15,155	2,112	9,959	*778	*762
Automotive dealers and service stations	8,528	73,198	4,161	27,867	290	1,746	1,657	6,304	1,444	7,204	178	769
Eating and drinking places	11,159	86,568	5,427	64,102	2,813	8,125	1,207	1,073	1,003	18,193	*1,066	*301
Direct selling organizations	9,579	58,927	7,137	42,384	1,475	6,049	1,906	3,184	2,732	7,652	*763	*981
Other retail trade	27,959	195,490	16,612	112,695	3,905	15,787	8,068	16,140	5,928	57,058	1,098	7,029
Wholesale and retail trade not allocable	7,605	41,537	5,333	157,836	*1,072	*4,961	*1,491	*2,841	2,348	121,699	*928	*3,019
Finance, insurance, and real estate	19,506	175,431	20,035	194,737	4,309	27,963	4,955	57,765	7,258	63,906	2,298	6,544
Finance	1,628	12,619	1,806	21,034	325	3,797	611	5,151	711	10,743	*28	*354
Insurance agents, brokers, and service	6,110	43,367	6,198	48,770	1,132	4,209	1,914	23,493	1,255	11,961	*51	*43
Real estate	11,768	119,445	12,031	124,933	2,852	19,957	2,430	29,121	5,292	41,202	2,219	6,146
Services	139,542	888,725	95,444	1,013,030	24,279	95,001	29,232	274,696	41,898	472,530	11,785	38,487
Hotels and other lodging places	2,564	25,315	1,590	11,068	*315	*870	870	3,137	809	3,001	*500	*3,795
Personal services	23,498	129,420	12,481	99,293	3,379	9,463	4,326	18,035	3,669	42,759	*1,357	*2,833
Business services	27,011	207,827	17,513	224,452	5,100	26,454	6,452	73,283	6,119	69,617	2,206	6,660
Automobile repair and services	11,106	75,209	6,900	41,688	*901	*794	1,366	2,291	2,669	24,896	*896	*1,128
Amusement and recreation services except motion pictures	10,894	32,667	8,765	205,461	1,970	5,580	2,277	71,201	4,874	120,442	940	5,197
Medical and health services	14,888	94,904	12,036	91,197	3,527	14,198	3,036	9,025	7,208	50,061	224	888
Offices of physicians	5,296	24,690	3,683	25,867	841	3,438	1,376	2,605	1,979	9,834	*75	*253
Offices of dentists	5,353	49,608	3,465	34,902	*1,012	*5,077	*330	*1,243	1,999	20,936	*130	*565
Other medical services	4,239	20,605	4,888	30,427	1,674	5,683	1,330	5,177	3,230	19,291	*19	*71
Legal services	7,067	31,712	10,368	80,604	2,514	9,203	5,182	42,318	4,112	21,418	1,423	4,794
Other services	42,514	291,671	25,791	259,268	6,573	28,439	5,713	55,406	12,438	140,337	4,239	13,192
Nature of business not allocable	3,582	18,474	2,591	17,153	893	1,100	*257	*182	942	9,244	*938	*3,864

Footnote(s) at end of table.

Table 2—Individuals With Sole Proprietorship Businesses With Investment Credit Items: Cost of Investment Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Selected Industry, 1981—Continued

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

Selected industries	Investment credit items—Continued													
	Cost of property used for investment credit—Continued								Qualified investment in 10% property					
	Nonrecovery property—Continued				Cost of property, life years not stated		Cost of property, type not stated		Total	Recovery property		Nonrecovery property		
	Used—5 under 7 years	Used—7 or more years	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		Number of returns	Amount	Number of returns	Amount	
	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)	(38)	
All nonfarm industries	23,706	138,565	29,631	238,541	*110	*7,290	18,619	860,272	22,546,706	1,929,816	19,272,649	215,620	2,164,941	
Agricultural services, forestry and fishing.....	*1,019	*7,571	*570	*4,196	—	—	*463	*30,289	*664,240	56,035	566,035	6,127	62,310	
Mining	451	3,325	1,651	6,359	—	—	1,792	259,201	3,274,397	60,939	2,615,916	7,841	398,570	
Construction	3,093	5,688	2,318	10,855	—	—	—	*516	*29,539	*383,888	46,652	344,339	2,499	11,980
General building contractors and operative builders	**	**	*605	*4,709	—	—	—	302	11,988	1,002,922	137,115	935,791	13,529	57,829
Special trade contractors	2,826	5,480	*1,067	*3,825	—	—	—	—	—	258,029	15,368	242,985	1,178	14,275
Other construction	**	**	*646	*2,321	—	—	—	452	6,388	630,082	67,069	572,551	6,910	51,058
Manufacturing	*870	*2,438	1,222	9,277	—	—	—	—	—	—	—	—	—	—
Transportation, communication, electric, gas, and sanitary services	1,342	20,326	1,620	9,676	—	—	686	51,572	2,203,838	98,747	1,959,502	12,368	187,735	
Trucking and warehousing	1,340	20,314	*878	*7,685	—	—	—	*592	*47,157	*1,716,380	70,224	1,503,563	10,549	163,828
Other	**	**	742	1,990	—	—	—	*94	*4,414	*487,458	28,523	455,940	1,819	23,907
Wholesale and retail trade	4,837	29,860	8,838	93,897	—	—	3,711	57,667	4,155,437	435,371	3,645,153	47,098	405,932	
Wholesale trade	421	1,552	659	981	—	—	—	*24	*3,583	*589,418	47,810	561,793	4,439	24,837
Retail trade	3,353	24,779	6,704	71,129	—	—	2,586	40,794	3,059,621	342,786	2,749,948	37,326	230,711	
Food stores	*227	*187	*1,112	*6,267	—	—	—	*550	*2,019	*378,583	39,642	348,616	3,989	28,011
Automotive dealers and service stations	688	7,867	708	3,977	—	—	144	2,526	415,037	41,785	381,335	4,161	21,455	
Eating and drinking places	*159	*1,349	2,036	35,061	—	—	—	*50	*15,455	*446,944	47,947	364,577	5,427	57,671
Direct selling organizations	*812	*9,240	*1,592	*15,278	—	—	*1,397	*13,045	*554,188	71,587	500,951	7,137	33,544	
Other retail trade	1,467	6,136	1,256	10,545	—	—	445	7,749	1,264,867	141,825	1,154,469	16,612	90,030	
Wholesale and retail trade not allocable	*1,063	*3,530	*1,475	*21,787	—	—	1,101	13,291	506,397	44,775	333,412	5,333	150,384	
Finance, insurance, and real estate	3,211	13,130	3,243	25,429	*110	*7,290	759	7,305	1,938,975	167,093	1,748,817	20,035	148,036	
Finance	*415	*900	448	88	—	—	17	783	221,984	10,992	203,381	1,806	16,243	
Insurance agents, brokers, and service	*1,380	*2,463	1,523	6,602	—	—	*548	*1,341	*613,872	59,463	565,901	6,198	37,263	
Real estate	1,416	9,767	1,272	18,739	*110	*7,290	194	5,181	1,103,120	96,638	979,535	12,031	94,530	
Services	8,738	54,996	9,436	77,320	—	—	8,189	357,478	7,867,035	829,511	6,535,118	95,444	813,846	
Hotels and other lodging places	*27	*170	*11	*95	—	—	—	*58	*10,287	*168,321	11,862	141,953	1,590	6,852
Personal services	*525	*14,697	*1,867	*11,506	—	—	—	*939	*1,330	*580,505	105,043	487,127	12,481	80,155
Business services	1,901	24,285	2,453	24,154	—	—	2,152	129,126	2,218,536	181,125	1,866,934	17,513	169,771	
Automobile repair and services	*1,419	*2,994	*138	*9,585	—	—	*137	*596	*320,379	47,364	280,943	6,900	38,639	
Amusement and recreation services except motion pictures	*58	*391	1,011	2,650	—	—	298	5,311	676,900	58,798	494,067	8,765	174,359	
Medical and health services	*1,162	*4,819	1,115	12,205	—	—	457	9,493	1,268,102	136,755	1,152,337	12,036	76,507	
Offices of physicians	*230	*125	507	9,612	—	—	347	4,596	541,259	56,981	505,552	3,683	22,493	
Offices of dentists	*465	*4,652	*104	*2,430	—	—	—	—	425,668	36,473	392,840	3,465	29,169	
Other medical services	*467	*42	*504	*163	—	—	*110	*4,897	*301,175	43,301	253,945	4,888	24,845	
Legal services	*1,327	*1,311	1,036	1,560	—	—	376	10,766	550,282	54,773	439,716	10,368	56,692	
Other services	2,319	6,330	1,805	15,565	—	—	3,772	190,569	2,082,010	233,791	1,672,040	25,791	210,673	
Nature of business not allocable	*145	*1,232	*733	*1,531	—	—	1,759	48,845	167,863	15,816	106,441	2,591	13,369	

Footnote(s) at end of table.

Table 2—Individuals With Sole Proprietorship Businesses With Investment Credit Items: Cost of Investment Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Selected Industry, 1981—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industries	Investment credit items—Continued											
	Qualified investment in 10% property—Continued								Qualified rehabilitation expenditures			
	New commuter highway vehicles		Used commuter highway vehicles		Rehabilitation expenditures—5 under 7 years		Rehabilitation expenditures—over 7 years		30-year old and 40-year old buildings		Certified historic structures	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(39)	(40)	(41)	(42)	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)
All nonfarm industries	4,984	37,360	2,015	11,736	473	2,152	9,194	243,197	*542	*8,648	*792	*3,189
Agricultural services, forestry and fishing	—	—	*113	*170	—	—	*280	*8,730	—	—	—	—
Mining	*20	*145	—	—	—	—	418	18,243	*39	*5,329	—	—
Construction	—	—	—	—	—	—	*424	*10,180	—	—	—	—
General building contractors and operative builders	—	—	—	—	—	—	*167	*8,667	—	—	—	—
Special trade contractors	—	—	—	—	—	—	*47	*746	—	—	—	—
Other construction	—	—	—	—	—	—	*210	*767	—	—	—	—
Manufacturing	—	—	—	—	—	—	3	191	—	—	—	—
Transportation, communication, electric, gas, and sanitary services	—	—	—	—	—	—	*24	*3,136	—	—	—	—
Trucking and warehousing	—	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—	—
Wholesale and retail trade	2,329	10,786	*1,180	*6,850	224	*815	1,490	33,619	*21	*478	—	—
Wholesale trade	*401	3,308	—	—	—	—	*73	*1,028	—	—	—	—
Retail trade	*1,475	*7,055	*933	*5,295	—	—	1,161	24,133	*21	*478	—	—
Food stores	—	—	—	—	—	—	*217	*256	—	—	—	—
Automotive dealers and service stations	—	—	—	—	—	—	*134	*9,087	*21	*478	—	—
Eating and drinking places	*11	*299	*10	*13	—	—	*446	*7,413	—	—	—	—
Direct selling organizations	*136	*1,402	*870	*4,488	—	—	*92	*509	—	—	—	—
Other retail trade	*1,328	*5,353	*53	*795	—	—	272	6,869	—	—	—	—
Wholesale and retail trade not allocable	*453	*423	*227	*1,553	—	—	*256	*8457	—	—	—	—
Finance, insurance, and real estate	*14	*122	*112	*1,048	—	—	1,499	33,555	*17	*23	—	—
Finance	—	—	—	—	—	—	*22	*1,669	—	—	—	—
Insurance agents, brokers, and service	—	—	—	—	—	—	*875	*8,201	*17	*23	—	—
Real estate	—	—	—	—	—	—	602	23,686	—	—	—	—
Services	2,621	26,307	*629	*3,657	246	1,309	5,056	135,543	*465	*2,817	*281	*3,102
Hotels and other lodging places	—	—	—	—	—	—	3	7,893	—	—	—	—
Personal services	—	—	*590	*3,539	—	—	*686	*6,927	—	—	*203	*35
Business services	*1,159	*6,190	—	—	*121	*55	1,449	53,715	*217	*929	—	—
Automobile repair and services	*51	*233	—	—	—	—	—	—	—	—	—	—
Amusement and recreation services except motion pictures	—	—	—	—	—	—	149	5,900	—	—	—	—
Medical and health services	*630	*11,098	*38	*61	*57	*673	476	21,473	*170	*1,007	—	—
Offices of physicians	—	—	—	—	*57	*673	349	10,515	—	—	—	—
Offices of dentists	*76	*836	*38	*61	—	—	*61	*2,890	—	—	—	—
Other medical services	*554	*10,262	—	—	—	—	*66	*8,068	*170	*1,007	—	—
Legal services	*570	*7,799	—	—	*65	*554	1,261	35,960	—	—	—	—
Other services	*210	*859	—	—	*65	*554	1,032	3,675	*78	*882	—	—
Nature of business not allocable	—	—	—	—	—	—	—	—	—	—	—	—

Footnote(s) at end of table.

Table 2—Individuals With Sole Proprietorship Businesses With Investment Credit Items: Cost of Investment Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Selected Industry, 1981—Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Selected industries	Investment credit items — Continued											
	Total qualified investment		Current year regular investment credit									
	Number of returns	Amount	Total		10 Percent portion		15 Percent portion		20 Percent portion		25 Percent portion	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(51)	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)	(61)	(62)
All nonfarm industries	2,121,820	22,558,542	2,132,156	2,308,334	2,120,471	2,253,876	*20	*275	*522	*1,363	*792	*797
Agricultural services, forestry and fishing	61,631	664,240	61,723	66,604	61,631	66,403	—	—	—	*699	—	—
Mining	66,858	3,279,746	67,282	337,001	66,858	327,412	*20	*275	*19	*699	—	—
Construction	215,820	1,644,839	217,014	164,613	215,820	164,407	—	—	—	—	—	—
General building contractors and operative builders	49,383	383,888	49,867	38,503	49,383	38,371	—	—	—	—	—	—
Special trade contractors	149,989	1,002,922	150,699	100,302	149,989	100,237	—	—	—	—	—	—
Other construction	16,448	258,029	16,448	25,808	16,448	25,798	—	—	—	—	—	—
Manufacturing	73,714	630,082	73,714	63,533	73,714	62,983	—	—	—	—	—	—
Transportation, communication, electric, gas, and sanitary services	110,239	2,203,638	110,436	220,625	110,239	220,349	—	—	—	—	—	—
Trucking and warehousing	80,321	1,716,380	80,517	171,763	80,321	171,612	—	—	—	—	—	—
Other	29,918	487,458	29,919	48,862	29,918	48,736	—	—	—	—	—	—
Wholesale and retail trade	478,426	4,155,981	482,930	421,116	477,492	415,370	—	—	—	—	—	—
Wholesale trade	51,736	589,418	52,187	59,842	51,323	58,922	—	—	—	—	—	—
Retail trade	376,310	3,060,165	380,177	310,477	375,789	305,826	—	—	—	—	—	—
Food stores	43,622	378,585	44,412	39,667	43,622	37,843	—	—	—	—	—	—
Automotive dealers and service stations	45,806	415,515	46,394	41,798	45,885	41,487	—	—	—	—	—	—
Eating and drinking places	52,774	447,011	52,774	44,719	52,274	44,674	—	—	—	—	—	—
Direct selling organizations	79,331	554,188	80,607	57,164	79,331	55,392	—	—	—	—	—	—
Other retail trade	154,677	1,264,867	155,990	127,129	154,677	126,429	—	—	—	—	—	—
Wholesale and retail trade not allocable	50,380	506,397	50,566	50,797	50,380	50,622	—	—	—	—	—	—
Finance, insurance, and real estate	181,487	1,938,998	182,119	195,092	181,487	193,832	—	—	—	*17	*5	—
Finance	11,861	221,984	11,861	22,384	11,861	22,194	—	—	—	—	—	—
Insurance agents, brokers, and service	64,247	613,895	64,533	61,481	64,247	61,363	—	—	—	*17	*5	—
Real estate	105,379	1,103,120	105,725	111,227	105,379	110,275	—	—	—	—	—	—
Services	914,043	7,872,954	917,222	822,270	913,628	786,342	—	—	*465	*563	*291	*775
Hotels and other lodging places	13,389	168,778	13,598	43,084	13,389	16,825	—	—	—	—	—	—
Personal services	116,966	580,541	117,399	58,695	116,763	58,007	—	—	—	—	—	—
Business services	197,481	2,219,465	198,280	223,285	197,434	221,776	—	—	*217	*186	—	—
Automobile repair and services	53,176	320,379	53,176	32,188	53,176	32,018	—	—	—	—	—	—
Amusement and recreation services except motion pictures	65,382	678,900	65,430	70,514	65,382	67,867	—	—	—	—	—	—
Medical and health services	147,336	1,271,719	147,595	129,799	147,249	126,747	—	—	*170	*201	—	—
Offices of physicians	60,168	543,868	60,179	55,905	60,081	54,100	—	—	—	—	—	—
Offices of dentists	39,186	425,668	39,434	43,552	39,186	42,549	—	—	*170	*201	—	—
Other medical services	47,982	302,182	47,982	30,341	47,982	30,097	—	—	—	—	—	—
Legal services	63,451	550,282	63,481	55,107	63,451	55,003	—	—	*170	*201	—	—
Other services	256,862	2,082,891	258,263	209,597	256,784	208,098	—	—	*78	*176	—	—
Nature of business not allocable	19,602	167,863	19,716	17,481	19,602	16,779	—	—	—	—	—	—

Footnote(s) at end of table.

Table 2—Individuals With Sole Proprietorship Businesses With Investment Credit Items: Cost of Investment Property by Life Years, Qualified Investment, and Computation of Investment Credit, by Selected Industry, 1981—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industries	Investment credit items—Continued							
	Current year regular investment credit—Continued		Carryback of unused credit		Tentative regular investment credit		Business energy investment credit	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(63)	(64)	(65)	(66)	(67)	(68)	(69)	(70)
All nonfarm industries	148,521	439,655	—	—	2,183,425	2,747,989	6,046	25,310
Agricultural services, forestry and fishing	6,366	17,588	—	—	65,117	84,191	*502	*801
Mining	3,012	45,575	—	—	67,475	382,576	178	2,043
Construction	18,031	50,399	—	—	223,174	215,012	*21	*33
General building contractors and operative builders	3,856	12,695	—	—	51,424	51,198	**	**
Special trade contractors	9,455	15,138	—	—	154,214	115,440	**	**
Other construction	4,719	22,566	—	—	17,536	48,374	—	—
Manufacturing	7,876	10,374	—	—	75,468	73,907	*97	*1,197
Transportation, communication, electric, gas, and sanitary services	18,797	94,793	—	—	116,870	315,418	*17	*36
Trucking and warehousing	15,701	84,332	—	—	86,353	256,095	*10	*3
Other	3,096	10,462	—	—	30,517	59,323	7	33
Wholesale and retail trade	35,708	90,257	—	—	495,889	511,373	1,111	2,794
Wholesale trade	5,593	13,177	—	—	53,782	73,019	*259	*503
Retail trade	26,875	67,394	—	—	391,337	377,871	832	2,207
Food stores	4,594	12,224	—	—	47,804	51,891	*19	*9
Automotive dealers and service stations	3,503	6,572	—	—	47,634	48,370	*52	*31
Eating and drinking places	3,948	10,452	—	—	54,894	55,171	*53	*4
Direct selling organizations	3,640	25,470	—	—	82,049	82,634	*380	*387
Other retail trade	11,190	12,676	—	—	158,956	139,806	*328	*1,776
Wholesale and retail trade not allocable	3,240	9,685	—	—	50,770	60,482	*20	*85
Finance, insurance, and real estate	6,986	33,484	—	—	184,724	228,576	683	7,540
Finance	351	4,570	—	—	11,915	26,954	*97	*2,028
Insurance agents, brokers, and service	1,672	7,933	—	—	64,912	69,414	*256	*3,936
Real estate	4,963	20,981	—	—	107,897	132,208	330	1,577
Services	49,081	89,235	—	—	933,772	911,505	3,280	10,565
Hotels and other lodging places	455	2,764	—	—	13,599	45,848	—	—
Personal services	8,807	12,882	—	—	121,250	71,577	*121	*498
Business services	6,257	15,827	—	—	200,065	239,112	930	3,199
Automobile repair and services	4,362	3,453	—	—	54,578	35,642	*362	*23
Amusement and recreation services except motion pictures	3,262	7,459	—	—	65,891	77,973	214	782
Medical and health services	7,026	9,840	—	—	148,311	139,638	827	1,438
Offices of physicians	1,571	2,316	—	—	60,499	58,221	81	444
Offices of dentists	2,216	3,874	—	—	39,434	47,426	*290	*168
Other medical services	3,239	3,650	—	—	48,378	33,991	*456	*826
Legal services	1,828	6,017	—	—	64,303	61,124	146	1,417
Other services	17,084	30,995	—	—	265,675	240,592	680	3,209
Nature of business not allocable	2,664	7,950	—	—	20,936	25,431	*157	*299

*Estimate should be used with caution because of the small number of sample returns on which it was based.

**The estimate for this cell is not shown separately to avoid disclosure of information for specific taxpayers. However, the data are included in the appropriate totals.

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

Controlled Foreign Corporations, 1980

By Arthur Ganelos and William Sutton*

For 1980, the total assets of 35,471 Controlled Foreign Corporations passed the half trillion dollar mark, reaching \$508 billion [1]. From these investments in foreign subsidiary corporations, \$699 billion of business receipts and \$47.6 billion of pre-tax earnings and profits were generated. Taxes paid to foreign countries by these foreign subsidiaries totaled \$16.4 billion. Nearly 45 percent (\$13.6 billion) of the \$31.2 billion of after-tax earnings and profits were paid to stockholders as dividends. U.S. corporations, as majority stockholders, received most (\$10.7 billion) of these dividend payments.

The relatively few domestic corporations (4,799) controlling these foreign subsidiaries tended to be large companies. Although representing less than two-tenths of one percent of all domestic corporations, they accounted for 45 percent of the total assets, 43 percent of the business receipts, and 58 percent of the net income of all the 2.7 million domestic corporations, as shown in Figure A.

EVOLUTION OF CONTROLLED FOREIGN CORPORATIONS

After World War II, corporations were encouraged to invest overseas for both economic and political reasons. The Marshall Plan, for instance, was a program which extended economic aid to European countries (and increased exports by U.S. companies) in order to accelerate their economic recovery. Additionally, as a means of developing their economies, Western European nations and developing countries lured foreign investments through various kinds of commercial and industrial concessions. Most of the U.S. products exported and most foreign investments came from large American corporations. The selling of products overseas was frequently a prelude to foreign investment. Once the foreign market was explored and penetrated via exports the next step was to set up a branch or a subsidiary. The former required establishing a place of business in a foreign country while the latter required establishing legal residence through incorporation in the country.

Figure A.--Domestic Corporation Returns and Controlled Foreign Corporations (CFC's), Selected Items, 1980

[Money amounts are in millions of dollars]

Selected items	Domestic corporation returns		
	All	With Controlled Foreign Corporations	Controlled Foreign Corporations
Number of returns/CFC's	2,710,538	4,799	35,471
Total assets	7,617,238	3,430,444	508,032
Business receipts	5,731,616	2,437,191	699,003
Net income (less deficit)	239,007	137,638	N/A
Current earnings and profits (less losses), before taxes of CFC's	N/A	N/A	47,622
Foreign income taxes of CFC's, net	N/A	N/A	16,440
Dividends received from all foreign corporations	14,563	14,173	N/A
Dividends paid to domestic parent corporations by CFC's on stock, directly or indirectly held	N/A	N/A	10,652

N/A = Not Applicable

*Foreign Returns Analysis Section. Prepared under the direction of Jim Hobbs, Chief.

Controlled Foreign Corporations, 1980

Foreign operations began to expand overseas in various countries for many reasons [2]. Lower labor and transportation costs, market accessibility and sources of supply, the political and economic climate, stability of the currency, modern transportation and communication facilities were surely some of the reasons.

Prior to 1960, U.S. corporations were not required to file information on foreign corporations. They were also able to defer payment of U.S. tax on all foreign profits because the income earned by foreign corporations was not taxed by the U.S. Government until repatriated to the U.S. parents, usually in the form of dividends. This postponement of tax added further impetus to the economic reasons for establishing foreign subsidiaries.

Public Law 86-780 was passed in 1960 to obtain information on these foreign holdings. It required a domestic corporation to furnish, as part of its tax return, information on any foreign subsidiaries it directly controlled (i.e., tier-one subsidiaries) and any foreign subsidiaries controlled by these directly-controlled foreign corporations (i.e., tier-two subsidiaries) [3]. Control was defined as direct or indirect ownership of stock having more than 50 percent of the combined voting power of all classes of stock. These foreign corporations became known as Controlled Foreign Corporations (CFC's). In 1961, there were slightly more than 7,000 foreign corporations which were CFC's, owned by nearly 1,700 U.S. parent corporations [4].

The retention of earnings and profits by foreign subsidiaries made it possible to defer U.S. income taxation indefinitely. More and more, foreign subsidiaries were organized abroad, aided by arrangements between parent and subsidiary corporations to maximize accumulation of profits in certain countries for the purpose of reducing overall tax liability. Also, through an ordinary taxable liquidation, sale, or exchange of assets of a foreign subsidiary, it was possible to bring the accumulated earnings of the subsidiary back to the United States by paying a capital gains tax rather than the higher tax based on dividend income.

The Revenue Act of 1962 placed some restrictions on certain types of income previously eligible for tax deferral. It allowed for the U.S. taxation of specific types of undistributed earnings and profits [5]. Owners of foreign corporations were required to report, for tax purposes, the undistributed earnings of foreign corporations to the extent they represented income from insuring U.S. risks, passive types of income in general, and income derived from certain types of sales and service. These

types of income were referred to as "Subpart F income" and were no longer tax deferred. Also, the conversion of tax-deferred accumulated earnings and profits into capital gains was restricted.

The 1962 Act also redefined the term Controlled Foreign Corporation. Foreign corporations were considered Controlled Foreign Corporations (whose undistributed earnings and profits could be subject to U.S. taxation through their U.S. parents or other shareholders), if more than 50 percent of the voting stock of the foreign corporation was owned by U.S. shareholders, each having at least a 10 percent or more interest. The 1962 Act also expanded the filing requirements for Controlled Foreign Corporations to include all lower tiers of foreign corporations controlled by the U.S. corporation [6].

The Tax Reduction Act of 1975 expanded the definition of Subpart F income. An exception permitting tax deferral for a portion of Subpart F income reinvested in tax-defined "less-developed countries" was repealed for accounting periods beginning in 1976. Also, prior to the Act, no income was treated as Subpart F income if it was 30 percent or less of the gross income. This percentage was reduced to 10, thus limiting the amount of income that could avoid treatment as Subpart F income. Finally, some types of shipping income received by foreign subsidiaries of U.S. corporations, which were previously excluded from Subpart F income, were now included. As a result of these and other actions, the tax deferral privileges of CFC's in certain countries were reduced, but not entirely eliminated.

RELATIVE PROFIT MARGINS OF CONTROLLED FOREIGN CORPORATIONS AND ALL U.S. CORPORATIONS

The profit margins of CFC's compared to all U.S. corporations has traditionally been relatively high. As shown in Figure B, while the percentage of current earnings and profits to business receipts for CFC's has declined from nearly 9 percent in 1972 to 6.8 percent in 1980, this measure of profitability remained relatively high compared to domestic corporations [7]. During the same period of time, net income, a similar measure of profitability, for all U.S. corporations ranged between 4.2 and 5.5 percent of business receipts. It appears that for the past several years, the profit margins of CFC's were higher than domestic corporations.

TRANSACTIONS OF CONTROLLED FOREIGN CORPORATIONS

The U.S. parent corporations through their control of the foreign corporations can direct the industrial activity and the business dealings of these foreign corporations. Information

Figure B.--Relative Profit Margins of Controlled Foreign Corporations and All U.S. Corporations, 1972-1980

[Money amounts are in millions of dollars]

Selected years	Controlled Foreign Corporations				Profit margin of U.S. corporations ²
	Number	Business receipts	Current E&P ¹ less deficit before taxes	Profit margin	
1972	29,221	\$172,407	\$15,356	8.91	4.82
1974	19,142	281,271	20,938	7.44	5.11
1976	21,071	342,777	23,478	6.85	5.50
1980	35,471	699,003	47,622	6.81	4.17

¹Earnings and profits.

²Based on net income as a percent of business receipts.

on all transactions of the foreign corporations is not usually available. However, transactions between the foreign corporations and the U.S. parent corporations as well as other subsidiaries of the parent corporations were identified on the return.

The transactions shown in Figure C, between Controlled Foreign Corporations and their U.S. parent corporations, were substantially greater in dollar amounts than transactions between the CFC's and other related domestic and foreign corporations controlled by the same parents. CFC's received \$65.5 billion from their U.S. parents and \$50.3 billion from other related persons in 1980, while they in turn made \$92.7 billion in payments to their U.S. parents and \$65.2 billion to other related persons.

Figure D illustrates the major flow of receipts and payments between CFC's and their related corporations. The purchases of stock in trade (i.e., purchases of merchandise in the ordinary course of a trade or business) by CFC's from all related companies, foreign and domestic, accounted for the majority of payments by CFC's, comprising more than the combined total of dividends, funds loaned, interest, commissions, rents, royalties, compensation for services, and other payments. The merchandise purchased by CFC's from both parent and other related domestic corporations was \$87.7 billion in 1980, while only \$10.7 billion was purchased from related foreign companies.

The importance of the purchases from related domestic corporations can be especially appreciated when their dollar value is compared to the dollar value of all U.S. exports [8]. For 1980, the \$87.7 billion in purchases of stock in trade by CFC's from their related

domestic corporations accounted for nearly 40 percent of the \$220.8 billion of total U.S. exports. Previous studies indicate that CFC purchases of stock in trade from related domestic corporations have consistently accounted for approximately 40 percent of the U.S. exports for the previous 7 years.

The sales of stock in trade by CFC's dominated the receipts that they received from related corporate members. These sales totaled \$75.1 billion, of which \$62.8 billion were to related U.S. corporations. This latter amount was nearly 26 percent of the total U.S. imports (\$244.0 billion) for 1980 [8]. Thus, it can be seen that while the United States was in an overall deficit trade position for 1980 (with \$244.0 billion of imports to only \$220.8 billion of exports), transactions involving CFC's resulted in a net surplus of almost \$25 billion to the U.S. balance of trade.

Approximately equal amounts of funds (\$21 billion) were borrowed from, and loaned to, CFC's and their related domestic and foreign corporations. These were the second largest type of transaction, accounting for 18 percent of CFC receipts and 13 percent of the payments they made. Foreign subsidiaries provided \$2.4 billion more in loans to U.S. parent corporations than loans they obtained from them.

Dividends paid by CFC's to related domestic and foreign corporations amounted to \$13.2 billion. Most of these dividends, as expected, were remitted to U.S. parent corporations. The amount of dividends paid was partly dictated by the dividend policy prescribed by the U.S. parent corporations. The decision for CFC's to pay dividends was significantly affected by the U.S. corporation's foreign tax credit position [9].

Controlled Foreign Corporations, 1980

Figure C

Transactions of Controlled Foreign Corporations with Selected Related Member Corporations, 1980

[Millions of Dollars]

Transactions	Receipts of CFC				Payments by CFC			
	Total ¹	U.S. parent	Domestic subsidiary of U.S. parent	Foreign subsidiary of U.S. parent	Total ¹	U.S. parent	Domestic subsidiary of U.S. parent	Foreign subsidiary of U.S. parent
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	115,823	65,534	17,146	31,156	157,830	92,663	29,819	28,810
Sales or purchases of stock in trade.....	75,078	53,033	9,749	11,103	103,909	66,630	21,035	10,682
Purchases of tangible property.....	n.a.	n.a.	n.a.	n.a.	1,891	1,664	216	—
Sales or purchases of property rights	506	323	146	37	185	129	34	22
Compensation for services	8,058	3,151	1,176	3,678	6,916	2,516	786	3,553
Commissions	1,915	846	284	746	1,058	233	141	682
Rents and royalties	1,298	264	181	802	4,510	3,306	245	960
Amounts borrowed or loaned	20,552	5,880	4,620	9,678	20,875	8,275	3,958	8,226
Dividends.....	2,974	373	83	2,513	13,235	8,358	2,284	2,559
Interest	4,368	1,243	663	2,195	5,140	1,507	1,062	2,151
Insurance premiums received.....	1,046	414	235	390	n.a.	n.a.	n.a.	n.a.
Not allocable.....	28	7	7	14	111	16	19	76

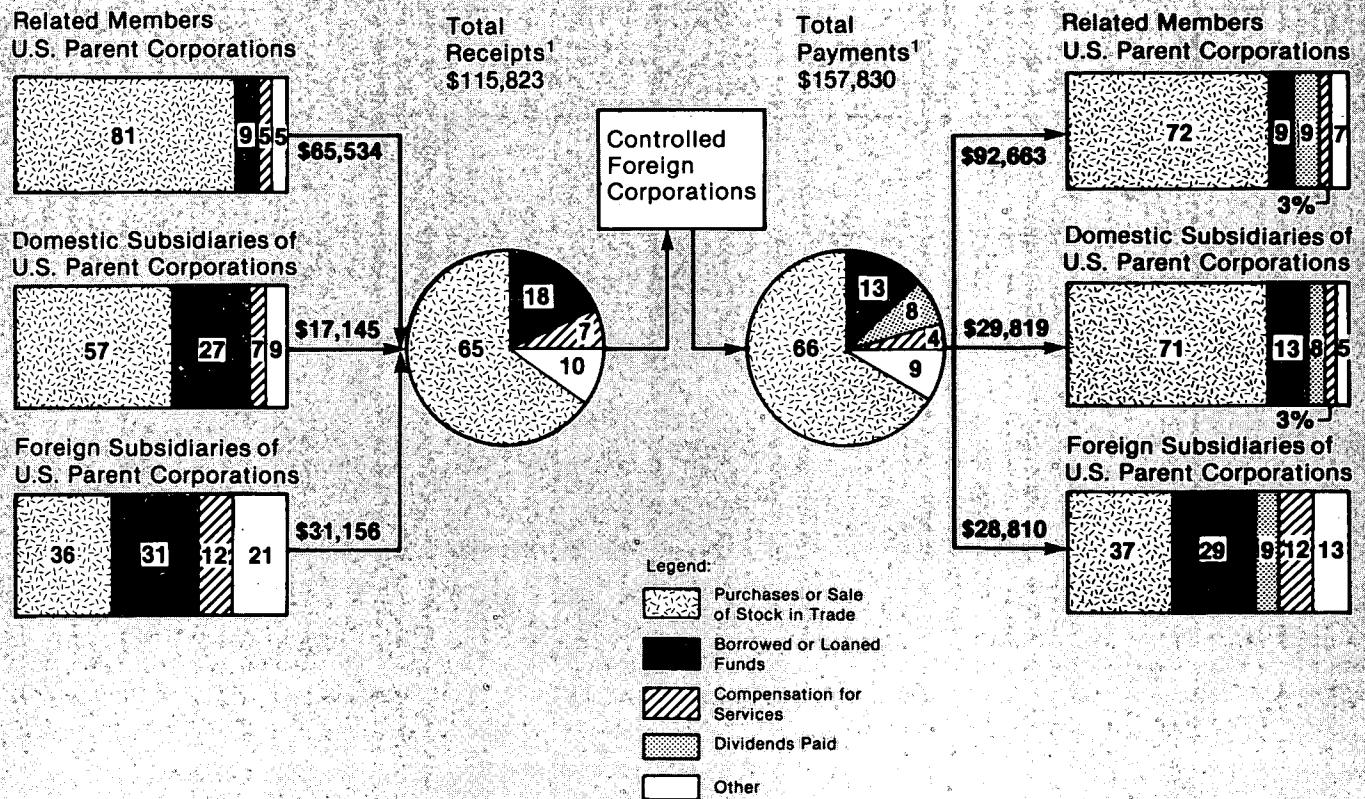
n.a. — Not applicable.

¹Total include receipts and payments of 10% or more U.S. shareholders of CFC (other than controlling shareholder) and 10% or more U.S. shareholders of domestic corporation filing return, which are not shown separately.

NOTE: Detail may not add to total due to rounding.

Figure D.

Flow of Receipts and Payments Between Controlled Foreign Corporations and Their Related Member Corporations (Percent of Total and Millions of Dollars)



¹ Total includes receipts and payments of 10% or more U.S. shareholder of CFC (other than controlling shareholder) and 10% or more U.S. shareholder of domestic corporation filing return.

Note: Receipts and payments of CFC's from sources other than related member corporations are not available.

INDUSTRIAL ACTIVITY OF CONTROLLED FOREIGN CORPORATIONS

There were 29,108 CFC's actively involved in business operations during Tax Year 1980. Four broad activities accounted for nearly 90 percent of these CFC's. As shown in Figure E, manufacturing (with 10,901 CFC's), trade (6,903), services (4,090), and finance (3,862) were the four principal industrial activities in which most CFC's were chiefly involved. These particular foreign subsidiaries accounted for 90 percent of all foreign taxes paid by CFC's and almost 90 percent of the total distributions made to stockholders. For instance, of the \$16.4 billion of foreign taxes paid by CFC's, manufacturing subsidiaries paid \$9.7 billion, while trade, services, and finance subsidiaries paid \$3.5, \$0.7, and \$0.8 billion, respectively.

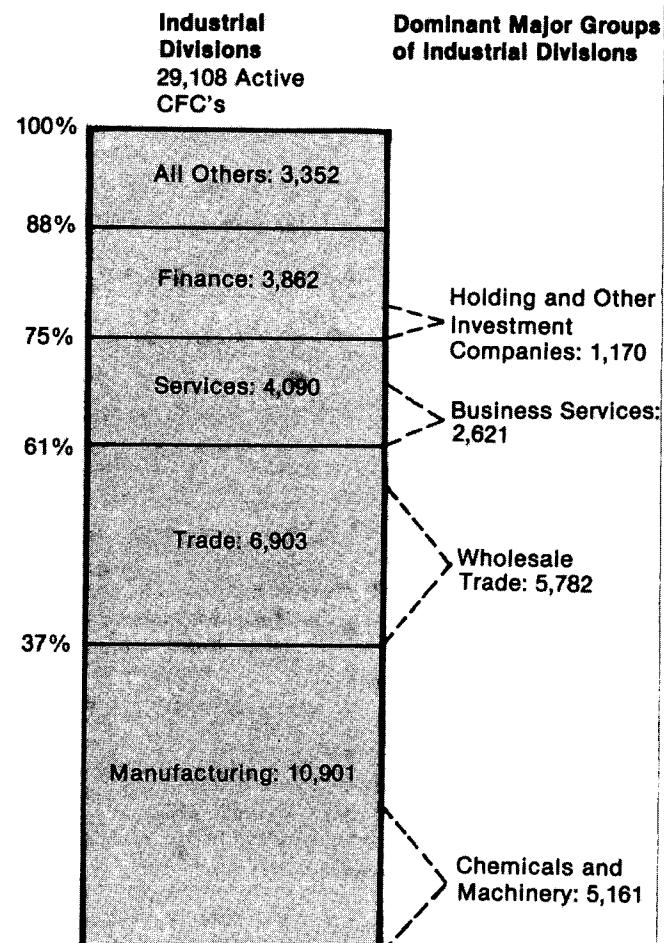
Historically, CFC's have been involved in manufacturing activities to a greater degree than in any other activity. Many nations, in fact, encourage the manufacture of goods for export (through tax exemptions) to bolster their economies and to help pay for imports.

However, the domination of manufacturing CFC's, although still important, diminished somewhat during the period of 1968 through 1980. For instance, in 1968, approximately 44 percent of all active CFC's were primarily engaged in manufacturing operations. By 1980, this percentage had decreased to 37 percent. During this same period, the percentage of total assets reported by manufacturers fell from 82 percent to 45 percent. While the number of manufacturing CFC's grew during this period, foreign subsidiaries involved in services and finance expanded at a faster rate. Manufacturing assets of CFC's rose from \$79.7 billion in 1968 to \$226.1 billion in 1980, while the assets of CFC's principally involved in services and finance grew more rapidly, beginning at only \$7.2 billion and expanding to \$149.3 billion during the same period.

An analysis of more specific principal industrial activities shows that CFC's were most frequently engaged in the manufacture of machinery and chemicals, accounting for 5,161 subsidiaries (nearly 18 percent) with assets of \$88.6 billion. Looking at the trade industry we find that wholesaling was the dominant activity for nearly 5,800 CFC's, while other trade activities accounted for only 1,100 CFC's. Foreign subsidiaries performing business services (2,621 CFC's) accounted for most service companies. Finally, holding and investment CFC's, while accounting for only 30 percent of all financial subsidiaries, appear to have played an important role. Investment companies generally manage a portfolio of security investments (with little participation in the management of the companies), while

Figure E.

Dominant Industries, By Number and Percent of Active Controlled Foreign Corporations, 1980



holding companies do manage the companies they control and act as conduits for the financial transactions between these companies and other corporations. As such, these CFC's distributed \$1.1 billion of the \$1.7 billion in dividends paid by all financial CFC's during 1980.

INDUSTRIAL DISTRIBUTION OF U.S. CORPORATIONS AND THEIR CFC'S

Controlled Foreign Corporations were commonly engaged in the same principal industrial activity as their parent companies. Figure F

Controlled Foreign Corporations, 1980

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Figure F

Business Receipts and Current Earnings and Profits for Active Controlled Foreign Corporations in the Same Industry as Their U.S. Corporation Parent, 1980

[Money amounts are in millions of dollars]

Industries of U.S. corporations and CFC's	Number of U.S. corporation returns (1)	Number of CFC's (2)	Percent of CFC's in same industry as parent (3)	CFC business receipts (4)	Percent of business receipts when CFC is in the same industry as parent (5)	CFC's current earnings and profits before taxes (net) (6)	Percent of current earnings and profits when CFC is in same industry as parent (7)
All Industries, U.S.							
All CFC's	4,430	29,108	54.6	698,003	64.2	47,822	
CFC's in same industry ¹	3,388	15,900		448,754		30,140	63.3
Agriculture, forestry and fishing, U.S.							
All CFC's	20	105	26.7	1,312	34		
CFC's in same industry	7	28		133	10.1	10	29.4
Mining, U.S.							
All CFC's	172	554	49.5	5,551	53.8	1,143	
CFC's in same industry	86	274		2,989		856	74.9
Construction, U.S.							
All CFC's	133	495	60.0	6,990	387		
CFC's in same industry	94	297		6,371	91.1	366	94.6
Manufacturing, U.S.							
All CFC's	2,452	19,689	51.0	554,534	61.1	40,015	
CFC's in same industry	1,849	10,038		338,721		24,884	62.2
Transportation and public utilities, U.S.							
All CFC's	242	1,373	41.0	14,976	33.9	1,034	
CFC's in same industry	161	563		5,079		321	31.0
Wholesale and retail trade, U.S.							
All CFC's	788	2,303	60.4	88,805	87.8	2,861	
CFC's in same industry	472	1,391		77,977		2,103	79.0
Finance, insurance, and real estate, U.S.							
All CFC's	481	2,336	64.9	20,472	60.3	1,843	
CFC's in same industry	313	1,516		12,339		1,224	66.4
Services, U.S.							
All CFC's	531	2,251	79.7	6,362	80.8	505	
CFC's in same industry	405	1,783		5,145		376	74.5

¹Represents all active CFC's controlled by U.S. corporations which were classified in the indicated industry.²Represents only those active CFC's classified in the same industry as their U.S. corporation parents.

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

shows that CFC's which were engaged in the same principal industrial activity as their parent corporation accounted for 64.2 percent of the business receipts and 63.3 percent of the earnings and profits of all CFC's. Business receipts and earnings and profits were selected as the most positive measures of relative activity. For all industries there were 15,900 CFC's (54.6 percent) of 29,108 active CFC's classified in the same industry as the parent corporation filing the return.

Parent manufacturing corporations owned the majority (19,689 out of 29,108) of active CFC's. Slightly over half (10,038) of these CFC's were also primarily engaged in manufacturing activities. The CFC's which were engaged in the same activity as their parents tended to be larger in size than other CFC's. For instance, while manufacturing CFC's accounted for half of all CFC's owned by manufacturing parents, these same CFC's accounted for over 60 percent of the business receipts and earnings and profits, respectively, for all CFC's owned by these parents.

Of the remaining 8,788 non-manufacturing CFC's owned by manufacturing parents, most were involved primarily in wholesale and retail trade. These CFC's were also an extension of their parents and most likely were engaged in the distribution of products produced by their

U.S. parent corporations. Like manufacturing CFC's, trade CFC's were also large as measured by business receipts. While they comprised 25 percent of all CFC's owned by manufacturing parents, they produced one third of the business receipts of these same CFC's.

The remaining CFC's whose major activities were not directly related to their parents' manufacturing activity conversely tended to be of a smaller size. Although they were almost a fourth of the CFC's of these parent corporations, they produced only 5 percent of the business profits. Thus, it can be seen that while U.S. manufacturing parent corporations diversified into other enterprises through CFC's, this was done at a relatively slow pace. They often ventured into foreign countries conducting the types of businesses they had previously performed in the United States either by manufacturing the same products or by selling their U.S. manufactured products.

SUMMARY

Controlled Foreign Corporations play a significant role in U.S. international trade through their transactions with related U.S. corporations. These transactions accounted for 40 percent of the total U.S. exports and 26 percent of the total U.S. imports in 1980.

Most CFC's were generally controlled by large U.S. corporations. They were also primarily engaged in the same business activities as their parent corporations. Additionally, manufacturing continued to be the dominant activity of CFC's, although services and financial activities have grown more rapidly than manufacturing activities in recent years.

DATA SOURCES AND LIMITATIONS

Sample Selection and Variability

The statistics for the 1980 Tax Year were estimated by using as a basis the stratified probability sample of about 85,000 corporation income tax returns selected after revenue processing but before audit. A description of the sample selection procedures for corporate returns is presented in the Appendix.

From the general corporate sample described above, all returns containing Forms 2952 were used for the 1980 statistics presented in this article. The weighting factor used for each return was the same factor used for the U.S. parent corporation.

Sampling variability (i.e., the degree to which statistics based on a sample differ from similar data based on a complete count or census) occurs only in strata in which returns were selected at a rate of less than 100 percent. For this article, returns selected at the 100 percent rate accounted for the largest part of the estimated amounts. For instance, for 1980, CFC's owned by U.S. corporations with \$250 million or more in total assets (and selected at a 100 percent rate) accounted for the major portion of total assets (94.1 percent), business receipts (93.3 percent), and current earnings and profits (93.4 percent) of CFC's owned by all corporations. Because of the predominance of large companies, sampling variability is not considered a major limitation of the statistics. It is also felt that historical analysis can be performed using studies based on all corporate returns with CFC's (1972 and 1980) and studies based on only "large" corporate returns with CFC's (1974 and 1976).

Limitations

Controlled Foreign Corporations were classified by the principal business activity of the corporation as reported on Form 2952. Certain amounts of receipts, profits, and other items may have been generated by other activities in addition to the principal business activity. It is not possible to measure the extent of these secondary operations.

About 50 U.S. corporations filed consolidated Controlled Foreign Corporation schedules, with the data aggregated for several companies.

Follow-up requests were made in an attempt to get the individual CFC information. About 75 percent of these requests were successful. A part of the remaining data fell into the correct classification by industry because all of the CFC's reported on that particular return were in the same industry. The few remaining unresolved consolidated CFC's were left in the same industry classification as the CFC showing the consolidated data.

Nearly 7 percent of the CFC's had inadequate or no information shown to identify by whom they were controlled (i.e., domestic or foreign corporations). These CFC's were separately identified, checked, and corrected using their transactions with related corporations, if any, or the name of their parent corporation on the Form 2952, if different from the name of the domestic corporation filing the return. If this information was not helpful the actual return was checked, if available, or a previous-year record of the CFC was used to check ownership at that time.

Because Form 2952 was designed to report transactions between Controlled Foreign Corporations and their related persons, specific data are not available for the transactions between CFC's and non-related persons. For instance, it is known that total CFC business receipts were \$699 billion, of which \$116 billion were receipts from related persons. The difference, \$583 billion, was received from non-related persons, about which detailed data could not be tabulated.

Time Period Covered

The 1980 estimates are based on data filed by U.S. corporations with accounting periods that were for full years ending any time between July 1980 through June 1981. In addition to these returns filed for 12-month accounting periods, the statistics also include data from part-year returns (filed for accounting periods ending during the same time period by corporations which were new, merging, liquidating or simply changing their accounting periods). Because Forms 2952 were filed for the accounting periods of CFC's ending with, or within the accounting periods of the U.S. parent corporations, the CFC accounting periods covered by the statistics may have ended any time during the period August 1978 through June 1981; however, most of the activity was deemed to have occurred during 1980.

EXPLANATION OF SELECTED TERMS

Business receipts of Controlled Foreign Corporations.--Business receipts were, in general, gross receipts or gross sales less returns and allowances reported for CFC's on Forms 2952. In the finance, insurance, and real estate industries, business receipts were

Controlled Foreign Corporations, 1980

generally the total income or receipts of the CFC and may have included other types of income such as interest, royalties, rents, and other investment income. This definition differs from that used for business receipts statistics for domestic corporations, in that investment income is normally excluded.

Current earnings and profits of Controlled Foreign Corporations.--This item represents the difference between the accumulated beginning and ending year balances of earnings and profits available for distribution to the stockholders. In this report, pre-tax current earnings and profits are shown. The earnings and profits of a foreign corporation must be calculated under U.S. accounting standards, as required by IRS regulations.

Distributions of Controlled Foreign Corporations.--The distributions of CFC's consisted of dividends paid to shareholders of the CFC's, capital gains distributions, and distributions paid out of capital (including capital stock, paid-in capital, and capital surplus). Liquidating dividends may also have been included.

Foreign income taxes paid by Controlled Foreign Corporations.--These were foreign income, war profits, and excess profits taxes paid or accrued by CFC's to foreign countries or U.S. possessions (including Puerto Rico). Also included were taxes imposed by other countries (including the United States) in cases where CFC's had business operations in countries other than the one in which they were incorporated.

Inactive Controlled Foreign Corporations.--Inactive CFC's were those which showed no income, deductions, or foreign income taxes paid, but may have shown only transactions regarded as indicative of passive investment, such as dividends paid out of prior-year earnings. Total assets for these CFC's were accumulated for the statistics.

Includable Income of Controlled Foreign Corporations.--This income represents Subpart F income (described below), plus other types of income defined in Internal Revenue Code Section 951. Subpart F income was the largest portion of includable income received by U.S. shareholders. A more complete definition of this term can be found in the *Supplemental Report, Statistics of Income--1976-1979, International Income and Taxes, Foreign Income and Taxes Reported on U.S. Income Tax Returns*, page 381.

Related persons of Controlled Foreign Corporations.--Five categories of related persons of CFC's were shown on Form 2952 for the purpose of reporting transactions. They were (1) the U.S. corporation filing the return; (2) a domestic corporation controlled by the corporation filing the return; (3) a foreign corporation controlled by the corporation filing the

return; (4) 10-percent or more U.S. shareholder of the CFC (other than the controlling shareholder); and (5) 10-percent or more U.S. shareholders of the U.S. corporation filing the return.

Sales and Purchases of Stock in Trade.--These were sales and purchases of merchandise in the ordinary course of trade or business. These items were reported as transactions for the five categories of related persons described above.

Subpart F Income.--Subpart F provisions of the Internal Revenue Code (section 952) allow the United States to tax U.S. shareholders on certain types of income which, although undistributed to them, were deemed to be constructively distributed and thereby taxable, generally at the same rate(s) as dividends. Subpart F income included income from the insurance and reinsurance of U.S. risks, "foreign base company income," boycott participation income, and illegal bribes and kickbacks.

Transactions of Controlled Foreign Corporations.--Controlled Foreign Corporation transactions were reported on Form 2952 for five categories of related persons (described above) who dealt with the CFC's. The transactions shown include receipts and payments for such items as property rights, stock in trade, services rendered, commissions, rents and royalties, dividends, interest, insurance premiums and amounts borrowed and loaned.

NOTES AND REFERENCES

- [1] Although all U.S. persons (individuals, partnerships, corporations, estates or trusts) could control a foreign corporation, this article is based only on a sample of foreign corporations controlled by U.S. corporations.
- [2] There will be an article in the Fall 1984 issue of the *Statistics of Income Bulletin* covering 1980 country data for Controlled Foreign Corporations.
- [3] This information was filed on Forms 2952, Information Returns by a Domestic Corporation with Respect to Controlled Foreign Corporations. The data contained on these forms are the bases for the statistics shown in this article.
- [4] These data were based on an unpublished Statistics of Income study of 1961 corporation income tax returns with Forms 2952 attached.
- [5] Book earnings of CFC's were required to be adjusted to comply with the U.S. tax concept of earnings and profits as specified by Internal Revenue regulations. An early

study concluded that although substantial differences in accounting practices existed among countries, there were even greater variations among countries in the types of taxes and methods of taxation used. Harmon, Murl D., "Calculating Earnings and Profits for Foreign Subsidiaries: Background and Some Actual Results Showing Differences Among Countries," *Taxes--The Tax Magazine*, July 1973.

- [6] Control by the U.S. corporation was extended to lower-tier foreign corporations through a chain of control, viz., the U.S. corporation owned more than 50 percent of a foreign corporation (first-tier) which, in turn, owned more than 50 percent of a second-tier foreign corporation which, in turn, owned more than 50 percent of a third-tier foreign corporation, and so forth. Forms 2952 had to be filed for each of these foreign corporations.

[7] Although the 1974 and 1976 data were based only on CFC's owned by U.S. corporations with total assets of \$250 million or more, the profit ratio was not materially affected because the vast majority of CFC's belong in this category.

[8] U.S. Department of Commerce, Bureau of the Census, *Highlights of U.S. Export and Import Trade*. Data from this source are based on calendar year periods, while CFC data are based on accounting periods ended July through June for each year of the domestic parent corporations.

[9] There will be an article in the Summer 1984 *Statistics of Income Bulletin* concerning foreign tax credits claimed by U.S. corporations for 1980.

Controlled Foreign Corporations, 1980

Table 1.—Number of Returns, Total Assets, Income, Deductions, Tax and Credits, of U.S. Corporations and Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Controlled Foreign Corporations, by Selected Industry and Size of Total Assets of U.S. Corporation Filing the Return

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and size of total assets of U.S. corporations filing return		U.S. Corporations									
Number of returns	Total assets	Total receipts	Business receipts	Total dividends received from foreign corporations	Includable income of Controlled Foreign Corporations Form 2852 (Form 3846)	Total deductions	Net income (less deficit)	U.S. income tax before credits	Total credits	U.S. income tax after credits	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	
All industries, total	4,708	3,430,443,963	2,659,140,569	2,437,191,310	14,172,649	2,576,166	2,573,305,807	137,837,705	64,263,365	33,402,243	
Zero under \$50,000,000	2,895	36,118,811	6,589,681	5,620,857	168,839	46,138	47,221,153	2,676,658	1,487,514	315,732	
\$50,000,000 under \$250,000,000	952	11,935,156	1,721,433	1,531,249	32,415	102,075	163,397,544	7,286,040	5,708,481	7,752,330	
\$250,000,000 or more, total	951	3,282,889,956	2,459,236,477	2,207,78,477	13,421,396	2,130,972	2,342,717,554	127,863,057	56,167,371	32,107,284	
\$500,000,000 under \$1,000,000,000	263	92,965,352	13,341,159	13,340,000	484,374	94,903	133,686,631	5,788,470	2,873,556	2,038,908	
\$1,000,000,000 under \$1,000,000,000	220	158,280,118	19,814,201	18,528,121	79,650	167,718	185,618,194	9,871,318	4,533,519	3,012,323	
\$1,000,000,000 or more	488	3,031,834,325	2,126,081,116	1,889,080,356	12,161,372	2,168,451	2,023,400,799	11,193,269	51,759,995	28,806,140	
Agriculture, forestry, and fishing	20	2,480,396	5,855,289	5,511,396	10,817	1,414	5,441,102	208,913	87,164	11,723	
Agro under \$50,000,000	17	50,1936	750,947	684,105	1,391	—	703,023	48,110	13,911	3,669	
\$50,000,000 under \$250,000,000	3	1,978,456	4,904,343	4,827,290	9,426	1,414	4,748,159	160,803	73,254	8,053	
\$250,000,000 or more, total	3	—	—	—	—	—	—	—	—	65,201	
\$500,000,000 under \$1,000,000,000	—	—	—	—	—	—	—	—	—	—	
\$1,000,000,000 or more	—	—	—	—	—	—	—	—	—	—	
Mining	172	65,298,992	42,474,541	38,897,541	28,224	56,188	36,389,810	5,748,280	2,548,714	1,848,892	
Agro under \$50,000,000	98	767,990	643,703	564,041	2,983	2,257	620,032	28,170	26,554	11,905	
\$50,000,000 under \$250,000,000	39	5,295,594	3,277,312	1,941,832	17,845	1,513	2,908,556	37,481	198,792	140,752	
\$250,000,000 or more, total	35	58,246,408	38,553,526	35,491,667	261,483	54,418	33,341,761	5,340,630	3,212,868	1,686,236	
\$500,000,000 under \$1,000,000,000	13	4,596,343	2,102,991	2,891,181	9,389	14,041	2,850,684	298,537	149,114	69,928	
\$1,000,000,000 under \$1,000,000,000	6	4,525,725	2,673,582	1,425,459	17,744	7,631	2,282,611	403,740	160,599	147,590	
\$1,000,000,000 or more	16	50,124,339	32,758,953	30,165,048	234,250	32,446	26,208,466	4,638,252	2,011,656	1,478,282	
Construction	132	15,815,317	25,626,626	24,897,305	85,712	108,444	25,163,905	672,192	367,839	180,601	
Agro under \$50,000,000	90	1,388,927	1,388,927	1,388,927	923	923	923	94,437	47,128	11,077	
\$50,000,000 under \$250,000,000	28	3,302,079	4,288,874	4,165,602	7,416	5,349	4,825,211	8,679	35,203	36,051	
\$250,000,000 or more, total	15	11,443,312	17,802,802	17,146,358	77,372	102,942	17,438,128	563,077	285,507	161,123	
\$500,000,000 under \$1,000,000,000	7	2,141,979	4,906,852	5,485,110	40,678	2,337	4,688,010	136,247	59,431	31,193	
\$1,000,000,000 under \$1,000,000,000	5	3,672,423	5,328,910	5,160,591	5,148,309	3,038	5,185,710	176,333	79,227	23,868	
\$1,000,000,000 or more	3	5,328,910	7,412,890	36,387	98,399	7,584,407	265,497	148,850	106,078	40,772	
Manufacturing	2,452	1,352,187,787	1,719,969,558	1,631,278,054	12,977,977	2,059,508	1,631,945	100,683,458	47,933,037	23,301,807	
Food and kindred products	1,381	21,252,912	38,351,449	37,163,054	95,824	18,600	36,837,800	1,761,406	984,902	814,158	
Agro under \$50,000,000	570	56,494,654	53,326,560	83,753,087	44,145	31,779	92,502,563	5,378	2,639,844	634,858	
\$50,000,000 under \$250,000,000	521	1,244,471,390	1,583,981,349	1,500,920,957	11,534,016	1,502,584	1,411,444	95,551,378	23,485,639	20,982,653	
\$250,000,000 under \$1,000,000,000	157	55,447,015	121,117,84	115,912,94	724,193	71,342	77,817,978	4,130,023	2,098,889	511,024	
\$1,000,000,000 under \$1,000,000,000	128	22,115,640	12,117,574	9,826,997	7,724,973	139,778	115,916,977	322,493	137,748	21,855,471	
\$1,000,000,000 or more	238	1,116,909,335	1,38,160,805	1,305,73,449	10,55,844	1,792,308	1,309,677,307	82,406,983	38,622,131	16,766,859	
Food and kindred products	118	77,627,876	130,338,095	126,112,418	480,035	77,888	124,370,478	6,384,917	2,821,292	782,870	
Agro under \$50,000,000	32	4,821,301	11,121,327	9,844,829	25,903	1,679	1,062,329	5,391	50,447	19,928	
\$50,000,000 under \$250,000,000	36	72,296,285	118,272,077	10,272,977	784	5,349	9,954,617	438,493	186,836	3,200,986	
\$250,000,000 under \$1,000,000,000	13	5,040,712	10,191,574	9,826,997	43,349	7,086	11,155,532	5,875,977	2,614,528	720,469	
\$1,000,000,000 under \$1,000,000,000	11	7,476,331	16,546,996	16,193,977	74,417	9,811	9,983,979	2,778	15,701,067	87,683	
\$1,000,000,000 or more	28	59,779,242	92,125,220	88,988,198	34,285	72,497	87,859,587	4,673,018	2,070,852	566,118	
Chemicals and allied products	250	128,887,430	146,036,661	146,980,787	1,254,488	518,319	10,240,261	10,195,130	4,768,787	2,363,449	
Agro under \$50,000,000	125	2,001,050	3,458,246	3,118,607	27,913	1,132	5,635,149	290,899	144,353	33,859	
\$50,000,000 under \$250,000,000	49	735,050	4,070,703	6,735,050	50,572	50,572	50,572	5,378,989	258,562	190,753	
\$250,000,000 under \$1,000,000,000	76	122,567,856	145,531,712	136,927,131	1,175,602	507,552	135,752,000	9,385,544	4,383,671	1,167,727	
\$1,000,000,000 under \$1,000,000,000	19	6,246,106	8,319,957	7,982,893	4,324	31,859	7,985,797	6,989,059	331,814	147,987	
\$1,000,000,000 or more	18	12,366,948	15,882,246	14,782,706	14,382	65,069	14,753,190	1,027,448	1,027,448	181,824	
39	103,840,802	119,826,509	114,151,991	99,1,853	410,614	113,239,701	7,667,037	3,556,530	1,987,846	1,568,883	
Petroleum (including integrated) and coal products	77	31,151,898	608,886,909	588,282,023	4,320,149	574,370	565,025	47,761,082	20,766,534	12,760,364	
Agro under \$50,000,000	29	220,291	734,713	726,236	357	58	572,232	11,515,273	12,358	1,648	
\$50,000,000 or more, total	93	951,524	2,521,921	2,471,878	4,197,922	845	2,485,591	27,706,311	17,804	2,446	
\$250,000,000 under \$1,000,000,000	39	370,149	603,027,275	583,832,321	4,197,922	573,469	561,335	47,722,917	12,776,069	7,980,301	
\$1,000,000,000 under \$1,000,000,000	8	3,169,655	7,680,452	6,404,787	5,918	6,077	6,241,386	268,924	121,839	18,924	
\$1,000,000,000 or more	3	2,095,390	6,002,169	5,671,459	4,288,320	566,841	547,801	10,127,545	4,689,556	44,862	
28	365,094	588,861,653	568,307,075	4,288,320	566,841	547,801	10,285	573,765	20,533,707	12,842,124	
408	126,166,132	128,222,545	108,841,231	2,117,473	233,633	119,938,956	11,244,458	5,392,115	2,872,016	2,430,197	
12,886,543	6,187,132	5,839,634	5,271,921	5,121,184	2,392	5,946,559	251,920	154,779	12,842	10,511	
108,221,321	6,057,128	5,877,558	5,077,558	4,851,116	4,429	4,429	4,429	4,429	4,429	4,429	
84	8,444,533	13,08,700	12,599,981	9,284,700	2,023,173	2,023,173	10,285	10,127,545	4,689,556	340,327	
43	108,489,856	107,970,490	98,196,880	98,196,880	588,854	588,854	10,285	10,127,545	4,689,556	340,327	
14	5,281,310	7,887,814	7,887,814	10,278,313	15,171,310	10,785,555	11,568,194	7,763,765	1,234,448	2,24,418	
11	7,654,969	14,113,880	16,171,310	15,171,310	10,785,555	11,568,194	15,271,756	8,86,567	4,56,197	1,83,653	
18	95,553,518	88,071,822	82,223,774	498,847	60,341,365	205,079	73,515,339	8,557,213	3,983,559	2,486,849	
412,967,720	12,967,336	11,669,986	654,441	184,776	119,072,002	6,222,597	5,785,287	1,316	1,088,313	1,086,591	
4,022,321	6,058,141	5,988,141	5,877,558	5,077,558	53,822	53,822	10,285	10,127,545	4,689,556	340,327	
84	10,285	12,599,981	12,599,981	12,599,981	53,822	53,822	10,285	10,127,545	4,689,556	340,327	
43	10,285	12,599,981	12,599,981	12,599,981	53,822	53,822	10,285	10,127,545	4,689,556	340,327	
14	5,281,310	7,887,814	7,887,814	10,278,313	15,171,310	10,785,555	11,568,194	7,763,765	1,234,448	2,24,418	
11	7,654,969	14,113,880	16,171,310	15,171,310	10,785,555	11,568,194	15,271,756	8,86,567	4,56,197	1,83,653	
18	95,553,518	88,071,822	82,223,774	498,847	60,341,365	205,079	73,515,339	8,557,213	3,983,559	2,486,849	

Footnotes at end of table.

Table 1.—Number of Returns, Total Assets, Income, Deductions, Tax and Credits, of U.S. Corporations and Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Controlled Foreign Corporations, by Selected Industry and Size of Total Assets of U.S. Corporation Filing the Return—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry and size of total assets of U.S. corporations filing return	U.S. Corporations										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Manufacturing—Continued											
Motor vehicle and equipment.											
Zero under \$50,000,000	52	130,987,927	131,432,514	124,688,711	669,055	56,445	134,533,932	-2,833,002	816,559	540,928	275,631
\$50,000,000 or more, total	14	302,926	2,261,698	2,227,456	2,502	676	2,281,166	-13,185	16,438	2,416	14,014
\$250,000,000 or more, total	16	1,785,180	2,800,492	2,703,028	26,637	590	2,727,035	93,947	55,653	29,385	26,268
\$250,000,000 or more, total	22	128,893,820	128,364,322	119,786,227	639,916	55,179	128,255,031	-2,913,765	744,477	509,128	235,349
\$250,000,000 or more, total	6	1,616,444	2,405,583	2,442,279	8,341	—	2,740,279	5,439	19,114	46,986	10,993
\$500,000,000 under \$1,000,000,000	3	1,814,989	2,618,965	2,442,527	13,704	5,934	2,616,764	-33,057	22,197	24,788	24,788
\$1,000,000,000 or more	13	125,068,977	121,004,773	114,747,820	617,871	49,252	124,199,989	-2,886,147	678,378	478,810	198,760
Transportation and public utilities.											
Zero under \$50,000,000	242	379,280,851	265,404,714	257,270,321	184,955	5,985,965	11,553,709	5,985,965	3,961,816	2,543,991	2,543,991
\$50,000,000 under \$250,000,000	42	1,340,910	4,948,688	4,751,557	2,483	7,728	4,780,189	168,182	78,229	39,509	39,728
\$250,000,000 or more, total	77	4,924,183	8,177,954	7,844,911	2,942	77,728	8,226,329	80,005	28,082	51,792	51,792
\$250,000,000 or more, total	8	373,705	2,203,446	2,092,107	3,747	80,600	24,066,737	114,602	50,925	31,194	24,530
\$250,000,000 under \$500,000,000	16	1,819,947	8,151,923	7,723,822	5,328	—	7,154,418	48,716	89,326	19,583	19,583
\$500,000,000 under \$1,000,000,000	13	359,930,383	24,192,702	234,837,925	153,159	75,273	231,40,835	10,964,757	5,402,013	3,083,646	2,308,367
\$1,000,000,000 or more	53	1,000,000	—	—	—	—	—	—	—	—	—
Wholesale and retail trade.											
Zero under \$50,000,000	768	169,887,044	358,652,046	348,303,860	1,040,175	131,437	352,755,190	8,176,159	3,779,104	1,882,020	1,857,985
\$50,000,000 under \$250,000,000	543	5,560,121	13,203,338	12,783,891	14,721	16,583	13,007,987	214,380	19,423	124,018	124,018
\$250,000,000 or more, total	133	4,924,183	8,177,954	7,844,911	2,942	77,728	8,226,329	847,861	388,851	78,522	78,522
\$250,000,000 or more, total	93	148,967,452	303,662,041	294,808,435	980,113	103,600	288,785,738	7,113,919	3,198,716	1,412,738	1,412,738
\$250,000,000 under \$500,000,000	36	2,746,288	30,865,832	28,000,446	18,600	5,793	28,625,547	487,588	288,500	233,899	233,899
\$500,000,000 under \$1,000,000,000	22	15,944,668	41,123,113	40,802,037	24,350	8,302	41,028,465	766,665	350,505	289,396	289,396
\$1,000,000,000 or more	33	119,591,796	222,664,639	215,469,566	987,184	89,505	210,933,726	5,919,349	2,577,741	886,162	886,162
Wholesale trade.											
Zero under \$50,000,000	659	74,458,073	209,521,410	205,101,330	880,675	94,252	206,986,575	4,982,789	2,392,958	1,506,345	886,613
\$50,000,000 under \$250,000,000	102	11,434,809	31,486,329	30,725,119	45,205	11,244	21,379,597	19,952,530	127,101	17,505	109,394
\$250,000,000 or more, total	55	5,986,461	16,615,405	16,302,873	801,325	67,715	16,412,919	4,585,444	1,986,794	1,433,475	1,433,475
\$250,000,000 or more, total	26	8,121,355	30,857,544	30,305,097	13,587	5,298	30,665,123	2,046,621	172,237	18,162	154,075
\$250,000,000 under \$500,000,000	14	9,988,320	27,984,865	28,000,211	11,684	8,283	28,625,547	67,947	97,716	63,330	63,330
\$500,000,000 under \$1,000,000,000	8	5,986,377	12,058,562	11,978,526	103,92,565	54,125	10,420,587	3,788,876	1,687,378	1,381,405	305,974
\$1,000,000,000 or more	18	80,512,010	116,521,739	111,677,001	161,130	35,371	114,513,138	2,132,474	880,362	306,174	582,188
Retail trade.											
Zero under \$50,000,000	40	1,511,867	1,511,867	1,398,871	43,080,878	179,400	37,185	145,474,541	3,182,450	3,345,742	375,638
\$50,000,000 under \$250,000,000	31	9,324,882	10,303,819	9,787,414	136	476	10,045	17,931	15,938	1,881	140,057
\$250,000,000 or more, total	36	90,777,891	137,196,835	131,704,562	178,789	35,985	134,727,823	2,954,475	1,240,025	350,658	889,559
\$250,000,000 or more, total	12	4,309,680	8,616,484	8,231,735	5,012	495	8,357,423	97,584	95,311	82,105	82,105
\$500,000,000 under \$1,000,000,000	14	1,357,039	21,089,562	17,818,673	7,632,371	1,831	7,249,457	558,718	253,320	27,297	226,967
\$1,000,000,000 or more	18	80,512,010	116,521,739	111,677,001	223,329	57,134	117,188,053	7,194,465	2,637,775	1,784,888	1,784,888
Finance, insurance and real estate.											
Zero under \$50,000,000	491	1,395,817,797	234,767,860	87,977,827	396,249	96,895	222,001,823	8,454,011	3,128,314	1,584,086	1,532,755
\$50,000,000 under \$250,000,000	59	7,144,566	2,648,223	1,877,612	25,961	35,131	2,646,465	210,578	82,173	88,399	88,399
\$250,000,000 or more, total	166	1,396,721	22,948,223	18,814,241	34,891	59,082	21,735,834	217,966	2,985,326	1,557,982	1,557,982
\$250,000,000 or more, total	21	7,777,721	24,178,236	18,631,315	15,373	117	21,29,437	31,436	13,349	66,575	66,575
\$500,000,000 under \$1,000,000,000	31	21,975,222	7,918,673	7,632,371	9,789	1,831	7,129,457	21,065	29,177	184,788	184,788
\$1,000,000,000 or more	14	1,357,039	21,089,562	17,818,673	7,632,371	57,134	17,188,053	7,194,465	2,637,775	1,784,888	1,784,888
Banking.											
Zero under \$50,000,000	65	1,003,188	99,222,385	11,831,959	106,529	33,257	94,380,253	2,982,924	1,398,381	1,187,236	211,145
\$50,000,000 under \$250,000,000	4	7,237,787	11,626,830	10,705,053	308	—	86,997	9,993	4,436	9,558	9,558
\$250,000,000 or more, total	61	1,002,728	99,109,525	11,761,905	106,222	33,257	94,293,356	2,968,988	1,388,388	1,186,800	201,587
\$250,000,000 or more, total	61	1,002,728	99,109,525	11,761,905	106,222	33,257	94,293,356	2,968,988	1,388,388	1,186,800	201,587
\$500,000,000 under \$1,000,000,000	34	260,683,152	103,573,133	59,940,572	68,511	18,202	98,585,817	3,067,375	810,504	591,595	591,595
\$1,000,000,000 or more	34	260,683,152	103,573,133	59,940,572	68,511	18,202	98,585,817	3,067,375	810,504	591,595	591,595
Insurance Carriers.											
Zero under \$50,000,000	61	278,684,763	111,467,389	66,393,131	70,598	28,017	105,914,773	3,501,407	9,10,803	230,275	680,328
\$50,000,000 under \$250,000,000	9	188,521	843,193	57,797,402	46	9,049	30,532	36,409	3,164,902	1,164,902	6,664
\$250,000,000 or more, total	13	1,659,233	11,548,920	10,887,734	65,134	45	9,049	8,10,119	8,338	16,436	13,707
\$250,000,000 or more, total	60	276,857,016	110,004,602	65,167,076	70,605	18,915	104,159,762	34,568,880	883,326	236,388	665,938
\$500,000,000 under \$1,000,000,000	8	3,340,377	1,274,582	1,015,849	1,593	—	1,204,050	40,542	10,413	1,984	8,429
\$1,000,000,000 or more	18	12,853,487	5,156,888	4,210,655	502	713	7,479,834	348,742	62,398	5,474	56,935
\$1,000,000,000 or more	34	260,683,152	103,573,133	59,940,572	68,511	18,202	98,585,817	3,067,375	810,504	591,595	591,595
Servicing.											
Zero under \$50,000,000	61	49,695,24	47,138,763	43,172,377	18,719	31,761	45,098,959	2,162,949	1,097,287	331,877	765,410
\$50,000,000 under \$250,000,000	411	3,757,609	8,878,322	11,548,450	28,986	2,643	8,680,475	265,275	44,163	42,395	98,767
\$250,000,000 or more, total	79	36,988,294	21,567,836	10,887,734	37,766	3,331	10,032,481	55,876	220,922	243,349	243,349
\$500,000,000 under \$1,000,000,000	41	5,078,830	5,021,102	4,508,820	28,358	17,174	27,376,197	1,339,033	220,159	180,934	180,934
\$1,000,000,000 or more	17	7,509,830	5,078,830	4,508,820	28,358	17,174	27,376,197	1,339,033	220,159	180,934	180,934
\$1,000,000,000 or more	12	9,137,255	7,509,830	5,078,830	28,358	17,174	27,376,197	1,339,033	220,159	180,934	180,934
\$1,000,000,000 or more	12	16,062,572	1								

Controlled Foreign Corporations, 1980

Table 1.—Number of Returns, Total Assets, Income, Deductions, Tax and Credits, or U.S. Corporations and Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Controlled Foreign Corporations, by Selected Industry and Size of Total Assets of U.S. Corporation Filing the Return—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollar]

Selected industry and size of total assets of U.S. corporations filing return	Controlled Foreign Corporations						Receipts by foreign corporations from—						
	Distributions			U.S. corporation filing return			Any domestic corporations controlled by the U.S. corporation filing return			Sales of stock in—			
	Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deferral)	Foreign income taxes (net)	Total	Out of current earnings and profits	Total	Sales of stock in trade	Total	Sales of stock in trade	(22)	
All industries, total	35,471	508,331,984	698,093,002	47,621,582	16,440,451	14,115,642	9,643,638	65,553,573	53,002,985	17,145,614	9,748,793	—	
Zero under \$50,000,000	6,220	10,411,027	17,957,937	280,785	—	—	—	750,189	542,432	481,247	419,348	—	
\$50,000,000 under \$250,000,000	5,103	19,389,954	32,145,677	2,319,860	883,719	546,747	380,545	1,089,038	830,055	237,595	118,189	—	
\$250,000,000 or more, total	24,138	47,922,795	62,548,882	44,501,784	15,315,946	13,420,890	9,163,197	63,694,347	51,660,469	16,426,771	9,210,189	—	
\$250,000,000 or more, total	2,822	32,330,313	2,054,387	—	2,053,063	2,053,063	—	1,455,277	1,455,277	—	265,989	162,133	
\$500,000,000 under \$1,000,000,000	3,976	31,120,796	35,686,762	3,828,187	1,247,915	1,015,601	1,015,601	1,686,025	916,585	670,986	528,325	—	
\$500,000,000 or more	17,340	42,817,928	584,472,762	36,619,390	13,364,134	11,950,012	8,157,892	60,224,061	49,168,196	15,489,786	8,521,729	—	
Agriculture, forestry and fishing	142	878,019	1,312,264	34,226	15,695	1,971	871	30,905	1,693	2,862	443	—	
Zero under \$50,000,000	42	120,205	91,542	11,357	3,982	1,943	—	487	285	—	—	—	
\$250,000,000 or more, total	100	75,814	1,214,722	22,921	11,812	328	233	30,081	1,206	107	443	—	
\$250,000,000 or more, total	—	—	—	—	—	—	—	—	—	—	—	—	
\$500,000,000 under \$1,000,000,000	—	—	—	—	—	—	—	—	—	—	—	—	
\$500,000,000 or more	—	—	—	—	—	—	—	—	—	—	—	—	
Mining	793	7,389,484	5,551,063	1,142,818	253,545	369,139	239,408	305,058	251,571	288,475	198,128	—	
Zero under \$50,000,000	153	94,416	73,898	34,333	6,381	2,521	1,626	6,589	—	—	—	—	
\$50,000,000 under \$250,000,000	107	16,195	30,736	80,015	20,250	16,882	10,866	293,186	—	1,980	753	—	
\$250,000,000 or more, total	533	6,677,874	5,086,430	1,028,480	228,913	238,736	226,916	12,651	251,571	287,496	197,373	—	
\$250,000,000 or more, total	61	222,704	87,576	19,631	4,401	9,659	4,499	10,455	752	313	—	—	
\$500,000,000 under \$1,000,000,000	422	6,100,415	4,628,042	91,056	198,532	323,226	209,766	278,313	250,800	286,264	197,373	—	
Construction	607	3,056,586	6,990,062	387,086	68,601	177,755	57,841	61,053	2,962	117,551	5,195	—	
Zero under \$50,000,000	196	170,592	73,761	2,705	1,398	2,807	2,807	1,010	—	11,499	2,241	—	
\$50,000,000 under \$250,000,000	121	32,816	447,795	24,589	62,645	167,910	53,703	4,421	—	105,937	4,934	—	
\$250,000,000 or more, total	91	64,420	3,905,265	96,929	35,684	18,455	17,074	1,453	—	32,020	—	—	
\$500,000,000 under \$1,000,000,000	92	392,603	161,059	7,473	1,469	6,779	6,779	1,771	—	7,318	—	—	
\$1,000,000,000 or more	107	1,589,345	2,050,324	184,456	149,289	36,425	35,778	—	66,600	—	—	—	
Manufacturing	23,685	390,465,427	554,533,982	400,449,988	14,388,897	11,954,735	8,331,857	60,205,646	51,037,948	12,337,217	8,502,973	—	
Zero under \$50,000,000	3,781	5,082,372	7,068,383	428,288	651,890	393,824	273,824	850,182	580,668	78,406	70,449	—	
\$50,000,000 under \$250,000,000	3,313	13,615,327	21,568,676	1,632,022	2,167	1,626	1,626	680,006	124,657	82,386	82,386	—	
\$250,000,000 or more, total	17,572	34,177,922	525,889,983	37,953,864	13,557,164	11,479,761	8,001,631	58,084,719	49,978,574	12,127	8,350,167	8,350,167	
\$500,000,000 under \$1,000,000,000	2,951	24,740,278	33,045,269	1,348,462	1,484,677	208,670	170,284	1,617,350	1,520,625	174,521	111,766	—	
\$1,000,000,000 or more	12,814	35,118,578	47,592,223	33,186,117	11,907,312	10,344,661	7,231,072	58,814,980	47,739,667	11,379,287	7,765,076	—	
Food and kindred products	2,073	23,100,633	32,086,019	725,079	717,714	445,185	344,575	1,638,663	1,138,914	226,289	70,511	—	
Zero under \$50,000,000	60	83,870	9,378	4,481	1,740	1,740	1,740	16,041	13,2	33	—	—	
\$50,000,000 under \$250,000,000	132	533,057	851,314	33,616	20,666	14,061	13,076	25,528	1,25	1,25	1,25	—	
\$250,000,000 or more, total	181	82,481	31,045,037	633,884	679,070	423,771	328,939	1,586,947	1,091,345	224,912	69,283	—	
\$500,000,000 under \$1,000,000,000	176	574,551	893,178	51,356	75,536	4,888	18,893	1,626	1,446	—	69,253	—	
\$1,000,000,000 or more	1,630	174,102	4,341,854	305,111	92,617	59,397	268,899	1,508,958	1,072,898	221,846	—	—	
Chemicals and allied products	4,590	51,139,085	65,250,212	5,912,217	2,080,707	1,683,696	1,187,832	2,767,783	1,285,474	518,796	392,223	—	
Zero under \$50,000,000	390	777,109	1,139,587	111,623	39,580	48,154	15,474	15,534	14,14	1,511	1,398	—	
\$50,000,000 under \$250,000,000	457	48,860,618	82,180,942	5,583,521	1,966,626	1,600,285	40,422	25,286	9,738	13,306	3,310	—	
\$250,000,000 or more, total	3,743	153,263	5,765,449	1,674,475	1,007,777	55,572	46,498	1,474,450	1,241,621	503,832	327,515	—	
\$500,000,000 under \$1,000,000,000	782	6,069,087	7,668,912	818,139	294,166	230,141	145,784	286,912	93,114	6,584	—	—	
\$1,000,000,000 or more	2,657	52,136,735	4,488,907	1,571,684	1,314,572	949,647	2,282,928	1,171,123	343,430	203,816	—	—	
Petroleum (including integrated) and coal products	1,749	84,258,330	202,490,759	13,234,911	4,272,051	3,485,228	2,458,523	34,844,843	32,735,910	8,228,582	5,377,391	—	
Zero under \$50,000,000	154	46,217	62,177	67,932	5,086	2,022	523	1,081	—	—	—	—	
\$50,000,000 under \$250,000,000	17	18,226	21,093	985	—	—	—	32,735,910	8,228,582	5,377,391	—	—	
\$250,000,000 or more, total	1,618	84,193,688	202,402,473	13,228,282	4,270,030	3,484,775	2,458,000	34,844,985	32,735,910	8,228,582	5,377,391	—	
\$500,000,000 under \$1,000,000,000	4	74,514	1,482	616	1,344	—	—	—	—	—	—	—	
\$1,000,000,000 or more	1,656	83,958,982	201,504,999	13,217,379	4,268,663	3,484,775	2,458,000	34,096,975	31,906,076	8,228,582	5,377,391	—	
Machinery, except electrical	3,058	45,398,879	53,549,953	6,491,998	2,288,551	2,434,722	1,545,905	3,525,881	2,164,584	310,789	141,690	—	
Zero under \$50,000,000	438	89,982	123,373	88,819	106,884	14,467	10,630	76,070	53,669	10,233	7,054	—	
\$50,000,000 under \$250,000,000	525	2,49,712	2,242,482	1,610,186	2,150,922	2,342,799	1,481,124	3,205,000	1,976,985	290,482	128,726	—	
\$250,000,000 or more, total	2,038	42,010,186	48,188,721	6,150,636	6,077,947	8,171,175	5,145,000	17,476,776	13,331,904	10,075	7,054	—	
\$500,000,000 under \$1,000,000,000	236	15,474	1,482	616	1,344	—	—	—	—	—	—	—	
\$1,000,000,000 or more	500	5,285,148	42,898,784	729,734	244,473	131,308	85,025	321,183	233,820	91,955	56,557	—	
Electrical and electronic equipment	2,827	31,595,965	40,836,137	3,017,077	1,002,957	793,992	533,204	2,753,040	1,978,049	1,882,407	1,934,948	—	
Zero under \$50,000,000	425	778,483	1,183,074	54,077	20,156	8,881	3,703,044	15,103	13,304	14,171	14,171	—	
\$50,000,000 under \$250,000,000	1,000,175	3,131,191	232,169	92,019	51,243	32,404	33,671	16,476	14,171	14,171	14,171	—	
\$250,000,000 or more, total	1,833	28,118,705	36,520,923	2,750,891	890,781	733,767	494,245	4,202,221	4,202,221	4,202,221	4,202,221	—	
\$500,000,000 under \$1,000,000,000	181	2,214,617	3,454,521	250,494	78,046	22,859	16,476	4,202,221	4,202,221	4,202,221	4,202,221	—	
\$1,000,000,000 or more	1,414	26,261	251,027	251,027	251,027	251,027	251,027	180,307	180,307	180,307	180,307	—	
Footnotes at end of table.		25,472,430	30,976,353	2,229,370	715,223	623,273	418,498	1,986,030	1,687,491	1,687,491	1,687,491	1,687,491	—

Controlled Foreign Corporations, 1980

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Table 1.—Number of Returns, Total Assets, Income, Deductions, Tax and Credits, of U.S. Corporations and Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Controlled Foreign Corporations, by Selected Industry and Size of Total Assets of U.S. Corporation Filing the Return—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollar]

Selected industry and size of total assets of U.S. corporations filing return	Controlled Foreign Corporations								Receipts by foreign corporations from —			
	Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Total	Out of current earnings and profits	Distributions		U.S. corporation filing return	Any domestic corporations controlled by the U.S. corporation filing return	
								Total	Sales of stock in trade			
(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)		
Manufacturing—Continued												
Motor vehicles and equipment	1,171	47,384,443	64,560,553	887,292	684,163	362,801	232,797	9,186,269	7,810,213	230,825	184,022	
Zero under \$50,000,000.....	32	375,618	205,086	-18,913	733	1,242	551	32,549	30,796	4,978	4,979	
\$50,000,000 under \$250,000,000	103	404,168	482,805	45,641	19,539	30,020	14,332	17,834	14,350	14,564	7,610	
\$250,000,000 or more, total	1,036	46,604,657	63,872,662	880,564	663,891	331,539	217,913	9,135,886	7,765,067	211,282	171,432	
\$250,000,000 under \$500,000,000	47	225,258	314,094	706	5,807	8,716	1,294	41,835	39,712	1,177	1,040	
\$500,000,000 under \$1,000,000,000	87	570,043	587,635	71,454	22,734	17,123	8,642	21,889	8,344	271	(1)	
\$1,000,000,000 or more.....	902	45,809,356	62,970,933	768,404	635,351	305,700	207,976	9,072,162	7,717,010	209,834	170,392	
Transportation and public utilities	1,759	19,031,100	14,976,283	1,033,718	324,495	500,890	273,123	517,090	156,006	680,038	444,766	
Zero under \$50,000,000.....	380	387,244	510,123	34,693	7,861	2,850	2,138	49,534	11,330	21,836	—	
\$50,000,000 under \$250,000,000	106	344,432	351,453	26,930	6,257	4,057	1,978	9,761	7,739	10,673	—	
\$250,000,000 or more, total	1,274	18,299,425	14,114,707	972,094	310,376	493,982	269,005	457,793	143,937	647,529	444,766	
\$250,000,000 under \$500,000,000	86	1,009,889	186,658	49,473	2,432	4,371	3,918	579	—	124	—	
\$500,000,000 under \$1,000,000,000	114	735,123	354,238	36,799	11,559	5,744	5,513	9,123	30,887	38	—	
\$1,000,000,000 or more.....	1,074	16,554,413	13,573,811	885,822	296,386	483,868	259,574	448,092	143,937	616,518	444,728	
Wholesale and retail trade	2,863	31,926,928	88,804,810	2,681,007	689,283	482,022	335,260	1,730,723	1,528,562	436,438	306,222	
Zero under \$50,000,000.....	1,051	1,735,818	2,605,090	113,114	32,911	18,889	12,522	183,128	149,147	69,155	65,120	
\$50,000,000 under \$250,000,000	484	2,188,827	7,496,924	265,825	63,283	44,591	42,018	158,255	132,918	50,798	26,487	
\$250,000,000 or more, total	1,349	28,002,284	78,702,796	2,282,067	593,089	418,541	280,720	1,389,340	1,246,498	316,486	214,614	
\$250,000,000 under \$500,000,000	179	1,316,921	4,804,573	107,022	21,399	18,526	12,091	37,269	22,842	52,877	48,110	
\$500,000,000 under \$1,000,000,000	147	950,459	650,546	72,696	22,913	43,781	23,907	206,965	195,061	52,149	51,952	
\$1,000,000,000 or more.....	1,023	25,734,903	73,247,677	2,102,348	548,777	356,234	244,723	1,145,107	1,028,595	211,459	114,552	
Wholesale trade	2,327	22,928,740	74,431,299	1,912,230	472,660	367,360	238,560	1,622,375	1,494,032	371,110	293,156	
Zero under \$50,000,000.....	971	1,643,860	2,506,412	105,562	32,123	17,256	10,925	168,021	140,201	68,682	64,888	
\$50,000,000 under \$250,000,000	375	2,108,151	7,323,517	240,765	58,351	44,456	42,013	132,548	110,680	47,318	26,487	
\$250,000,000 or more, total	982	19,176,729	64,601,370	1,565,903	382,187	305,646	185,622	1,321,806	1,243,151	255,109	201,781	
\$250,000,000 under \$500,000,000	136	1,194,067	4,629,450	100,249	19,346	16,312	10,294	29,383	20,118	51,718	48,110	
\$500,000,000 under \$1,000,000,000	107	812,825	453,557	47,788	15,437	39,794	22,450	206,820	195,061	52,042	51,952	
\$1,000,000,000 or more.....	739	17,168,838	59,518,363	1,417,866	347,404	249,539	152,877	1,085,602	1,027,973	151,350	101,718	
Retail trade	535	8,998,188	14,370,162	748,512	216,622	114,662	96,700	108,063	34,530	65,328	13,066	
Zero under \$50,000,000.....	79	91,958	95,330	7,288	786	1,633	1,596	14,823	8,945	472	232	
\$50,000,000 under \$250,000,000	89	80,676	173,407	25,061	4,934	134	5	25,707	22,238	3,479	—	
\$250,000,000 or more, total	367	8,825,555	14,101,426	716,164	210,901	112,895	95,099	67,534	33,347	61,377	12,834	
\$250,000,000 under \$500,000,000	43	122,854	175,122	6,773	2,053	2,214	1,796	7,885	2,724	1,159	—	
\$500,000,000 under \$1,000,000,000	40	137,635	196,989	24,909	7,476	3,986	1,457	144	—	108	—	
\$1,000,000,000 or more.....	284	8,565,066	13,729,315	684,482	201,373	106,695	91,846	59,504	623	60,110	12,834	
Finance, Insurance and real estate	2,980	79,517,280	20,472,199	1,842,647	506,460	480,666	318,006	2,514,124	6,187	3,226,525	286,547	
Zero under \$50,000,000.....	635	1,960,257	1,485,670	37,652	24,230	25,899	14,840	5,862	—	302,537	283,280	
\$50,000,000 under \$250,000,000	202	984,920	754,326	115,123	24,508	36,911	20,773	8,043	319	9,132	—	
\$250,000,000 or more, total	2,143	76,572,104	18,232,203	1,689,874	457,723	417,857	282,392	2,500,218	5,868	2,914,855	3,267	
\$250,000,000 under \$500,000,000	185	2,339,018	4,496,247	245,666	74,705	124,169	87,758	79	—	3,267	3,267	
\$500,000,000 under \$1,000,000,000	418	3,610,296	725,705	138,195	37,210	54,241	41,113	58,558	2,885	165	—	
\$1,000,000,000 or more.....	1,540	70,622,790	13,010,250	1,306,013	345,807	239,446	153,521	2,441,581	2,983	2,911,423	—	
Banking	715	53,063,718	6,647,607	745,471	212,832	120,049	78,712	2,169,669	1,681	2,717,368	—	
Zero under \$50,000,000.....	..	..	..	..	..	..	..	..	..	..	—
\$50,000,000 under \$250,000,000	708	52,934,016	6,628,952	743,011	212,413	120,049	78,712	2,169,669	1,681	2,716,168	—	
\$250,000,000 under \$500,000,000	708	52,934,016	6,628,952	743,011	212,413	120,049	78,712	2,169,669	1,681	2,716,168	—	
Insurance Carriers	718	14,203,293	5,610,895	446,325	91,173	69,332	48,916	86,926	4,187	126,919	—	
Zero under \$50,000,000.....	17	*373,034	*40,228	*2,270	*548	—	—	*4,586	—	—	—	
\$50,000,000 under \$250,000,000	13	103,528	48,399	20,717	1,893	2,574	1,824	—	—	—	—	
\$250,000,000 or more, total	689	13,726,730	5,522,269	423,337	88,733	66,758	47,092	82,340	4,187	126,919	—	
\$250,000,000 under \$500,000,000	24	111,161	59,332	-256	626	893	340	—	—	—	—	
\$500,000,000 under \$1,000,000,000	77	638,577	108,170	15,612	4,140	2,768	1,579	10,631	2,885	64	—	
\$1,000,000,000 or more.....	588	12,976,993	5,354,767	407,982	83,966	63,097	45,173	71,710	1,302	126,855	—	
Services	2,660	5,833,160	6,362,369	505,065	196,476	148,465	87,273	168,935	48,227	55,409	4,521	
Zero under \$50,000,000.....	997	967,160	1,362,693	66,937	36,048	13,660	10,364	36,297	11,791	5,342	—	
\$50,000,000 under \$250,000,000	786	1,686,601	2,142,278	174,384	64,203	42,032	28,278	37,850	3,720	28,857	4,521	
\$250,000,000 or more, total	877	3,179,400	2,857,399	263,764	96,224	92,773	48,630	94,768	32,716	21,211	—	
\$250,000,000 under \$500,000,000	388	966,485	1,039,172	107,816	49,097	34,083	21,120	59,948	32,263	2,877	—	
\$500,000,000 under \$1,000,000,000	193	469,332	407,429	34,615	12,235	5,575	4,774	2,089	238	207	—	
\$1,000,000,000 or more.....	296	1,743,583	1,410,798	121,333	34,893	53,115	22,735	32,751	215	18,127	—	

Footnotes at end of table.

Controlled Foreign Corporations, 1980

Table 1.—Number of Returns, Total Assets, Income, Deductions, Tax and Credits, of U.S. Corporations and Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Controlled Foreign Corporations, by Selected Industry and Size of Total Assets of U.S. Corporation Filing the Return—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollar]

Selected industry and size of total assets of U.S. corporations filing return	Controlled Foreign Corporations—Continued										
	Receipts by foreign corporations—Continued		Payments by foreign corporations to—								
	Any foreign corporation controlled by U.S. corporation filing return		U.S. corporation filing return			Any domestic corporations controlled by the U.S. corporation filing the return			Any foreign corporations controlled by the U.S. corporation filing return		
	Total	Sales of stock in trade	Total	Purchases of stock in trade	Dividends paid	Total	Purchases of stock in trade	Dividends paid	Total	Purchase of stock in trade	Dividends paid
	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
All industries, total	31,155,589	11,102,657	92,663,469	66,629,803	8,358,199	29,818,562	21,034,521	2,293,695	28,810,106	10,681,671	2,558,863
Zero under \$50,000,000	421,175	280,486	1,324,848	904,588	101,107	287,784	191,985	19,084	515,315	358,191	11,216
\$50,000,000 under \$250,000,000	1,280,770	949,612	3,032,353	2,112,668	355,652	770,620	580,956	93,167	1,229,869	851,454	81,454
\$250,000,000 or more, total	29,453,645	9,872,560	88,306,268	63,612,548	7,901,440	28,760,158	20,261,579	2,181,444	27,064,922	9,472,025	2,466,193
\$250,000,000 under \$500,000,000	1,006,532	499,089	3,438,561	2,431,614	302,702	594,976	317,563	51,637	1,041,855	580,076	58,079
\$500,000,000 under \$1,000,000,000	2,035,740	1,209,282	3,523,968	2,204,587	531,529	911,636	645,897	155,479	1,811,245	927,682	295,346
\$1,000,000,000 or more	26,411,372	8,164,188	81,343,738	58,976,346	7,067,210	27,253,545	19,298,120	1,974,329	24,211,822	7,964,267	2,112,768
Agriculture, forestry and fishing	73,395	56,332	18,570	11,859	1,308	521	207	47	17,089	2,038	616
Zero under \$50,000,000	4,828	1,721	7,945	5,407	1,308	254	—	—	2,032	1,724	288
\$50,000,000 under \$250,000,000	..	..	..	..	..	..	..	..	..	..	..
\$250,000,000 or more, total	68,567	54,611	10,625	6,452	—	267	207	47	15,057	314	328
\$250,000,000 under \$500,000,000	..	..	..	..	..	..	..	..	..	..	..
\$500,000,000 under \$1,000,000,000	..	..	..	..	..	..	..	..	..	..	..
\$1,000,000,000 or more	..	..	..	..	..	..	..	..	..	..	..
Mining	166,711	42,412	690,566	234,669	74,893	825,964	123,156	228,740	166,321	12,144	16,127
Zero under \$50,000,000	2,011	—	4,975	—	2,521	—	—	—	2,011	—	—
\$50,000,000 under \$250,000,000	8,016	—	61,248	10,733	9,195	14,326	5,397	7,424	4,196	—	—
\$250,000,000 or more, total	156,684	42,412	624,342	223,936	63,177	811,638	117,759	221,316	160,114	12,144	16,127
\$250,000,000 under \$500,000,000	25,980	—	81,271	15,192	6,108	12,911	190	6,500	25,915	—	3,941
\$500,000,000 under \$1,000,000,000	5,120	2,358	7,169	—	1,322	7,380	—	7,380	2,364	—	—
\$1,000,000,000 or more	125,584	40,053	535,902	208,744	55,747	791,347	117,569	207,436	131,835	12,144	12,186
Construction	361,838	10,805	106,283	4,182	27,199	129,359	2,751	16,030	327,146	10,814	129,695
Zero under \$50,000,000	2,063	1,819	5,161	1,284	416	274	—	135	2,048	—	—
\$50,000,000 under \$250,000,000	9,827	8,986	15,352	2,898	6,292	4,717	2,751	1,219	11,579	1,819	—
\$250,000,000 or more, total	349,948	—	85,770	—	20,491	124,367	—	14,675	313,519	8,995	129,695
\$250,000,000 under \$500,000,000	34,532	—	60,037	—	18,401	65,913	—	—	33,975	8,995	—
\$500,000,000 under \$1,000,000,000	1,673	—	1,048	—	—	676	—	—	977	—	171
\$1,000,000,000 or more	313,742	—	24,685	—	2,090	57,778	—	14,675	278,567	—	129,524
Manufacturing	24,922,161	10,363,357	76,113,373	56,882,152	7,635,411	24,080,855	20,291,020	1,691,110	23,226,640	9,731,468	2,034,255
Zero under \$50,000,000	230,241	207,540	970,499	715,046	52,251	136,634	106,940	9,946	283,896	255,660	4,885
\$50,000,000 under \$250,000,000	1,126,776	921,969	2,582,275	1,891,571	276,695	467,351	348,685	60,924	1,048,441	822,580	48,956
\$250,000,000 or more, total	23,565,144	9,233,848	72,560,600	54,275,536	7,306,465	23,476,871	19,835,395	1,620,239	21,894,303	8,653,228	1,980,415
\$250,000,000 under \$500,000,000	690,717	430,630	3,022,863	2,358,879	171,219	489,166	317,202	40,794	678,072	468,865	19,727
\$500,000,000 under \$1,000,000,000	1,814,097	1,204,448	3,262,838	2,069,798	484,471	855,628	619,522	143,671	1,671,936	927,564	236,997
\$1,000,000,000 or more	20,960,329	7,598,770	66,274,899	49,846,859	6,650,775	22,132,077	18,898,671	1,435,775	19,544,295	7,256,799	1,723,692
Food and kindred products	1,391,505	50,1671	2,119,834	392,530	258,132	1,036,242	861,938	69,942	1,127,395	476,767	101,469
Zero under \$50,000,000	1,987	1,578	35,440	34,258	320	3,283	2,830	115	2,532	1,578	353
\$50,000,000 under \$250,000,000	16,447	15,731	53,014	16,518	13,137	1,411	—	1,347	24,675	18,128	6,157
\$250,000,000 or more, total	1,373,071	484,362	2,031,379	341,754	245,675	1,031,549	859,107	68,480	1,100,189	457,061	94,960
\$250,000,000 under \$500,000,000	27,298	1,723	20,634	12,996	1,488	790	678	—	21,487	639	3,400
\$500,000,000 under \$1,000,000,000	160,560	136,311	139,467	44,380	46,873	62,507	62,507	—	137,671	111,391	11,699
\$1,000,000,000 or more	1,165,212	346,328	1,871,277	284,398	197,315	968,252	795,922	68,480	941,031	345,031	79,860
Chemicals and allied products	3,296,474	1,227,206	5,697,741	3,699,638	1,004,563	2,561,213	2,124,851	184,819	3,365,973	1,201,910	373,263
Zero under \$50,000,000	42,254	37,277	76,999	49,192	11,552	7,910	6,055	1,673	55,562	44,108	1,931
\$50,000,000 under \$250,000,000	142,071	118,254	190,188	128,833	27,990	51,757	25,622	3,642	144,636	107,956	16,300
\$250,000,000 or more, total	3,112,150	1,071,765	5,630,543	3,521,613	965,021	2,501,547	2,093,174	179,503	3,165,775	1,049,846	355,033
\$250,000,000 under \$500,000,000	82,722	33,812	154,176	65,561	43,255	48,588	25,502	6,593	62,374	21,635	3,288
\$500,000,000 under \$1,000,000,000	363,346	144,099	511,107	202,198	120,103	344,636	261,585	24,462	365,348	140,185	64,891
\$1,000,000,000 or more	2,666,081	893,854	4,965,261	3,253,855	801,663	2,108,323	1,806,087	144,448	2,738,053	888,026	286,854
Petroleum (including integrated) and coal products	6,157,546	695,888	27,896,033	24,684,992	2,416,832	14,657,718	13,537,988	466,821	4,540,063	559,726	432,352
Zero under \$50,000,000	—	—	2,609	1,509	157	684	370	212	38	—	38
\$50,000,000 under \$250,000,000	—	—	3	—	—	—	—	—	—	—	—
\$250,000,000 or more, total	6,157,546	695,888	27,893,422	24,683,483	2,416,675	14,657,034	13,537,618	466,409	4,540,025	559,726	432,314
\$250,000,000 under \$500,000,000	—	—	821,607	821,468	—	—	—	—	—	—	—
\$500,000,000 under \$1,000,000,000	—	—	48,000	—	—	—	—	—	—	—	—
\$1,000,000,000 or more	6,157,546	695,888	27,023,815	23,862,014	2,416,675	14,657,034	13,537,618	466,409	4,540,025	559,726	432,314
Machinery, except electrical	4,138,859	2,183,047	12,681,252	8,290,737	1,825,057	629,314	369,769	142,118	4,014,558	1,969,045	371,119
Zero under \$50,000,000	33,878	27,808	171,947	140,594	6,750	26,049	17,299	6,639	35,361	30,261	5
\$50,000,000 under \$250,000,000	210,990	174,546	705,323	544,112	59,368	110,987	88,378	13,079	201,956	158,816	3,843
\$250,000,000 or more, total	3,893,990	1,980,692	11,803,981	7,806,031	1,758,939	492,278	264,093	122,401	3,776,640	1,779,969	367,271
\$250,000,000 under \$500,000,000	150,157	96,457	527,050	445,830	25,033	46,734	43,694	415	134,749	82,962	4,592
\$500,000,000 under \$1,000,000,000	499,353	373,306	1,029,802	888,449	44,562	142,515	67,535	64,996	292,703	157,555	21,595
\$1,000,000,000 or more	3,244,480	1,510,930	10,247,129	6,261,752	1,689,345	303,029	152,864	56,990	3,349,189	1,539,452	341,084
Electrical and electronic equipment	3,661,497	2,460,826	5,003,744	3,804,817	253,562	1,652,282	1,055,104	301,327	3,539,015	2,492,331	218,735
Zero under \$50,000,000	33,116	30,930	192,463	162,960	8,318	41,162	29,646	210	48,529	46,024	393
\$50,000,000 under \$250,000,000	169,658	129,982	620,647	511,186	32,134	126,516	103,862	12,539	197,124	159,187	3,145
\$250,000,000 or more, total	3,458,523	2,299,914	4,190,635	3,130,772	213,110	1,484,603	921,596	288,578	3,293,362	2,287,120	215,197
\$250,000,000 under \$500,000,000	109,011	49,000	737,123	525,709	17,968	235,967	143,019	1,802	118,204	85,369	2,006
\$500,000,000 under \$1,000,000,000	102,490	65,330	276,082	178,183	51,402	25,902	11,135	13,898	101,982	64,658	22,185</td

Controlled Foreign Corporations, 1980

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Table 1.—Number of Returns, Total Assets, Income, Deductions, Tax and Credits, of U.S. Corporations and Number, Total Assets, Receipts, Earnings, Taxes, Distributions, and Selected Transactions of Controlled Foreign Corporations, by Selected Industry and Size of Total Assets of U.S. Corporation Filing the Return—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollar]

Controlled Foreign Corporations—Continued											
Receipts by foreign corporations —Continued		Payments by foreign corporations to—									
Any foreign corporation controlled by U.S. corporation filing return		Any foreign corporation controlled by the U.S. corporation filing the return		Any domestic corporations controlled by the U.S. corporation filing the return		Any foreign corporations controlled by the U.S. corporation filing return					
Total	Sales of stock in trade	Total	Purchases of stock in trade	Dividends paid	Total	Purchases of stock in trade	Dividends paid	Total	Purchase of stock in trade	Dividends paid	(32)
(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)	
Manufacturing—Continued											
Motor vehicles and equipment											
Zero under \$50,000,000	1,836,281	478,889	12,575,593	10,329,782	196,485	697,509	352,980	65,501	1,006,542	395,004	\$0,544
\$50,000,000 under \$250,000,000	1,216	763	54,252	43,553	—	12,283	12,791	—	1,361	763	—
\$250,000,000 or more, total	1,895,608	39,347	32,200	51,983	17,589	26,145	680,520	23,320	1,885,276	12,565	3,334
\$250,000,000 under \$500,000,000	2,137	—	12,489,359	17,699	169,499	17,699	37,857	65,477	281,677	77,210	—
\$500,000,000 under \$1,000,000,000	60,649	29,966	56,111	43,972	7,844	12,874	5,059	7,334	3,310	3,310	362
\$1,000,000,000 or more	1,532,912	411,184	12,398,121	10,206,960	160,843	640,003	312,223	51,074	1,835,630	270,733	1,907
Transportation and public utilities											
Zero under \$50,000,000	958,270	81,021	988,570	76,484	112,287	663,412	105,398	111,504	1,029,659	64,509	133,860
\$50,000,000 under \$250,000,000	20,283	—	13,817	156	2,472	22,848	94	41,705	—	—	—
\$250,000,000 or more, total	6,608	93,179	81,021	85,405	498	107,589	633,095	105,244	884,120	54,509	133,860
\$250,000,000 under \$500,000,000	108,476	—	14,553	118	5,074	3,760	5,074	5,074	96,340	51,118	300
\$500,000,000 under \$1,000,000,000	8,553	2,396	7,834	75,592	632,635	104,585	104,585	104,585	5,485	5,4391	133,360
\$1,000,000,000 or more	814,310	76,824	873,358	—	—	—	—	—	882,285	—	—
Wholesale and retail trade											
Zero under \$50,000,000	1,283,513	494,342	10,225,888	9,262,688	283,860	515,018	291,995	58,746	1,376,980	81,14,927	95,395
\$50,000,000 under \$250,000,000	53,911	37,913	202,633	165,619	8,701	88,482	67,478	7,324	84,634	66,105	2,683
\$250,000,000 or more, total	27,455	—	192,769	27,156	57,986	21,435	10,565	33,430	3,596	6,606	—
\$250,000,000 under \$500,000,000	1,712,147	453,987	9,758,005	8,94,200	250,056	370,550	203,082	40,854	1,258,917	745,228	86,126
\$500,000,000 under \$1,000,000,000	78,759	68,387	107,436	106,960	10,823	17,555	17,171	134,219	110,897	5,157	—
\$1,000,000,000 or more	1,077,686	38,501	145,022	103,997	34,156	40,223	25,617	2,139	11,853	7,080	—
\$1,000,000,000 or more	893,587	9,507,542	8,753,323	212,926	312,772	177,284	36,454	1,112,845	634,329	73,880	—
Wholesale trade											
Zero under \$50,000,000	1,112,167	493,391	9,187,688	253,868	359,984	275,814	24,654	1,238,488	814,927	80,113	—
\$50,000,000 under \$250,000,000	51,557	2,541	233,176	173,393	27,045	56,746	5,731	82,281	66,105	2,683	—
\$250,000,000 or more, total	1,053,398	452,937	9,312,635	8,860,279	218,243	218,369	20,681	10,565	33,321	3,596	6,606
\$250,000,000 under \$500,000,000	78,741	68,387	44,031	21,660	9,532	2,733	1,439	1,439	1,122,889	1,122,889	—
\$500,000,000 under \$1,000,000,000	15,050	—	128,144	83,738	30,674	28,272	2,020	2,020	1,186,853	1,186,853	—
\$1,000,000,000 or more	893,587	38,450	9,744,882	178,057	188,347	162,851	4,899	9,896	634,329	58,608	—
Retail trade											
Zero under \$50,000,000	141,345	951	482,644	65,000	39,873	155,034	16,180	34,082	138,481	—	15,282
\$50,000,000 under \$250,000,000	2,354	—	54,011	1,622	2,612	9,586	2,154	2,154	2,154	—	—
\$250,000,000 or more, total	138,079	951	31,879	19,377	111	1,240	774	14,444	32,498	136,019	15,282
\$250,000,000 under \$500,000,000	53	—	43,035	44,001	39,762	151,181	14,444	14,444	14,444	—	—
\$500,000,000 under \$1,000,000,000	387,426	—	14,878	13,801	1,382	14,951	14,444	31,564	135,969	—	15,282
\$1,000,000,000 or more	138,079	951	34,888	124,408	14,444	31,564	14,444	31,564	31,564	—	—
Finance, insurance and real estate											
Zero under \$50,000,000	3,247,676	41,196	3,908,406	42,982	144,112	\$355,168	216,902	161,283	2,453,830	41,773	127,313
\$50,000,000 under \$250,000,000	58,977	28,754	55,653	2,109	4,763	4,763	1,240	1,240	47,132	1,098	—
\$250,000,000 or more, total	20,459	—	15,471	1,094	3,930	3,937	198,915	118,855	18,560	5,973	11,942
\$250,000,000 under \$500,000,000	3,188,670	6,680	40,812	11,857	3,008,153	—	148,754	2,988,167	18,560	6,600	114,274
\$500,000,000 under \$1,000,000,000	54,673	—	82,448	82,448	64,782	14,762	1,907	80,807	—	—	23,970
\$1,000,000,000 or more	79,484	80	38,214	28,816	1,638	4,626	—	1,637	104,392	104,392	50,451
\$1,000,000,000 or more	3,034,533	6,680	3,807,712	12,056	45,408	3,288,458	—	3,288,458	1,228,969	6,600	39,944
\$1,000,000,000 or more	2,629,373	6,680	3,548,731	6,574	—	12,803	—	104,438	1,984,789	6,600	1,818
\$1,000,000,000 or more	78	—	158	6,574	—	—	—	—	—	—	—
Banking											
Zero under \$50,000,000	2,629,295	2,629,295	6,600	3,548,573	6,574	12,803	2,956,632	104,438	1,984,789	6,600	1,818
\$50,000,000 under \$250,000,000	—	—	—	—	—	—	—	—	—	—	—
\$250,000,000 or more, total	41,196	—	4,712	6,574	11,985	2,936,632	—	104,438	1,984,789	6,600	1,818
\$500,000,000 under \$1,000,000,000	13,197	73	183,096	14,576	14,576	28,501	102,802	15,919	116,618	—	21,015
\$1,000,000,000 or more	16,786	28	183,338	14,676	—	102,802	—	15,919	116,577	—	—
Insurance Carriers											
Zero under \$50,000,000	237,232	237,232	80	183,338	14,676	28,481	102,802	—	116,577	—	21,015
\$50,000,000 under \$250,000,000	41,196	—	80	183,096	9,217	2,506	—	—	—	—	—
\$250,000,000 or more, total	48,472	—	10,045	9,217	27,537	100,282	—	15,919	116,577	—	21,015
\$500,000,000 under \$1,000,000,000	188,760	183,096	5,461	27,537	—	—	—	—	—	—	—
\$1,000,000,000 or more	11,110	—	—	—	—	—	—	—	—	—	—
Services											
Zero under \$50,000,000	172,025	13,193	520,014	114,826	69,150	48,265	3,152	26,238	212,410	13,893	21,802
\$50,000,000 under \$250,000,000	1,740	67,109	11,074	10,388	10,551	2,778	3,34	51,857	3,079	2,285	—
\$250,000,000 or more, total	11,1353	71,255	11,069	24,948	4,459	2,778	2,778	10,551	10,551	13,893	—
\$500,000,000 under \$1,000,000,000	381,648	86,083	4,553	33,215	4,382	1,744	1,744	10,551	10,551	5,367	—
\$1,000,000,000 or more	60,816	62,784	256,952	79,672	1,396	28,211	28,211	10,551	10,551	14,238	648

*Estimate should be used with caution because of the small number of sample returns on which it was based.

¹Drafted or combined to avoid disclosure of information for specific corporations.

Note: Detail may not add to total because of rounding.

Controlled Foreign Corporations, 1980

Table 2.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and by Selected Industry of Controlled Foreign Corporation

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing return and selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Distributions	
						Current earnings and profits before taxes	Foreign income taxes (net)		Total	Out of current earnings and profits
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
All Industries (U.S. Parent)	4,799	35,471	508,031,994	699,003,002	47,621,582	55,794,508	16,736,730	16,440,451	14,115,642	9,643,638
CFC Industries										
Agriculture, forestry and fishing.....	73	224	4,167,349	1,618,046	-1,195,895	115,907	37,832	36,801	19,651	15,955
Mining	273	969	15,017,247	11,392,971	3,430,646	3,820,565	1,273,353	1,272,931	975,082	446,771
Construction.....	172	558	7,028,446	11,244,627	788,147	907,458	199,234	193,706	343,556	154,801
Manufacturing.....	2,052	10,901	226,062,259	354,511,342	25,832,360	29,871,292	9,895,433	9,666,940	7,238,667	5,409,843
Transportation and public utilities	336	1,145	21,412,678	18,442,328	980,649	1,428,419	242,569	259,358	571,348	239,379
Wholesale and retail trade.....	1,507	6,903	82,234,324	256,779,170	11,108,818	12,176,380	3,518,158	3,496,022	2,542,746	1,862,034
Finance, insurance, and real estate	1,048	3,862	129,263,466	24,921,436	4,821,672	5,240,696	851,207	806,194	1,674,186	1,041,042
Services.....	1,081	4,090	20,359,450	19,911,917	1,841,033	2,221,868	716,536	706,075	730,411	473,095
Nature of business not allocable	195	456	276,175	181,164	4,153	11,923	2,409	2,426	4,166	718
Inactive.....	1,538	6,363	2,210,599	—	—	—	—	—	15,827	—
Agriculture, forestry and fishing (U.S. Parent)....	20	142	878,019	1,312,264	34,278	46,747	16,963	15,695	1,971	871
CFC Industries										
Agriculture, forestry and fishing.....	7	28	186,851	132,898	10,061	14,845	4,421	4,380	802	492
Mining	—	—	—	—	—	—	—	—	—	—
Construction.....	—	—	—	—	—	—	—	—	—	—
Manufacturing.....	3	26	96,976	111,220	8,507	9,695	3,829	3,575	70	70
Transportation and public utilities	—	—	—	—	—	—	—	—	—	—
Wholesale and retail trade.....	11	27	373,530	992,797	9,389	13,165	7,480	6,538	391	304
Finance, insurance, and real estate	4	6	29,986	1,405	103	613	83	83	—	—
Services.....	4	8	38,801	33,020	952	1,853	304	273	694	—
Nature of business not allocable	4	37	7,482	—	—	—	—	—	—	—
Inactive.....	—	—	—	—	—	—	—	—	—	—
Mining (U.S. Parent).....	172	793	7,383,484	5,551,063	1,142,818	1,211,077	253,386	253,545	369,138	239,408
CFC Industries										
Agriculture, forestry and fishing.....	—	—	—	—	—	—	—	—	—	—
Mining	86	274	4,263,998	2,989,371	855,937	903,006	173,518	174,150	195,779	184,605
Construction.....	3	6	74,524	32,857	11,972	13,698	3,054	3,054	778	—
Manufacturing.....	10	89	1,197,545	1,345,806	126,946	143,033	46,927	46,481	47,489	32,252
Transportation and public utilities	8	18	100,010	128,009	16,385	17,871	4,485	4,484	38	38
Wholesale and retail trade.....	11	57	287,452	791,662	49,720	50,291	9,806	9,570	9,878	3,162
Finance, insurance, and real estate	24	63	1,274,699	189,151	65,644	66,408	11,054	11,054	106,340	17,737
Services.....	15	33	65,406	55,163	14,495	14,985	4,138	4,139	1,669	1,609
Nature of business not allocable	5	14	11,165	9,043	1,721	1,784	603	603	5	5
Inactive.....	95	238	108,687	—	—	—	—	—	5,162	—
Oil and gas extraction (U.S. Parent).....	143	609	5,931,264	4,443,410	988,839	1,049,350	209,866	210,159	328,502	214,977
CFC Industries										
Agriculture, forestry and fishing.....	—	—	—	—	—	—	—	—	—	—
Mining	71	244	3,706,062	2,604,253	779,895	825,069	153,898	154,537	187,002	177,105
Construction.....	—	—	—	—	—	—	—	—	—	—
Manufacturing.....	7	58	702,591	815,656	84,076	96,426	31,191	30,814	31,502	24,260
Transportation and public utilities	3	4	57,971	65,390	3,438	4,815	—	31	—	—
Wholesale and retail trade.....	6	31	226,412	724,352	42,544	42,634	8,183	8,183	4,324	510
Finance, insurance, and real estate	16	40	1,020,967	151,682	53,589	54,277	9,574	9,574	99,414	11,580
Services.....	8	23	60,533	49,234	12,044	12,431	3,986	3,987	1,580	1,522
Nature of business not allocable	3	5	272	-25	-60	—	—	—	—	—
Inactive.....	86	199	87,271	—	—	—	—	—	4,680	—

Footnotes at end of table.

Controlled Foreign Corporations, 1980

Table 2.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and by Selected Industry of Controlled Foreign Corporation—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing return and selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations							Distributions	
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)		
						Current earnings and profits before taxes	Foreign income taxes (net)	Total	Out of current earnings and profits	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Construction (U.S. Parent)	133	607	3,056,588	6,990,052	387,060	475,685	74,356	68,601	177,755	57,841
CFC Industries										
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	*12	69	*31,321	*20,832	*1,512	*2,703	*14	*12	—	—
Construction	297	2,593,870	6,371,216	366,298	436,590	79,034	74,929	177,057	57,174	563
Manufacturing	14	21	62,110	98,914	5,270	8,057	2,586	2,628	563	563
Transportation and public utilities	3	7	7,005	1,750	348	237	77	103	—	—
Wholesale and retail trade	*15	*22	*42,840	*75,570	*2,583	*3,154	*1,365	*1,104	—	—
Finance, insurance, and real estate	20	26	82,763	58,724	4,014	8,787	742	216	50	19
Services	22	46	196,610	361,840	10,290	15,689	9,309	-10,184	85	85
Nature of business not allocable	4	6	4,165	1,206	465	468	—	—	—	—
Inactive	31	112	35,903	—	—	—	—	—	—	—
Manufacturing (U.S. Parent)	2,452	23,665	360,405,427	554,533,962	40,014,988	46,915,595	14,615,711	14,385,697	11,954,735	8,331,857
CFC Industries										
Agriculture, forestry and fishing	41	152	3,817,407	694,877	-1,190,725	87,206	30,755	29,680	18,508	15,192
Mining	86	416	9,182,339	7,093,135	2,467,151	2,744,040	1,074,022	1,073,241	770,763	255,669
Construction	49	195	4,059,061	4,442,922	392,293	426,963	106,205	105,012	183,772	96,218
Manufacturing	1,849	10,038	215,023,493	338,721,423	24,884,125	28,728,562	9,535,582	9,314,830	6,940,230	5,205,550
Transportation and public utilities	106	344	11,852,387	12,116,234	547,563	852,039	115,057	131,208	445,599	147,938
Wholesale and retail trade	890	4,995	58,919,385	171,697,291	8,768,231	9,563,860	2,912,010	2,898,021	2,001,871	1,546,356
Finance, insurance, and real estate	473	1,726	45,771,883	8,259,968	3,086,192	3,240,036	404,011	401,500	1,160,540	762,177
Services	366	1,466	10,377,565	11,374,635	1,061,482	1,264,086	436,517	430,759	440,691	302,133
Nature of business not allocable	142	359	202,860	133,468	575	7,784	1,553	1,646	2,767	623
Inactive	741	3,976	1,198,046	—	—	—	—	—	9,994	—
Chemicals and allied products (U.S. Parent)	250	4,590	51,139,085	65,250,212	5,912,217	6,619,986	2,122,074	2,090,707	1,663,696	1,187,632
CFC Industries										
Agriculture, forestry and fishing	10	42	141,248	152,723	2,894	14,160	4,776	4,886	3,817	1,897
Mining	9	32	429,342	141,966	38,518	38,535	8,197	8,196	5,743	5,510
Construction	4	6	156,256	140,318	11,452	11,715	2,902	2,773	—	—
Manufacturing	207	2,345	38,528,169	51,943,251	4,667,285	5,255,716	1,743,977	1,711,216	1,253,214	909,239
Transportation and public utilities	15	35	589,072	596,950	102,227	103,460	25,029	25,010	11,043	8,259
Wholesale and retail trade	104	853	6,037,658	10,666,791	689,711	776,065	285,926	285,428	218,115	129,341
Finance, insurance, and real estate	67	259	4,705,327	870,549	367,137	383,617	40,939	42,584	182,477	128,620
Services	43	133	414,463	733,958	32,261	35,399	10,147	10,469	8,141	4,624
Nature of business not allocable	25	55	25,485	3,705	731	1,319	181	146	577	141
Inactive	113	830	111,064	—	—	—	—	—	568	—
Petroleum (including integrated) and coal products (U.S. Parent)	77	1,749	84,258,330	202,490,759	13,234,911	13,951,428	4,256,245	4,272,051	3,485,298	2,458,523
CFC Industries										
Agriculture, forestry and fishing	..	..	..	..	..	..	..	..	..	..
Mining	25	171	5,390,086	5,108,495	2,040,094	2,286,601	936,313	936,209	625,299	163,298
Construction	3	7	243,622	488,649	42,180	48,350	6	6	—	—
Manufacturing	45	279	32,987,165	73,731,311	5,209,680	5,260,548	1,754,618	1,760,493	1,252,347	1,198,228
Transportation and public utilities	17	98	8,404,320	8,658,339	151,450	405,874	35,240	37,012	354,458	76,912
Wholesale and retail trade	25	518	28,280,233	112,973,192	4,828,483	4,975,779	1,465,956	1,474,099	995,395	829,997
Finance, insurance, and real estate	29	148	8,241,740	1,133,921	917,714	924,869	58,720	58,734	241,049	173,919
Services	14	71	441,628	394,104	47,363	49,141	5,323	5,429	16,819	16,169
Nature of business not allocable	..	..	..	..	..	..	..	..	..	..
Inactive	39	435	230,342	—	—	—	—	—	12	—

Footnotes at end of table.

Controlled Foreign Corporations, 1980

Table 2.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and by Selected Industry of Controlled Foreign Corporation—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing return and selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Distributions	
						Current earnings and profits before taxes	Foreign income taxes (net)		Total	Out of current earnings and profits
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Manufacturing—Continued										
Machinery, except electrical (U.S. Parent)	408	3,058	45,398,879	53,549,953	6,491,998	7,036,632	2,336,022	2,288,551	2,434,722	1,545,905
CFC Industries										
Agriculture, forestry and fishing	**	**	**	**	**	**	**	**	**	**
Mining	6	60	269,892	338,721	60,444	62,615	22,859	22,859	9,534	8,996
Construction	5	15	334,578	119,291	53,476	54,174	10,398	10,147	1,659,853	1,030,011
Manufacturing	308	1,305	28,194,196	35,837,546	4,478,443	4,823,683	1,745,330	1,714,756	—	—
Transportation and public utilities	3	3	8,517	3,070	256	726	249	249	—	—
Wholesale and retail trade	147	742	6,640,541	10,886,549	706,110	859,075	256,558	244,366	152,962	112,656
Finance, insurance, and real estate	59	201	4,242,436	979,098	543,101	559,705	36,451	35,040	328,972	192,575
Services	58	276	4,646,459	5,371,512	650,755	676,015	264,066	261,022	282,931	201,455
Nature of business not allocable	**	**	**	**	**	**	**	**	**	**
Inactive	108	416	53,242	—	—	—	—	—	258	—
Electrical and electronic equipment (U.S. Parent)	410	2,827	31,596,966	40,836,137	3,017,077	3,597,553	1,034,043	1,002,957	793,992	533,204
CFC Industries										
Agriculture, forestry and fishing	—	—	—	—	—	—	—	—	—	—
Mining	5	28	369,184	153,082	39,345	40,431	9,000	9,000	1,200	684
Construction	7	44	2,114,723	1,966,405	98,740	119,165	46,087	45,352	25,916	25,718
Manufacturing	299	1,332	18,517,082	28,545,597	1,946,835	2,345,306	698,494	653,618	440,614	341,177
Transportation and public utilities	8	38	1,062,386	1,214,834	64,111	91,044	17,938	32,358	30,882	29,719
Wholesale and retail trade	147	564	3,529,358	6,501,579	584,422	609,740	189,106	189,159	122,366	59,470
Finance, insurance, and real estate	52	176	4,488,663	588,456	219,355	246,745	33,513	32,616	142,539	58,846
Services	39	259	1,403,950	1,861,605	84,913	144,985	39,827	40,792	27,990	17,555
Nature of business not allocable	14	20	8,700	4,579	—643	136	78	64	358	35
Inactive	87	366	102,940	—	—	—	—	—	2,126	—
Transportation and public utilities (U.S. Parent)	242	1,759	19,031,100	14,976,283	1,033,718	1,389,411	328,870	324,495	500,890	273,123
CFC Industries										
Agriculture, forestry and fishing	**	**	**	**	**	**	**	**	**	**
Mining	13	47	1,121,974	1,104,682	116,786	124,508	19,964	19,706	5,298	4,725
Construction	7	15	54,097	135,177	5,775	6,750	3,434	3,434	1,443	903
Manufacturing	22	221	2,888,310	4,220,285	181,880	309,071	100,322	98,226	73,818	48,901
Transportation and public utilities	161	563	7,385,776	5,078,039	320,840	421,424	106,049	107,058	109,272	81,122
Wholesale and retail trade	21	171	1,592,436	2,780,641	27,113	125,021	33,572	30,231	136,710	29,481
Finance, insurance, and real estate	61	170	4,792,735	781,513	255,143	266,767	18,382	18,300	130,961	79,149
Services	45	177	945,138	865,924	125,940	135,608	47,137	47,522	43,277	28,840
Nature of business not allocable	**	**	**	**	**	**	**	**	**	**
Inactive	100	386	264,623	—	—	—	—	—	88	—
Wholesale and retail trade (U.S. Parent)	768	2,863	31,926,928	88,804,810	2,861,007	2,968,414	700,690	689,283	482,022	335,260
CFC Industries										
Agriculture, forestry and fishing	11	29	150,507	785,357	8,588	13,895	2,657	2,732	320	271
Mining	10	35	203,681	131,605	-4,612	29,828	5,116	5,108	2,405	934
Construction	12	13	11,919	4,681	-23	138	22	22	—	—
Manufacturing	92	249	4,282,767	5,531,393	318,951	348,776	118,873	117,210	48,230	32,358
Transportation and public utilities	29	112	1,031,825	723,055	73,367	99,340	8,211	8,186	16,243	10,115
Wholesale and retail trade	472	1,391	20,172,917	77,976,880	2,103,034	2,250,226	512,306	512,303	362,640	261,716
Finance, insurance, and real estate	84	225	4,980,646	3,185,662	139,974	194,311	47,808	38,128	43,783	26,245
Services	152	221	608,223	463,551	21,819	33,694	5,550	5,515	6,726	3,542
Nature of business not allocable	14	28	9,088	2,618	108	407	147	81	1,310	78
Inactive	249	560	475,355	—	—	—	—	—	365	—

Footnotes at end of table.

Controlled Foreign Corporations, 1980

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Table 2.—Number of U.S. Corporation Returns and Number, Total Assets, Receipts, Earnings, Taxes and Distributions of Controlled Foreign Corporations, by Selected Industry of U.S. Corporation Filing the Return and by Selected Industry of Controlled Foreign Corporation — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Selected industry of U.S. corporation filing return and selected industry of Controlled Foreign Corporation	Number of U.S. corporation returns	Controlled Foreign Corporations								
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign corporations with current earnings and profits (+) before taxes		Foreign income taxes (net)	Distributions	
						Current earnings and profits before taxes	Foreign income taxes (net)		Total	Out of current earnings and profits
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Wholesale and retail trade — Continued										
Wholesale trade (U.S. Parent)	658	2,327	22,928,740	74,431,289	1,912,230	2,197,353	483,545	472,660	367,360	238,560
CFC Industries										
Agriculture, forestry and fishing.....	8	26	146,150	780,041	6,822	11,929	1,948	2,024	54	4
Mining	9	26	158,279	71,708	-21,900	12,014	-184	-202	—	—
Construction.....	12	13	11,919	4,891	-23	138	22	22	—	—
Manufacturing.....	73	208	3,932,814	4,864,854	240,384	268,157	95,403	93,740	46,003	32,204
Transportation and public utilities	24	104	1,010,913	713,996	70,029	95,679	8,211	8,186	14,610	8,519
Wholesale and retail trade	409	1,184	14,849,915	65,206,658	1,556,241	1,690,773	352,566	353,154	272,458	182,158
Finance, insurance, and real estate	58	148	2,132,474	2,385,508	53,354	99,349	21,298	11,585	29,206	14,109
Services	130	186	215,053	403,189	7,386	19,129	4,212	4,170	4,664	1,565
Nature of business not allocable	8	14	2,449	656	-42	185	49	-18	—	—
Inactive	217	418	468,774	—	—	—	—	—	365	—
Finance, insurance, and real estate (U.S. Parent)	481	2,980	79,517,280	20,472,199	1,842,647	2,112,712	543,719	508,460	480,666	318,006
CFC Industries										
Agriculture, forestry and fishing.....	3	4	3,451	—	-23,478	—	—	—	—	—
Mining	64	122	208,506	49,770	-3,395	15,766	719	720	837	837
Construction.....	**	**	**	**	**	**	**	**	**	**
Manufacturing.....	29	120	2,087,883	3,968,903	255,777	266,726	78,281	75,898	117,822	81,077
Transportation and public utilities	18	55	588,693	124,274	8,314	10,148	1,039	1,170	—	—
Wholesale and retail trade	31	144	771,965	2,354,321	148,827	180,779	40,985	39,349	30,339	20,476
Finance, insurance, and real estate	313	1,516	71,783,175	12,338,533	1,223,869	1,408,427	365,238	333,334	219,638	147,555
Services	74	348	3,979,775	1,612,432	230,441	248,230	57,174	55,703	112,172	68,061
Nature of business not allocable	**	**	**	**	**	**	**	**	**	**
Inactive	179	644	55,461	—	—	—	—	—	58	—
Services (U.S. Parent)	531	2,660	5,833,160	6,362,369	505,065	674,867	203,035	198,476	148,465	87,273
CFC Industries										
Agriculture, forestry and fishing.....	9	9	8,183	3,380	-501	—	—	—	—	—
Mining	**	**	**	**	**	**	**	**	**	**
Construction.....	5	28	225,216	248,085	20,363	21,836	7,239	7,008	506	506
Manufacturing.....	33	136	443,176	513,398	50,904	58,373	9,023	8,093	10,645	9,071
Transportation and public utilities	10	38	295,782	240,269	9,450	20,973	7,003	6,544	196	166
Wholesale and retail trade	55	95	73,799	110,009	2,122	9,864	853	-1,094	916	539
Finance, insurance, and real estate	69	128	567,579	96,479	46,734	55,346	3,889	3,582	10,874	8,159
Services	405	1,793	4,147,931	5,145,352	375,816	507,722	175,025	172,348	125,098	68,825
Nature of business not allocable	**	**	**	**	**	**	**	**	**	**
Inactive	139	409	64,034	—	—	—	—	—	161	—
Business services (U.S. Parent)	306	1,616	3,330,108	3,862,670	259,527	359,554	116,290	114,902	104,181	54,020
CFC Industries										
Agriculture, forestry and fishing.....	—	—	—	—	—	—	—	—	—	—
Mining	—	—	—	—	—	—	—	—	—	—
Construction.....	3	17	193,893	226,848	17,818	17,974	6,712	6,485	506	506
Manufacturing.....	22	32	95,604	130,383	599	3,291	56	-310	—	—
Transportation and public utilities	4	20	164,988	158,547	13,851	17,754	6,122	5,978	214	214
Wholesale and retail trade	17	32	37,499	50,556	3,393	5,869	-11	-11	6,064	4,045
Finance, insurance, and real estate	41	64	217,187	37,908	23,210	27,448	1,809	1,608	97,219	49,247
Services	259	1,230	2,576,076	3,256,632	200,758	287,387	101,798	101,151	70	7
Nature of business not allocable	5	8	2,001	1,819	-103	31	4	(1)	107	—
Inactive	60	212	42,861	—	—	—	—	—	—	—

*Estimate should be used with caution because of the small number of sample returns on which it was based.

**Data deleted to avoid disclosure of information to specific corporations.

**Less than \$500.

Note: Detail may not add to total because of rounding.

Controlled Foreign Corporations, 1980

Table 3—Number of U.S. Corporations Returns and Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Selected Transactions of Controlled Foreign Corporations, by Major Industry of Controlled Foreign Corporation

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry of Controlled Foreign Corporations	Number of U.S. corporation returns	Controlled Foreign Corporations						Selected receipts by foreign corporations from:	
		Number of foreign corporations	Total assets	Business receipts	Current earnings and profits (less deficit) before taxes	Foreign income taxes (net)	Distributions		
							Total	Out of current earnings and profits	All related persons
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All Industries, total	4,799	35,471	508,031,994	699,003,002	47,621,582	16,440,451	14,115,642	9,643,638	115,823,113
Agriculture, forestry and fishing	73	224	4,167,349	1,618,046	-1,195,895	38,801	19,851	15,955	1,081,050
Mining	273	969	15,017,247	11,392,971	3,430,846	1,272,831	975,082	446,771	2,374,991
Oil and gas extraction	210	753	10,735,884	9,179,334	3,034,911	1,154,664	824,751	349,987	2,093,431
Construction	172	558	7,028,446	11,244,627	798,147	193,706	343,556	154,801	970,030
Manufacturing	2,052	10,901	226,062,259	354,511,342	25,832,380	9,866,940	7,238,667	5,409,843	47,664,187
Food and kindred products	136	788	13,466,353	26,357,350	1,479,715	520,772	355,129	273,630	1,327,549
Chemicals and allied products	290	2,417	40,450,536	56,287,396	4,987,665	1,923,308	1,319,657	964,886	4,605,916
Petroleum (including integrated) and coal products	53	149	32,683,871	71,175,546	5,053,419	1,679,034	1,226,036	1,161,867	11,461,832
Machinery except electrical	409	1,253	15,817,952	20,872,998	1,436,800	524,225	340,345	253,727	3,806,561
Electrical and electronic equipment	309	1,491	32,282,019	44,601,989	4,797,484	1,816,831	1,761,443	1,126,228	8,628,934
Transportation and public utilities	336	1,145	21,412,678	18,442,328	980,849	259,358	571,348	239,379	6,088,863
Transportation	304	1,004	13,790,138	12,230,980	55,886	112,571	389,311	87,545	5,779,321
Wholesale and retail trade	1,507	6,903	82,234,324	256,779,170	11,108,818	3,496,022	2,542,746	1,862,034	38,215,104
Wholesale trade	1,308	5,782	72,053,590	232,838,975	9,889,956	3,114,646	2,338,275	1,706,315	37,144,563
Retail trade	240	942	9,264,414	22,476,053	1,028,202	324,398	176,222	132,443	979,879
Finance, Insurance and real estate	1,048	3,862	129,263,466	24,921,436	4,821,672	806,194	1,674,186	1,041,042	15,244,552
Credit agencies other than banks	162	673	39,661,444	5,262,895	838,743	239,712	220,835	99,187	5,340,335
Insurance carriers	359	593	16,940,222	6,202,612	1,054,382	71,496	166,599	131,855	1,271,367
Holding and other investment companies, except bank holding companies	479	1,170	27,795,528	4,257,834	2,076,270	236,334	1,096,794	683,384	3,395,561
Services	1,081	4,090	20,359,450	19,911,917	1,841,033	706,075	730,412	473,095	4,125,274
Business services	742	2,621	12,315,008	12,701,126	1,256,697	478,775	529,318	348,474	2,905,042
Nature of business not allocable	195	456	276,175	181,164	4,153	2,426	4,166	718	58,491
Inactive	1,538	6,363	2,210,599	—	-2	-2	15,827	—	570

Major industry of Controlled Foreign Corporations	Controlled Foreign Corporations — Continued								Any foreign corporation controlled by U.S. corporation filing return	
	Selected receipts by foreign corporations from — Continued									
	U.S. corporation filing return				Any domestic corporation controlled by U.S. corporation filing return					
Total	Sales of stock in trade	Compensation received for certain services	Amounts borrowed	Total	Sales of stock in trade	Compensation received for certain services	Amounts borrowed	Total		
(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)		
All Industries, total	65,533,573	53,032,955	3,151,286	5,880,474	17,145,614	9,748,793	1,176,345	4,620,438	31,155,589	
Agriculture, forestry and fishing	971,347	959,076	2,006	9,590	39,730	36,985	348	1,592	69,973	
Mining	1,063,241	670,416	9,673	364,546	591,372	565,287	9,782	5,718	558,949	
Oil and gas extraction	929,613	555,645	8,422	349,323	536,712	514,897	9,766	2,362	467,218	
Construction	120,094	12,474	53,336	42,229	201,448	37,609	145,782	11,499	647,540	
Manufacturing	26,694,700	22,450,168	1,351,532	2,043,615	6,815,766	4,547,632	304,078	1,688,014	13,402,651	
Food and kindred products	344,231	200,082	3,494	122,660	120,236	101,528	298	6,131	742,733	
Chemicals and allied products	1,829,416	955,514	62,070	432,664	369,921	240,113	23,781	55,414	2,403,628	
Petroleum (including integrated) and coal products	6,690,697	6,417,461	37,767	209,802	3,733,206	1,925,552	139,512	1,525,017	970,963	
Machinery except electrical	1,444,734	1,253,318	68,271	65,933	80,553	68,281	910	5,234	2,194,737	
Electrical and electronic equipment	4,609,797	3,786,489	678,505	74,908	1,514,830	1,458,636	17,064	15,782	2,482,870	
Transportation and public utilities	1,813,016	487,488	904,657	134,977	970,918	27,194	553,150	153,095	2,843,351	
Transportation	1,779,014	478,541	898,820	122,188	956,673	18,692	553,133	153,095	2,582,056	
Wholesale and retail trade	29,318,887	28,007,272	204,603	507,510	4,324,239	3,972,878	70,656	138,411	4,515,031	
Wholesale trade	29,042,903	27,796,001	190,925	486,950	4,056,633	3,751,877	63,809	111,551	4,004,558	
Retail trade	245,437	198,066	1,753	18,975	255,808	212,954	3,895	26,860	462,282	
Finance, Insurance and real estate	4,036,992	291,258	8,574	2,425,060	3,237,948	18,031	13,171	2,377,227	7,437,679	
Credit agencies other than banks	1,224,630	1,930	2,026	747,934	1,424,059	10	433	1,214,553	3,112,934	
Insurance carriers	428,276	—	827	40,652	222,261	—	33	21,121	615,713	
Holding and other investment companies, except bank holding companies	597,811	5,593	2,335	336,812	196,720	15,349	5,463	26,450	2,587,316	
Services	1,496,612	151,833	616,256	339,317	935,881	543,172	79,373	219,882	1,668,581	
Business services	910,652	83,530	366,280	118,477	793,809	537,355	47,176	165,801	1,180,325	
Nature of business not allocable	18,684	3,170	650	13,629	28,511	4	6	25,000	11,265	
Inactive	—	—	—	—	—	—	—	—	570	

Footnote at end of table.

Controlled Foreign Corporations, 1980

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Table 3—Number of U.S. Corporations Returns and Number, Total Assets, Receipts, Earnings, Taxes, Distributions and Selected Transactions of Controlled Foreign Corporations, by Major Industry of Controlled Foreign Corporation—Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Major industry of Controlled Foreign Corporations	Controlled Foreign Corporations — Continued										
	Receipts by — Continued			All related persons	Selected payments by foreign corporations to:						
	Any foreign corporation controlled by U.S. corporation filing return—Continued				U.S. corporation filing return						
	Sales of stock in trade	Compensation received for certain services:	Amounts borrowed		Total	Purchases of stock in trade	Compensation paid for certain services	Amounts loaned	Dividends paid		
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)			
All industries, total	11,102,657	3,678,383	9,677,736	157,829,919	92,663,469	66,629,803	2,516,036	8,275,021	8,358,199		
Agriculture, forestry and fishing	22,629	4,250	33,856	1,564,240	1,506,608	294,984	21,549	1,000,000	13,873		
Mining	47,076	31,879	242,429	1,867,748	1,010,657	72,985	81,182	29,791	615,962		
Oil and gas extraction	40,680	30,493	218,892	1,635,517	925,348	60,529	59,513	29,783	554,252		
Construction	89,633	145,743	210,363	1,318,429	244,869	25,072	82,730	6,959	85,162		
Manufacturing	8,212,868	1,473,805	2,027,379	72,418,801	45,651,743	33,916,099	1,788,280	821,720	4,844,092		
Food and kindred products	303,401	52,787	277,029	1,773,046	1,058,441	636,069	34,473	43,860	212,997		
Chemicals and allied products	1,099,386	272,453	621,289	8,940,769	4,225,313	2,319,653	221,233	39,663	845,972		
Petroleum (including integrated) and coal products	210,735	230,554	262,566	20,781,668	10,666,594	9,612,808	25,087	21,316	937,828		
Machinery except electrical	1,909,469	52,377	166,543	4,338,473	3,043,496	530,337	54,537	16,787	233,896		
Electrical and electronic equipment	1,708,631	299,106	248,095	11,125,461	7,926,514	2,422,886	139,818	64,154	125,618		
Transportation and public utilities	152,083	206,134	2,029,733	4,832,161	732,692	34,590	58,548	232,103	338,320		
Transportation	119,152	186,471	1,919,080	4,487,955	666,462	22,620	38,231	222,779	317,379		
Wholesale and retail trade	2,016,910	373,271	1,275,847	50,641,511	32,752,750	30,126,910	222,861	232,685	1,334,157		
Wholesale trade	1,713,968	347,022	1,156,757	48,459,398	31,607,119	29,271,030	191,570	203,266	1,250,264		
Retail trade	280,301	15,164	111,161	1,632,197	727,237	545,295	28,441	29,419	63,232		
Finance, Insurance and real estate	391,434	659,896	3,511,663	20,046,810	8,229,530	1,341,522	42,124	5,474,766	742,319		
Credit agencies other than banks	7,642	558,696	1,926,111	8,558,217	4,653,013	2,261	14,855	4,387,864	81,300		
Insurance carriers	—	2,415	191,088	663,635	352,374	6,100	7,826	284,966	49,964		
Holding and other investment companies, except bank holding companies	29,730	59,152	863,638	5,024,414	1,225,199	36,308	13,300	444,596	566,967		
Services	168,863	782,626	344,115	5,098,014	2,518,240	806,049	227,735	476,558	381,924		
Business services	137,813	636,158	184,390	3,653,643	1,927,385	699,162	124,868	407,700	288,143		
Nature of business not allocable	1,161	779	2,551	32,178	15,788	11,592	1,046	439	1,799		
Inactive	—	—	—	10,027	591	—	—	—	591		

Major industry of Controlled Foreign Corporations	Controlled Foreign Corporations — Continued										
	Selected payments by foreign corporations to:					U.S. corporation controlled by U.S. corporation filing return					
	Any domestic corporation controlled by U.S. corporation filing return				Any foreign corporation controlled by U.S. corporation filing return						
	Total	Purchases of stock in trade	Compensation paid for certain services	Amounts loaned	Dividends paid	Total	Purchases of stock in trade	Compensation paid for certain services	Amounts loaned	Dividends paid	
(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)	(36)	(37)		
All industries, total	29,818,562	21,034,521	795,922	3,957,670	2,293,695	28,810,106	10,681,671	3,552,769	8,225,756	2,558,863	
Agriculture, forestry and fishing	28,400	23,407	33	1,707	2,460	29,231	2,228	871	12,102	3,094	
Mining	307,594	49,170	9,981	4,790	213,194	546,879	11,032	28,355	307,591	112,246	
Oil and gas extraction	198,288	10,920	9,059	4,220	147,185	509,263	11,032	24,779	293,634	98,045	
Construction	383,913	226,181	87,366	12,122	52,108	675,317	186,173	87,795	181,039	190,740	
Manufacturing	11,499,373	9,486,208	434,066	129,173	721,469	11,675,948	5,026,721	2,177,995	1,610,720	1,314,493	
Food and kindred products	204,984	93,030	24,220	23,741	42,077	505,895	139,683	90,189	54,614	91,798	
Chemicals and allied products	1,962,085	1,611,197	131,863	10,347	115,995	2,716,252	1,005,617	446,024	522,426	312,547	
Petroleum (including integrated) and coal products	6,161,568	5,556,833	112,691	75,803	114,796	734,589	76,797	186,702	274,746	68,221	
Machinery except electrical	226,409	145,252	9,222	1,472	58,950	965,249	546,763	64,572	154,673	43,105	
Electrical and electronic equipment	304,768	206,245	62,437	7,072	96,912	2,370,552	1,268,551	380,569	137,586	399,159	
Transportation and public utilities	2,694,969	2,509,352	79,860	1,574	78,846	1,349,517	225,927	91,346	358,591	104,126	
Transportation	2,629,198	2,493,960	70,360	1,574	38,073	1,137,313	161,235	66,448	358,156	25,198	
Wholesale and retail trade	8,856,137	7,942,905	102,513	167,544	535,758	6,932,568	4,369,043	602,922	978,124	448,134	
Wholesale trade	8,646,266	7,858,423	98,220	108,707	488,375	6,140,225	3,825,373	553,949	892,031	409,346	
Retail trade	189,975	65,633	4,218	58,837	46,360	680,710	466,665	32,555	84,775	32,783	
Finance, insurance and real estate	4,858,523	46,058	30,252	3,578,231	501,718	6,213,650	636,754	116,439	4,331,724	301,355	
Credit agencies other than banks	1,826,848	416	8,809	1,495,778	76,486	1,946,636	35,990	70,374	1,427,577	54,689	
Insurance carriers	73,697	—	1,905	14	53,763	234,931	—	10,142	142,680	57,041	
Holding and other investment companies, except bank holding companies	1,129,577	22,966	3,122	752,404	287,117	2,663,264	466,665	20,828	2,294,360	135,728	
Services	1,178,572	748,650	51,852	62,418	183,239	1,372,251	219,108	446,823	444,617	78,779	
Business services	915,995	717,572	20,237	36,008	109,858	797,323	90,153	385,839	144,518	51,643	
Nature of business not allocable	6,197	2,590	—	110	19	10,192	4,685	224	1,249	1,344	
Inactive	4,884	—	—	—	4,884	4,552	—	—	—	4,552	

Note: Detail may not add to total because of rounding.

Partnership Employment and Payroll, 1979

By Nick Greenia*

The first available statistics on employment and payroll for partnerships indicate that for Tax Year 1979 only one third of all partnerships accounted for all of the estimated \$24 billion in reported payroll. Partnerships with payroll tended to be in trade and service industries while partnerships without payroll were more likely to be engaged in investment activities. Partnerships with payroll generated almost 70 percent of total partnership receipts and total deductions and nearly 60 percent of partnership net income, but controlled less than 40 percent of all partnership assets (Figure A).

STUDY ORIGINS

These new partnership employment and payroll data are the result of a study recently completed by the Internal Revenue Service for the Small Business Administration (SBA) as part of a contractual agreement between the two agencies. Eventually, this agreement is expected to realize two more business employment and payroll data sets for Tax Year 1979: one for corporations and one for sole proprietorships [1]. These data should prove useful in the continuing development of SBA's Small Business Data Base in fulfillment of its Congressional mandate to evaluate public policy and economic trends as they affect small businesses, without thereby placing any additional data collection burden on them [2].

BACKGROUND

Two relatively recent sets of circumstances probably are responsible for the increasingly evident role played by partnerships in investment activities. The first set of circumstances is the energy crisis and accompanying inflation of the early 1970's (most notably marked by the OPEC Oil Embargo of 1973), the repercussions of which have continued to some degree into the present. As a result, certain energy resources themselves have enjoyed a fairly steady appreciation as assets, and the efficient management of and exploration for them have received tax-favored status as a result of legislation passed to encourage energy production.

The second set of circumstances relates to another resource, also in virtually fixed supply, real estate. A combination of demographic and economic factors has caused the appreciation of these assets. Increased foreign investment in domestic real estate and the increased number of two-income households, occasioned by the rising labor force participation of women, have contributed to increases in the price of real estate. Real estate has more than kept pace with the rate of inflation, and this consideration together with certain tax advantages continue to make it attractive to investors. Among these tax advantages are the provisions regarding depreciation deductions, conversion of ordinary income to capital gains, and the use of "leverage" financing [3].

Thus, it is not especially surprising that two resources in relatively fixed supply account for much of the participation by partnerships in tax sheltered investment activity, predominantly in mining, finance, and real estate.

Partnerships as an Investment Entity

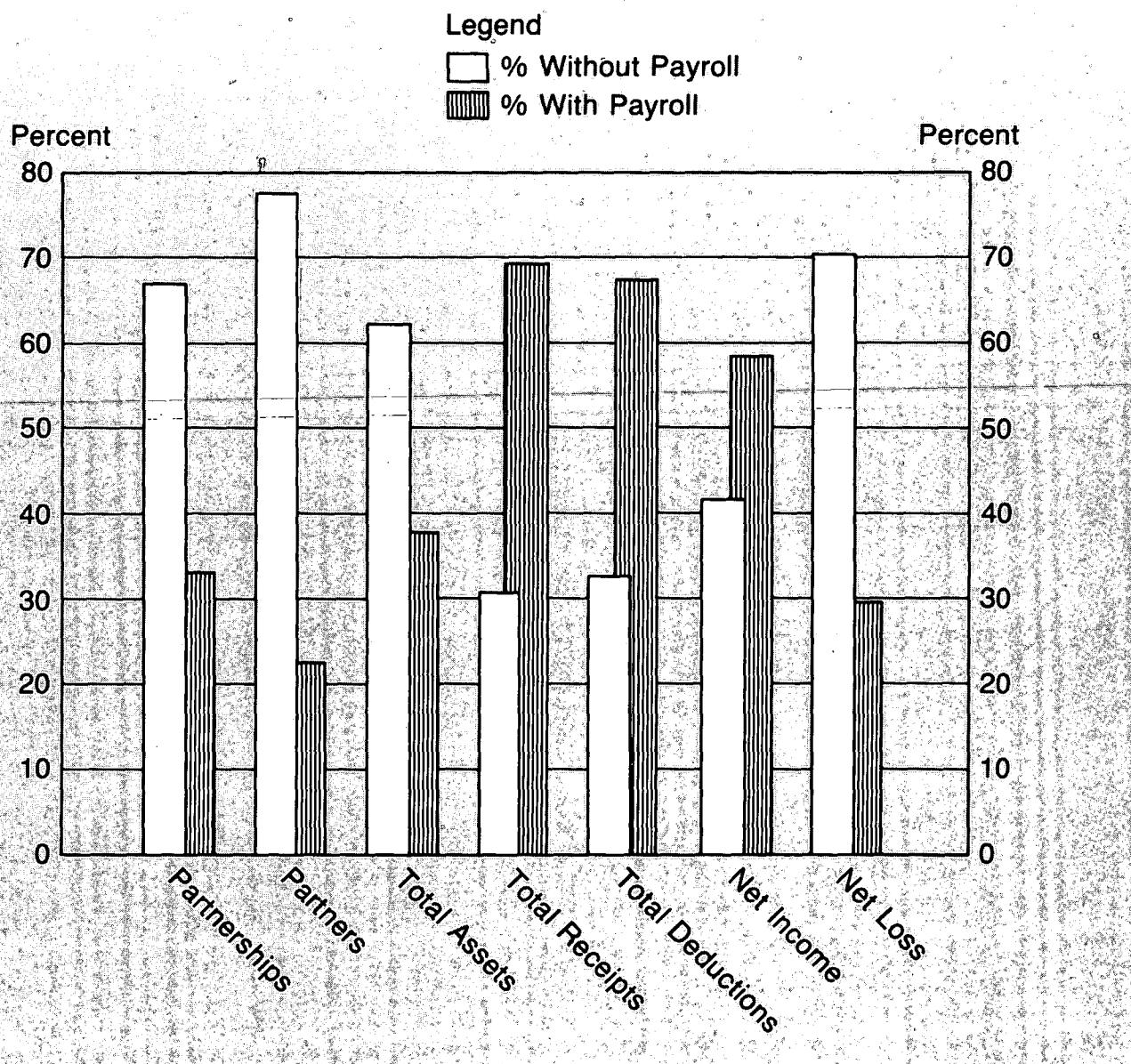
As a type of business entity, the partnership affords compelling opportunities as an investment vehicle not found in either the corporation or the sole proprietorship. Since the partners and not the partnership are taxed on partnership income, the so-called "double-taxation" of corporate activity (by which the corporation is taxed on its income and shareholders on their dividend distributions) is avoided. This flow-through aspect of partnerships becomes increasingly useful for individuals in high income tax brackets seeking ways of sheltering income [4].

The partnership also provides an excellent means for obtaining quantities of capital sufficient to achieve economies of scale and discount purchases not accessible to the smaller and accordingly more restricted sole proprietorship. In fact, the limited partnership offers an ideal form to obtain infusions of investment capital since, while one or more general partners control and direct business

*Corporation Statistics Branch. Prepared under the direction of Dan Rosa, Chief. The author thanks Bob Noe and Rhen O'Dell, Internal Revenue Service, for their review of and suggestions on this article.

Figure A

**Percent of Selected Items For Partnerships
With and Partnerships Without Payroll**



operations, the "limited" partners function much as shareholders in a corporation. While their liability is limited to the amount of their individual investments, they can share, nevertheless, directly in the partnership's

gains and losses since, unlike the corporation, the partnership is not taxed on its income prior to distribution. Thus, additional partners can be obtained to increase the "size" and also the earning potential of the partnership itself.

DATA ANALYSIS

Investment and Trade and Service Industries

Being primarily investment vehicles in which almost all business activity is performed by the participating partners, investment partnerships would tend not to have payroll and employment, or at least to have them in disproportionately smaller amounts (especially limited partnerships comprised of a general partner and many limited partners acting solely as providers of investment capital). On the other hand, partnerships engaged in the production of goods and services, by their very nature, would require employees and thus would report payroll and employment. This assessment seems best illustrated by Tables 2 and 5 which show that over 80 percent of the partners in partnerships without payroll were engaged in mining, finance, and real estate--industries with high rates of investment activity. Nearly half the partners in partnerships with payroll conducted business in wholesale trade, retail trade, and services.

Wholesale trade, retail trade, and services accounted for approximately three quarters of reported partnership employment (Figure B). Although mining, finance, and real estate represented a third of partners in partnerships with payroll, they accounted for a disproportionately small amount of reported employment, only 10 percent [5].

Partnership Size

Many partnerships with payroll were relatively small when examined by size of employment, business receipts, and total assets (Figures C, D, and E). Almost 60 percent of all partnerships reporting employment had fewer than 5 employees (Table 1). Over 90 percent of partnerships with payroll had less than \$1 million in business receipts and over 90 percent again had less than \$1 million in total assets [6].

Since two industry groups, retail trade and services, accounted for more than half of all partnerships with payroll but over 70 percent of reported employment, these statistics are not particularly remarkable. Indeed, they are to be expected, given that many of these enterprises can be capitalized with relatively small initial investments. Another feature attracting small businesses to these industries is that a significant portion of employee remuneration in eating, drinking, and lodging establishments can consist of tips paid by customers and thus not paid directly by the partnership. Employee remuneration paid directly by the partnership can be fairly low for a variety of reasons as discussed in "Payroll per Employee" below.

Although 60 percent of all partnerships reporting employment had fewer than 5 employees,

more than half of reported employment was in partnerships with 20 or more employees. Three quarters of the employees in these "larger" partnerships could be found in two major industry groups, retail trade and services. Eating, drinking, and lodging establishments help provide an explanation, since while they accounted for only 11 percent of reported payroll, they represented 23 percent of reported employment (Figure F). Because many of these ventures run double and even triple shifts, it is quite possible that some of the "larger" partnerships are thus explained. Much of the remainder would be accounted for by professional partnerships in medical and health services; legal services; and accounting, auditing, and bookkeeping services.

Larger partnerships with payroll tended to be few, but affected the distribution of both employment and payroll by size of business receipts, representing disproportionately large amounts. Fewer than 10 percent of all partnerships with payroll had \$1 million or more in business receipts. These partnerships accounted for some 20 percent of partners in partnerships with payroll, but over 56 percent of payroll and over 40 percent of reported employment, most of which was in partnerships with 20 or more employees.

Essentially four major industry groups accounted for the lopsided relationship of the payroll and employment data in this higher employment stratum: (1) finance, insurance, and real estate; (2) construction; (3) manufacturing; and (4) transportation, communication, utilities, and sanitary services. Unionization was most likely a contributing factor for all of these except finance, insurance, and real estate.

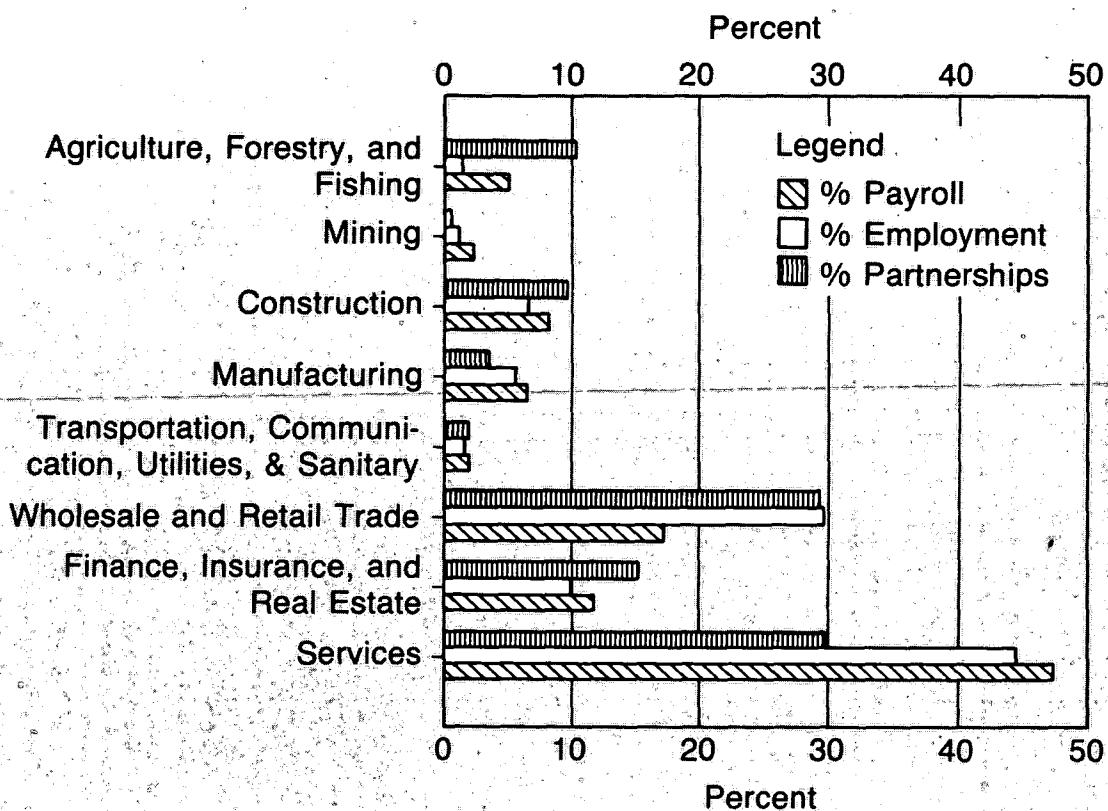
Fewer than 10 percent of partnerships with payroll had \$1 million or more in total assets. Although these partnerships represented a third of reported employment, the percentage of partners represented by these partnerships was roughly comparable at 27 percent.

Other Financial Distinctions

Across each industry (except transportation, communication, utilities, and sanitary services [7]), partners in partnerships with payroll controlled disproportionately high percentages of total income, net income, and even total assets. This relationship was pronounced for mining, finance, and to a lesser degree real estate, all areas with high concentrations of investment and tax shelter activity. Although less than 5 percent of the partners in mining and finance were in partnerships with payroll, they accounted for disproportionately large percentages of total assets and total income, some 30 percent and 40 percent, respectively.

Figure B

**1979 Partnerships With Payroll:
Percent of Partnerships, Employment, and Payroll
By Industrial Division**



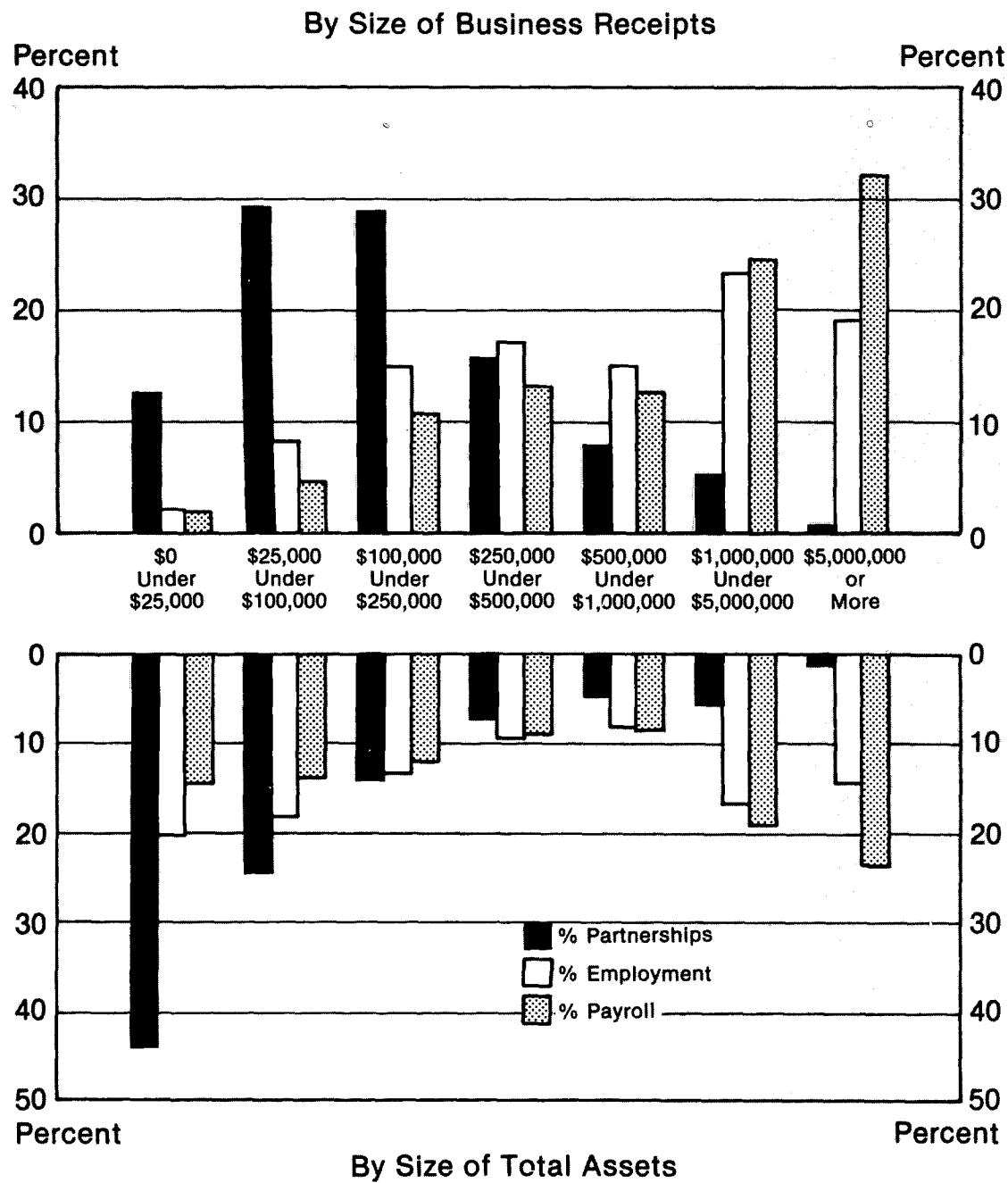
Note: "Nature of Business Not Allocable" is not shown separately because of the small number of sample returns on which it was based. Nevertheless, its data are included in the appropriate totals.

While total assets and total income per partnership in each industry (except transportation, communication, utilities, and sanitary services) were higher for partnerships with payroll than for those without, the relationships exhibited by mining, finance, and real estate above are not particularly unusual. Even investment partnerships would require some employees after they reached a certain size, if

only for purposes of support services and organization. Additionally, partnerships engaged in actual mining production activity would require larger capitalization expenditures per partnership than those strictly in investment activities, and thus would tend to be larger and report payroll. This explanation would apply somewhat to real estate as well, but additionally at work for both mining and real estate is

Figure C

**Partnerships With Payroll: Percent of Partnerships,
Employment, & Payroll by Size of Business Receipts
& Size of Total Assets**



Partnership Employment and Payroll, 1979

Figure D.--Number of Partnerships with Payroll by Size of Employment and Size of Total Assets

Size of total assets	Total	Size of employment				
		None reported	1 under 5	5 under 10	10 under 20	20 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Total	393,216	121,562	160,409	59,989	29,735	21,521
\$0 under \$25,000	172,174	60,435	79,272	22,735	7,174	2,559
\$25,000 under \$100,000	96,193	24,835	42,319	18,234	6,971	3,835
\$100,000 under \$250,000	54,494	15,578	18,683	9,988	6,418	3,827
\$250,000 under \$500,000	27,603	8,583	8,436	3,367	4,029	3,187
\$500,000 under \$1,000,000	17,896	5,098	6,075	2,094	1,910	2,720
\$1,000,000 under \$5,000,000	21,176	6,214	5,221	3,139	2,663	3,938
\$5,000,000 or more	3,679	820	403	432	569	1,454

NOTE: Detail may not add to total because of rounding. See "Zero Employment" under Limitations for a discussion of the 'None reported' category.

Figure E.--Number of Partnerships with Payroll by Size of Employment and Size of Business Receipts

Size of business receipts	Total	Size of employment				
		None reported	1 under 5	5 under 10	10 under 20	20 or more
	(1)	(2)	(3)	(4)	(5)	(6)
Total	393,216	121,562	160,409	59,989	29,735	21,521
\$0 under \$25,000	49,684	32,128	14,990	1,929	229	406
\$25,000 under \$100,000	114,324	42,703	59,749	9,994	1,571	307
\$100,000 under \$250,000	113,163	28,432	56,059	20,790	6,594	1,288
\$250,000 under \$500,000	61,939	10,890	21,071	16,747	9,221	4,010
\$500,000 under \$1,000,000	30,893	4,697	6,211	7,601	7,349	5,036
\$1,000,000 under \$5,000,000	20,353	2,454	2,158	2,752	4,575	8,413
\$5,000,000 or more	2,860	258	171	174	197	2,060

NOTE: Detail may not add to total because of rounding. See "Zero Employment" under Limitations for a discussion of the 'None reported' category.

Figure F.--Employment and Payroll for Selected Business Activities in Retail Trade and Services
 [Money amounts are in thousands of dollars]

Industry	Employment	Percent	Payroll	Percent
	(1)	(2)	(3)	(4)
All industries	2,498,340	100.0	23,678,837	100.0
Subtotal, selected industries	1,156,401	46.3	9,695,344	40.9
Retail trade				
Eating and drinking establishments	359,533	14.4	1,367,617	5.8
Services				
Hotels and other lodging places	223,352	8.9	1,308,440	5.5
Medical and health services	211,484	8.5	1,797,963	7.6
Legal services	218,919	8.8	3,007,396	12.7
Accounting, auditing, and bookkeeping services	143,113	5.7	2,213,928	9.3

probably the presence of corporate partners, and for real estate, also real estate investment trusts (REIT's) acting as partners.

Partners in certain investment partnerships (particularly real estate and mining) would exploit the accelerated depreciation provisions for their assets and claim correspondingly large amounts of depreciation deductions, resulting in some of the higher percentages of net losses incurred by partnerships without payroll. On the other hand, in partnerships with payroll engaged in trade and service net losses would tend to be explained less by tax deductions and more by the vicissitudes of the economy.

Payroll per Employee

The amount of payroll per employee is fairly constant until partnerships with 100 or more employees are encountered, rising then from a plateau of some \$8,000 to \$12,000 per employee or an increase of roughly 50 percent. The rise in payroll per employee is more noticeable as both business receipts and total assets increase, but the glimpse afforded by size of employment indicates that more may be involved than simply the increased ability to pay higher wages permitted by higher partnership income and assets.

At work for businesses with more employees in certain industries (particularly for larger partnerships in manufacturing, construction, and transportation, communication, utilities, and sanitary services) is the increased likelihood of unionization which may bid up the average wage rate (Figure G). In addition, and perhaps more fundamental, is the necessity for more management personnel, whether in the form of production working supervisors or in other more removed strata and administrative services of the management hierarchy, tending to increase average reported payroll per employee.

Another factor at work may be the amount of human capital actually required, as illustrated by mining and manufacturing. Though both mining and manufacturing are capital-intensive industries, it is important to consider that highly specialized workers employed in petroleum mining probably represent larger investments of human capital in terms of on-the-job-training, formal education, and the like. It is surely possible that a certain amount of the premium commanded by mining might be attributable to the short duration and harsh conditions of employment, but just as surely, mining is not unique among industries in this respect.

Figure G.--Payroll per Employee, by Industrial Division

Industrial division	Payroll per employee
All industries	\$8,839
Agriculture, forestry, and fishing	8,817
Mining	17,483
Construction	11,236
Manufacturing	10,755
Transportation, communication, utilities, and sanitary services ..	10,827
Wholesale trade	9,947
Retail trade	4,801
Finance	22,198
Insurance	10,715
Real estate	8,278
Services	9,933

NOTE: Payroll of partnerships reporting zero employment was excluded for purposes of this computation. "Wholesale and retail trade not allocable" and "Nature of business not allocable" are not shown separately because of the small number of sample returns on which they were based. They are, however, included in the "All industries" computation.

Partnership Employment and Payroll, 1979

For retail trade (particularly eating and drinking establishments) and, to a lesser degree, certain businesses in services, the relatively low amount of human capital investment required, especially for job entry, helps account for some of the lower reported payroll per employee since a lower return would be expected. Additionally, the fact that these jobs require relatively less human capital tends to funnel more of the pool of unskilled workers towards them, thus increasing the demand for these jobs and consequently acting to keep wages down.

The lower human capital requirement also is partially responsible for at least two other factors helping to keep down wages in retail trade—high turnover and the high incidence of part-time and temporary employees. High turnover is influenced by the relative portability of job skills and by the relatively low increase in pay to be expected from a longer stay at the same job. The less rigorous requirements for job entrance, in conjunction with the variety of working hours and shifts available for these jobs, often make them especially suitable for temporary employees such as students and other individuals seeking supplemental rather than primary career income. Part-time employees are also attracted by these job features and, for obvious reasons, their participation also helps to depress average reported payroll.

"True" remuneration per employee is probably understated in eating and drinking and similar service-type establishments due to the tendency for substantial amounts of tip income to go unreported [8]. True average compensation may also be somewhat understated for agricultural employees since a substantial portion of their total remuneration can consist of food and shelter, both of which are not reportable for purposes of Form 943 (Employer's Annual Tax Return for Agricultural Employees).

Seasonality of business activity also may account for either understating or overstating of average employee payroll, depending on where in the business year March 12 (the date as of which employment is reported) happens to fall. Thus, for many construction partnerships annual payroll per employee probably is overstated in the sense that employment would be higher in good weather months.

SUMMARY

For Tax Year 1979, partnerships with payroll comprised only a third of all partnerships, but almost 60 percent of partnership net income. Partnerships without payroll represented some 70 percent of partnership net loss, and were heavily concentrated, probably as limited partnerships, in industries experiencing high rates of investment and tax shelter activity, primarily real estate and finance. Partnerships

with payroll were heavily clustered in retail trade and services, areas requiring relatively small capitalization outlays for business start-ups and operations.

Although 60 percent of partnerships reporting employment had fewer than 5 employees, more than half of all employees worked for partnerships with at least 20 employees. Retail trade and services accounted for over 70 percent of reported employment, much of it in partnerships with 20 or more employees.

Average employee payroll was fairly constant at approximately \$8,000 for partnerships with less than 100 employees; for partnerships with at least 100 employees, it rose to \$12,000. This wage differential is probably due to factors such as unionization and more layers of management personnel for larger partnerships. Average employee payroll varied more across industries and ranged from \$4,800 for retail trade to \$22,200 for finance. The variations in average employee payroll by industry can be explained by factors such as seasonality of business activity, unionization, industry profitability, the employee's human capital investment, and the part-time and temporary nature of certain jobs.

METHODOLOGY

Each of the business employment and payroll linkage studies undertaken by IRS Statistics of Income (SOI) Division for the Small Business Administration will add employment and payroll to the financial data already available from the IRS SOI business statistics series by matching SOI sample files of business income tax returns by Employer Identification Number (EIN) with the corresponding quarterly or annual Employer's Tax Returns reporting Federal income tax withheld and Social Security (FICA) taxes. For the Tax Year 1979 Partnership Linkage Study, this operation entailed matching the Tax Year 1979 SOI sample file of 48,396 Form 1065 (U.S. Partnership Return of Income) records [9] with the population of some 5 million Form 941 (Employer's Quarterly Federal Tax Return) and Form 943 (Employer's Annual Tax Return for Agricultural Employees) records perfected and provided by the Bureau of Census [10].

This study was designed to estimate data for full-year partnership returns; therefore, the data differ from those for similar items in the 1979 Statistics of Income partnership study as illustrated in Figure H, and should be qualified accordingly (see "Part-Year and Other Excluded Records" under Limitations).

Because the EIN's on some partnership records may have been incorrect, it was necessary to impute [11] for those records, which should have matched with Form 941 or Form 943 data but did not. Accordingly, three sets (LOW, BEST, and

Figure H.--Selected Items by Return Group as Percentages of 1979 Partnership Statistics of Income (SOI) Totals

Item	Total	Selected return groups (in percent)		
		Full year ¹	Part year	Other excluded cases
	(1)	(2)	(3)	(4)
Partnerships	100.0	91.5	6.2	2.3
Partners	100.0	91.2	6.3	2.5
Total assets	100.0	90.1	7.7	2.2
Total receipts	100.0	92.7	3.8	3.5
Proxy Payroll ²	100.0	94.6	3.9	1.5

¹Present study's universe.²Proxy Payroll was the sum of "Salaries and Wages" plus "Cost of Labor" from Form 1065. See "Payroll and Proxy Payroll" under Limitations for further discussion.

HIGH) of estimates were eventually produced; those from the BEST set were used in this report.

LIMITATIONS

Because the data presented in this article are estimates based on a sample of returns, they are subject to sampling error. To insure proper use of the estimates, the magnitude of the sampling error should be known.

The table below presents approximated coefficients of variation (CV's) for frequency estimates. The approximate CV's shown here are intended only as a general indication of the reliability of the data. For numbers of partnerships other than those below, the corresponding CV's can be estimated by interpolation.

Estimated Number of Returns	Approximated Coefficient of Variation
940,000	.02
150,000	.05
37,000	.10
9,400	.20
4,200	.30
1,500	.50

The reliability of estimates based on samples and the use of CV's for evaluating the precision of sample estimates are discussed in the Appendix.

Part-Year and Other Excluded Records

Part-year partnership records (those with less than a full accounting year) and other excluded records (certain prior year records

and records sharing the same EIN and accounting period) were omitted from the present tabulations. Part year records may have been new or final returns whose matches with Form 941 or Form 943 data would not have been consistent with the rest of the population--especially since employment is reported only as of the first quarter. Other excluded records might have adversely affected the data by effecting multiple matches with Form 941 and Form 943 data or by matching to Form 941 or Form 943 data not representative of the Form 1065's accounting period. This limitation of the present results means that the estimates in this article are based on just over 90 percent of the population of 1979 partnership returns. They represent, however, partnerships containing nearly 95 percent of payroll as reported on Form 1065 (see "Payroll and Proxy Payroll" below for more discussion of this item).

Payroll and Proxy Payroll

Although the ratio of Form 1065 Proxy Payroll (Salaries and Wages plus Cost of Labor) to Form 941 and Form 943 Payroll suggested a virtual identity (98.9 percent) for all partnerships with payroll, there was some variation in this comparison across size of employment by industry, size of business receipts, and size of total assets. It is possible that the presence of false matches yet within the file might account for certain of these deviations. Nevertheless, it is more likely that they are due to (a) differences between the time period of the partnership's accounting period as reported on Form 1065 and the time period of the Calendar Year quarterly Form 941 or Calendar Year annual Form 943 representing its payroll and employment data and (b) the "burying" of some Proxy Payroll data in other deduction items on Form 1065.

Partnership Employment and Payroll, 1979

Zero Employment

In addition to the 795,350 partnership Forms 1065 not matching Forms 941 and Forms 943 and thus reporting neither payroll nor employment, over 30 percent of the 393,216 Forms 1065 that did match Forms 941 and Forms 943 reported zero employment (Figure I). In spite of their numbers, these records nevertheless accounted for only some 7 percent of reported payroll.

Figure I.--Partnerships With and Without Employment

<u>Category</u>	<u>Number of Partnerships</u>
Total	1,188,566
Not Matching Form 941 or Form 943	795,350
Matching Form 941 or Form 943	393,216
Reporting employment	271,654
Not reporting employment	121,562

The deletion of Employment in Form 943 records (due to its unreliability) by Census accounts for the high proportion of zero employment represented by agriculture, forestry, and fishing, but for other industries the following are considered as possible explanations: (a) seasonality of business activity, (b) high birth and death rates experienced by partnerships as a whole (particularly those established purely for tax purposes) predictably resulting in high numbers of no first quarter Forms 941 (the only quarter for which employment was required to be reported), and (c) the reporting requirement itself, which asked for Employment only as of the pay period containing March 12.

NOTES AND REFERENCES

[1] A more comprehensive treatment of small business employment and payroll will be forthcoming from David A. Hirschberg and Bruce Phillips (both of whose review of this article was much appreciated) of SBA at the conclusion of the Tax Year 1979 corporation and sole proprietorship studies. These two studies should be completed by the end of 1984; preliminary tabulations of sole proprietorship employment and payroll data are anticipated by early summer of 1984. The employment and payroll studies will be repeated for all three types of business entity for Tax Year 1982 to coincide with the Economic Censuses and thereafter annually for corporations and every five years for partnerships and sole proprietorships.

[2] For further information on the Small Business Data Base see Kirchhoff, Bruce A. and Hirschberg, David A., "Small Business Data Base: Progress and Potential," 1981 *Proceedings: American Statistical Association, Section on Survey Research Methods*; Hirschberg, David A. and Phillips, Bruce, "Using Financial Statement Data to Evaluate the Status of Small Business," 1982 *Proceedings: American Statistical Association, Section on Survey Research Methods*; and Rose, Paul and Taylor, Linda, "Size of Employment in Statistics of Income: A New Classifier," 1982 *Proceedings: American Statistical Association, Section on Survey Research Methods*.

[3] For a more definitive treatment of tax shelter partnerships see Joint Committee on Internal Revenue Taxation (Staff), *Proposals Relating to Tax Shelters and Other Tax-Motivated Transactions*, JCS-5-84. Also see Piet, Patrick, "Partnership Returns for 1981 Reflect Tax Shelter Activity," *Statistics of Income Bulletin*, Winter 1983-84.

[4] "The use of tax-shelter investments by higher bracket taxpayers became increasingly widespread through the 1970's. In 1979 39 percent of taxpayers with over \$200,000 of adjusted gross income (AGI), before partnership loss, reported net partnership losses, which reduced federal income tax liability by 10.7 percent in this income class. Considering just those taxpayers in the top income bracket reporting partnership loss, these losses reduced their tax liability by an average 25.2 percent. On the other hand, only 0.1 percent of taxpayers with pre-loss AGI of \$10,000 - \$20,000 reported net partnership loss, and this loss reduced tax liability by only 0.2 percent in their income class....

These data overestimate tax shelter partnerships to the extent that net partnership losses are due to adverse economic circumstances as opposed to tax deductions.... However, net partnership loss data underestimate tax deductions to the extent that losses from one partnership offset profits from another." Joint Committee on Internal Revenue Taxation (Staff), *Proposals Relating to Tax Shelters and Other Tax-Motivated Transactions*, JCS-5-84, page 9.

[5] Almost one third (30.9 percent) of the 393,216 partnerships with payroll did not report employment. Partnerships with payroll were defined as those whose Form 1065 matched on Employer Identification

Number (EIN) with a Form 941 or Form 943 containing payroll or employment for Calendar Year 1978, 1979, or 1980. See Methodology and also "Zero Employment" under Limitations for further discussion.

- [6] Tabulations of income statement, payroll, and employment data cross-classified by size of employment, business receipts, and total assets are available on a reimbursable basis. These may be obtained by writing to Director, Statistics of Income Division, D:R:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.
- [7] Tax shelter partnerships without payroll engaged in the leasing of airplanes may provide a partial explanation for this exception, since the large companies engaged in actual business activity for these industries most likely would be corporations.
- [8] See Pearl, Robert B. and McCrohan, Kevin F., "Estimates of Tip Income in Eating

Places, 1982," *Statistics of Income Bulletin*, Winter 1983-84.

- [9] For a more detailed account of this sampling scheme, see *Statistics of Income--1979, Partnership Returns*.
- [10] Internal Revenue Service initially processed Forms 941 and Forms 943 and provided the Census Bureau with extracts of selected data, as authorized by Internal Revenue Code section 6103. Census "perfected" these data for their own purposes and later supplied Statistics of Income Division with "perfected" employment and payroll data for 1978-1980.
- [11] For a more complete description of the imputation process, including its assumptions, see Greenia, Nick, *Processing and Imputation Methodology*, November 1983, (unpublished), available upon request by writing to Director, Statistics of Income Division, D:R:S, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224.

1979 Partnership Employment and Payroll

Table 1.—Total Assets, Income Statement, Employment, and Payroll by Number of Employees for Partnerships With Payroll

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total	None	1 under 5	1 under 10	5 under 10	10 under 20	20 under 50	50 under 100	100 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
Number of partnerships	383,216	121,562	180,409	59,989	26,735	14,903	4,060	2,558	2,558
1,427,197	409,941	475,452	185,507	16,689,591	17,286,756	98,115	58,537	59,587	59,587
151,306,984	36,885,298	29,086,514	16,689,591	16,689,591	16,689,591	13,622,441	8,954,727	28,503,543	28,503,543
184,728,788	24,417,086	30,752,860	22,898,738	22,898,738	21,231,980	21,351,337	12,131,015	31,943,964	31,943,964
Total assets	22,840,659	27,584	28,927,838	22,271,516	20,688,155	20,780,768	11,748,465	29,679,279	29,679,279
Business receipts	2,488,715	2,858	49,282	1,114	1,380	1,380	1,545	6,546	6,546
Income from other partnerships and fiduciaries	144,798	248,938	154,484	154,484	120,290	134,355	1,750	10,084	10,084
Nonqualifying dividends	67,790	82,790	77,417	77,417	65,619	68,811	1,112,884	1,112,884	1,112,884
Interest received	117,378	12,637	72,635	14,395	11,455	7,733	3,839	15,878	15,878
Rents received	117,666	71,901	81,734	10,073	3,421	7,783	1	11	11
Royalties	667,582	667,582	292,705	254,080	203,591	27,332	12,042	33,222	33,222
Other receipts	148,858,928	23,917,161	27,189,810	20,001,950	18,901,044	10,092,739	11,004,899	840,752	840,752
Total deductions	23,917,161	13,246,144	14,418,213	10,178,692	9,587,205	8,458,985	4,794,914	28,731,324	28,731,324
Cost of sales and operations	73,044,137	6,852,887	6,798,059	1,828,130	1,136,442	986,800	986,983	11,348,975	11,348,975
Inventory, beginning of year	6,758,412	11,318,747	7,983,295	7,983,295	7,478,908	6,680,831	4,15,448	886,415	886,415
Purchases	48,587,451	5,684,469	1,287,417	526,413	546,185	519,473	2,913,975	5,521,310	5,521,310
Cost of labor	3,820,018	737,016	814,725	411,900	402,403	764,151	483,490	1,537,341	1,537,341
Materials and supplies	15,788,441	4,862,162	1,760,978	1,405,071	1,282,469	513,763	206,858	733,983	733,983
Other costs	7,717,231	1,207,923	1,831,781	1,213,522	1,098,848	1,535,887	1,231,072	3,648,802	3,648,802
Less: inventory, end of year	17,788,019	880,670	2,047,750	2,289,648	2,38,079	945,331	485,928	958,856	958,856
Salaries and wages	34,408	2,023	4,762	4,116	5,486	1,498,945	5,981,081	1,498,945	1,498,945
Less: jobs credit	2,884,452	348,048	820,303	480,973	415,730	341,366	2,081	8,135	8,135
Guaranteed payments to partners	4,088,150	834,358	650,288	489,758	432,987	511,746	307,806	440,228	440,228
Rent paid	8,515,213	1,852,739	1,571,090	1,095,109	1,050,163	772,319	528,669	1,705,123	1,705,123
Interest paid	4,838,436	635,582	954,138	687,847	688,931	603,743	367,304	920,740	920,740
Taxes paid	24,269	34,023	52,058	34,900	30,439	27,784	16,546	48,518	48,518
Bad debts	978,940	678,840	1,359,755	877,382	854,080	221,840	126,834	283,564	283,564
Repairs	1,720,422	18,278	12,006	11,739	11,030	667,679	383,528	932,248	932,248
Depreciation	35,162	12,006	12,188	7,979	8,323	18,671	14,812	48,532	48,532
Amortization	179,801	51,006	12,188	19,305	21,742	15,194	69,987	1,705,123	1,705,123
Depletion	286,427	7,420	27,897	31,789	50,551	31,055	26,402	176,874	176,874
Pension, benefit plans	550,087	22,187,450	2,615,807	4,570,519	3,600,876	80,603	51,189	253,508	253,508
Net loss from other partnerships and fiduciaries	274,866	76,355	33,671	23,761	61,671	21,100	14,045	44,293	44,293
Farm net loss	214	—	28	—	—	116	—	66	66
Net loss, noncapital assets	30,988	4,731,029	3,562,131	3,040,231	3,040,231	9,300	5,340	2,533	2,533
Other deductions	15,887,882	499,925	3,562,850	2,886,788	2,886,788	2,330,915	2,258,588	5,589,759	5,589,759
Net income	22,187,450	1,595,106	1,007,889	703,888	588,778	2,917,983	1,485,710	3,212,670	3,212,670
Deficit	6,279,589	2,115,882	2,115,882	1,007,889	703,888	588,778	480,817	329,594	1,055,259
Capital gains and losses allocable to partners:									
Net short-term capital gain (loss)	-55,301	-195,179	124,288	17,201	15,370	20,057	29,755	33,198	33,198
Net long-term capital gain (loss)	2,044,943	597,169	275,269	890,169	94,703	51,885	46,321	88,431	88,431
Employment?	2,498,340	—	334,745	380,486	397,707	441,990	272,869	660,980	660,980
Payroll?	23,878,837	1,595,106	2,449,490	2,815,482	2,988,987	3,755,170	2,14,943	7,892,422	7,892,422
Capital, gains and losses allocable to partners:	2,179,085	2,179,085	2,574,192	2,574,192	2,574,192	3,430,997	1,982,435	7,526,422	7,526,422

Reported as of March 12 on Form 941.

From Form 941 and Form 943.

The sum of "Salaries and Wages" plus "Costs of Labor" from Form 1065.

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

Table 2.—Total Assets, Income Statement, Employment, and Payroll by Selected Industry for Partnerships With Payroll

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All industries	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation, communication, electric, gas, and sanitary services	Wholesale trade	Retail trade	Finance	Insurance agents, brokers, and service	Real estate	Services
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Number of partnerships	393,216	40,392	2,402	37,695	7,460	13,121	102,309	6,616	4,880	48,225	116,235	
Total assets	1,427,197	114,785	13,173	82,354	4,133	22,923	34,629	65,933	14,885	380,257	409,768	
Total receipts	151,306,994	10,688,587	4,243,719	4,784,563	5,848,612	1,675,926	4,037,499	8,956,263	27,385,549	1,892,528	60,882,772	
Business receipts	164,726,789	14,684,109	3,469,065	14,107,415	10,841,554	2,863,878	16,842,052	32,122,849	2,025,330	17,884,431	42,707,761	
Income from other partnerships and fiduciaries	157,924,780	13,698,525	3,267,738	13,672,093	10,387,339	2,810,057	16,415,049	4,976,363	16,752,885	4,025,330	41,780,196	
Nonqualifying dividends												
Interest received	2,298,391	1,115	100	3,080	223	6,985	854	6,649	85,734	566	42,527	
Rents received	67,1,962	92,292	18,211	48,522	35,922	14,374	38,224	55,093	1,423,618	433	4,081	
Royalties	182,441	20,285	39,600	1,268	10,082	234	10,536	41,085	88,741	3,876	127,482	
Farm net profit	15,082	10,930	98	1,276	858	—	356	1,063	92,709	11,655	—	
Net gain, noncapital assets	373,379	80,603	91,243	45,072	21,259	6,392	9,860	23,118	26,449	384	130,914	
Other receipts	2,962,852	704,563	10,170,040	250,783	155,709	19,989	132,054	192,871	387,227	74,452	44,847	
Total deductions	14,024,043	3,233,303	12,632,982	10,170,040	2,671,512	15,976,808	30,829,072	6,989,290	1,847,150	16,383,454	32,054,352	
Cost of sales and operations	73,044,137	8,974,983	1,352,048	9,208,227	7,283,703	1,149,513	13,741,412	22,630,561	28,051	242,026	5,890,504	
Inventory, beginning of year												
Purchases	6,952,987	732,974	55,687	712,950	778,398	13,771	1,186,263	2,798,970	2,849	277,813	293,308	
Cost of labor	48,567,451	3713,645	277,984	1,836,424	4,533,974	507,141	13,075,988	21,282,110	38,404	53,125	744,515	
Materials and supplies	3,820,018	351,591	90,722	1,908,340	1,194,926	90,225	188,567	564,306	897,211	1,167,0	671,04	
Other costs	1,768,441	388,069	81,154,2	3,944,679	507,532	31,421	130,398	228,149	650	920	405,879	
Less: Inventory, end of year	7,717,231	404,865	610,180	96,404	22,553	1,345,453	610,388	860,640	860,115	186,58	1,684,614	
Salaries and wages	17,798,019	248,726	234,262	774,335	621,485	350,052	625,854	625,854	2,720,982	797,452	282,386	
Less: Jobs credit	34,408	1,049	387	2,005	497	2,010	497	6393	6393	621	18,825	
Guaranteed payments to partners												
Rent paid	2,984,452	146,840	22,819	279,589	132,238	45,159	162,253	452,258	225,034	53,325	154,751	
Interest paid	4,098,150	576,833	40,432	99,859	120,888	53,291	98,446	766,985	89,721	303,984	1,908,513	
Taxes paid	8,515,213	175,776	177,248	82,880	81,188	32,908	32,908	1,253,919	5,110	4,250,357	1,163,650	
Bad debts	4,838,456	752,834	192,976	211,099	179,284	91,019	163,310	680,472	119,001	30,461	1,616,189	
Repairs												
Depreciation	2,323,896	611,341	106,284	108,469	126,737	100,069	72,490	180,284	17,048	7,780	62,615	
Amortization	6,805,149	924,562	316,116	241,915	306,716	184,338	131,439	430,943	74,514	15,824	377,373	
Depletion												
Pension, profit-sharing, annuity, and bond purchase plans												
Employee benefit plans	550,087	12,586	12,059	10,772	23,698	5,782	12,081	11,733	30,986	6,314	173,002	
Net loss from other partnerships and fiduciaries	274,896	21,062	23,437	5,735	18,259	3,114	1,150	1,588	12,177	10,581	264,984	
Farm net loss	71,961	6,746	4,520	1,440,543	1,037,976	4,454	313	364	29	—	23,483	
Net loss, noncapital assets	26,743,917	671,923	1,173	2,559	2,182	4,985	2,182	1,318	647,475	349	1,510,485	
Other deductions												
Net income (less deficit)	15,887,862	680,065	235,761	1,475,333	471,304	19,136	605,244	1,687,622	39,419	78,518	9,712,045	
Net income												
Deficit												
Capital gains and losses allocable to partners:												
Net short-term capital gain (less loss)	-55,301	3,982	4,504	-169	3,784	-241	1,020	1,14	-86,033	8,194	8,184	
Net long-term capital gain (less loss)	2,044,946	92,343	21,888	15,956	38,812	3,231	9,575	36,963	-13,682	1,014,263	135,625	
Employment¹	2,498,340	33,985	29,116	162,544	138,308	40,334	76,016	683,908	35,079	190,023	1,108,201	
Payroll²	23,678,837	1,183,206	1,183,450	54,075	1,913,482	45,172	786,162	907,901	224,461	1,633,762	11,202,315	
Proxy payroll³	23,422,488	1,349,294	411,325	1,805,275	1,805,410	441,177	814,421	3,265,388	798,397	1,241,978	10,787,681	

¹Reported as of March 12 on Form 941.

²From Form 941 and Form 943.

³The sum of "Salaries and Wages" plus "Cost of Labor" from Form 1085.
NOTE: "Wholesale and retail trade not allocable" and "Nature of business not allocable" are not shown separately because of the small number of sample returns on which they were based. Nevertheless, the data are included in the appropriate totals. Detail may not add to total because of rounding.

1979 Partnership Employment and Payroll

Table 3.—Total Assets, Income Statement, Employment, and Payroll by Size of Business Receipts¹ for Partnerships With Payroll

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All returns	\$0	\$1 under \$25,000	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1 million	\$1 million under \$2.5 million	\$2.5 million under \$5 million	\$5 million under \$10 million	\$10 million and over
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Number of partnerships	383,216	5,579	44,105	48,242	66,092	113,163	614,938	30,893	15,655	4,698	1,692	1,168
Total assets	1,427,197	22,382	116,912	121,548	175,913	316,603	230,770	151,839	120,775	65,334	56,708	40,412
Total receipts	151,839	2,305,994	3,338,997	3,438,383	6,548,568	16,947,477	20,458,586	19,489,578	22,976,044	14,105,843	8,810,000	32,317,168
Business receipts	154,726,769	164,726,769	383,046	654,404	1,349,340	5,114,896	18,588,331	22,117,835	21,976,433	16,198,628	16,649,338	11,818,245
Income from other partnerships and fiduciaries	157,924,780	—	529,637	1,743,908	4,895,568	18,058,616	21,444,392	21,054,474	23,435,084	16,040,924	11,438,604	39,318,574
Nonqualifying dividends	272,883	50,254	35	4,980	6,210	2,973	17,844	3,267	32,505	35,809	15,734	54,662
Interest received	24,989	29	23,033	28,084	2,435	2,611	1,634	3,267	1,574	1,924	1,289	10,188
Rents received	8,177	6,186	13,239	32,074	72,289	97,016	187,108	164,974	186,519	136,985	92,038	1,302,347
Royalties	671,962	4,006	7,055	7,478	1,346	5,219	12,026	28,242	28,281	17,324	73,472	134,869
Farm net profit	182,441	10,242	310	—	1,278	228	523	460	1,599	472	28,277	23,257
Net gain, noncapital assets	373,379	3,134	25,080	11,740	20,610	64,156	55,481	44,372	67,188	34,988	11,571	35,982
Other receipts	2,982,892	280,151	62,281	48,360	127,835	307,784	284,598	277,328	378,619	286,805	183,486	715,387
Total deductions	492,047	841,123	1,861,115	4,629,891	16,072,835	19,308,292	19,426,914	21,863,519	15,138,787	10,608,252	38,478,353	
Cost of sales and operations	73,044,137	163,075	510,935	1,574,312	6,615,735	6,754,312	6,615,735	6,754,312	6,754,312	6,754,312		
Purchases, beginning of year	6,982,987	9,715	48,684	103,735	254,894	803,706	903,228	928,108	1,076,683	882,915	5,925,500	
Purchases	48,587,452	34,191	115,851	327,274	4,244,207	6,353,755	7,094,128	7,094,128	8,311,432	5,593,438	5,511,916	1,383,473
Cost of labor	5,684,469	—	25,770	54,543	156,576	668,780	772,808	741,928	780,882	470,968	376,399	11,776,438
Materials and supplies	3,820,018	—	21,887	180,544	48,368	470,988	377,501	483,637	259,563	303,816	1,646,116	1,198,487
Other costs	15,728,441	7,236	39,729	90,289	1,364,831	263,781	1,364,675	1,327,026	2,015,707	2,287,788	1,534,286	5,352,102
Less: Inventory, end of year	7,717,231	51,149	86,798	16,211	261,729	955,158	986,716	1,068,716	902,445	557,316	1,490,973	
Salaries and wages	17,738,019	55,883	86,362	240,918	538,127	1,990,668	2,384,820	2,246,978	2,568,671	1,598,702	1,288,781	4,767,430
Less: Jobs credit	34,408	2	243	112	2,103	3,452	6,229	6,961	5,471	2,683	1,897	5,211
Guaranteed payments to partners	5,121	2,984,452	12,723	103,382	234,868	580,927	571,720	401,463	325,671	200,463	111,476	424,288
Rent paid	4,098,150	18,895	45,327	106,016	187,784	641,899	622,712	592,688	594,344	542,185	46,837	688,324
Interest paid	6,515,213	4,170	98,170	142,015	268,491	955,578	1,186,176	1,186,176	1,336,489	882,262	545,717	1,880,193
Taxes paid	4,638,438	244,289	2,978	37,396	189,733	612,761	765,079	713,449	727,714	509,370	341,755	783,373
Bad debts	2,323,896	3,997	20,704	9,861	27,531	42,529	34,502	36,454	21,947	21,947	43,243	
Repairs	8,805,149	23,207	158,507	4,582,182	1,084,913	417,726	428,199	355,448	347,004	191,275	101,087	276,373
Depreciation	164,314	2,673	4,586	3,518	6,807	17,153	13,283	15,431	10,764,44	588,841	385,879	
Pension, profit-sharing, annuity, and bond purchase plans	178,921	3	126,001	278	94	1,260	5,409	3,621	22,768	17,274	14,826	46,338
Employee benefit plans	286,427	316	62	67	626	8,874	20,327	18,160	27,801	11,639	8,096	11,128
Net loss from other partnerships and fiduciaries	550,087	1,130	135	6,528	25,709	52,847	54,631	81,473	26,438	30,140	163,015	
Farm net loss	274,896	9,153	6,212	1,803	24,218	7,121	31,985	19,934	33,890	52,586	67,360	206,123
Net loss, noncapital assets	71,961	214	—	—	—	6,215	99	—	18	44,426	44,426	68,734
Other deductions	28,433,917	312,603	261,855	3,039	461	27,987	6,282	1,940	5,081	5,548	8,930	5,607
Net income (less deficit)	15,987,862	-126,001	-186,719	-11,476	48,105	2,615,696	2,809,543	2,249,519	2,215,108	1,472,533	1,472,533	8,332,098
Net income	22,167,450	95,407	117,988	336,362	88,080	3,458,541	3,635,521	3,032,738	2,988,980	1,936,110	1,513,628	3,117,540
Deficit	6,279,589	224,408	304,617	347,838	40,975	842,845	825,737	783,719	773,871	423,558	303,635	1,047,885
Capital gains and losses allocable to partners:												
Net short-term capital gain (loss)	-55,301	4,663	3,355	21,889	15,057	3,827	—	—	—	—	—	
Net long-term capital gain (loss)	2,044,846	38,442	138,594	85,843	85,274	117,549	112,015	35,423	202,865	1,053,336	-234,339	8,440
Employment	2,988,340	7,580	47,157	69,576	134,018	375,446	429,981	374,313	227,723	149,847	31,181	54,846
Payroll	23,726,337	97,255	375,773	351,618	757,839	2,659,462	3,123,706	3,010,659	3,455,602	2,351,985	337,903	5,812,876
Profit	23,422,488	55,883	112,132	25,481	694,703	2,659,246	3,107,428	2,988,007	3,349,554	2,070,368	1,376,181	6,135,446

¹Total Receipts for industries in "Finance, insurance, and real estate" and "Business Receipts" for all other industries.²Reported as of March 12 on Form 641.³From Form 941 and Form 943.⁴The sum of "Salaries and Wages" plus "Cost of Labor" from Form 1065.

NOTE: Details may not add to total because of rounding.

1979 Partnership Employment and Payroll

Table 4.—Total Assets, Income Statement, Employment, and Payroll by Size of Total Assets for Partnerships With Payroll

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All returns	\$0	\$ under \$25,000	\$25,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1 million	\$1 million under \$5 million	\$5 million and over
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of partnerships	383,216	78,161	94,013	96,183	54,494	27,603	17,896	21,176	3,679
Number of partners	1,427,197	184,990	217,898	243,438	165,954	122,433	168,715	203,596	176,994
Total assets	151,986,994	14,567,583	1,067,896	52,779,373	6,610,384	9,770,786	12,642,195	44,482,501	69,595,328
Business receipts	157,924,780	14,105,085	9,990,751	20,519,745	19,867,058	15,087,882	13,332,766	31,212,214	33,798,269
Income from other partnerships and fiduciaries	28,583	28,587	—	17,838	7,825	17,077	32,659	57,641	110,986
Nonqualifying dividends	24,989	493	1,557	441	3,326	2,311	1,380	3,189	12,921
Interest received	2,288,381	40,807	23,779	28,134	61,228	66,017	150,820	424,374	1,502,131
Rents received	671,962	40,875	10,103	28,363	65,380	56,943	68,571	213,487	190,220
Royalties	182,441	5,881	4,960	23,360	22,184	7,410	6,921	67,564	43,142
Farm profit	15,982	486	—	89	6,312	182	6,151	1,774	85
Farm net profit, noncapital assets	373,378	38,286	25,144	14,414	32,949	28,770	58,772	116,308	59,735
Net gain, noncapital assets	2,982,892	308,079	48,476	170,674	222,713	206,887	271,014	634,178	1,089,070
Other receipts	148,339,928	12,599,881	7,887,985	17,554,888	17,881,575	13,925,628	12,866,769	30,886,302	35,556,088
Total deductions									
Cost of sales and operations	73,044,137	7,492,988	3,453,762	9,811,500	10,261,678	7,434,887	6,556,228	15,128,171	13,084,120
Inventory, beginning of year	6,952,987	610,930	180,036	820,269	1,006,212	718,770	661,053	1,351,482	1,351,482
Purchases	48,587,451	4,956,329	2,151,932	7,116,030	7,982,896	5,635,078	4,177,495	8,526,459	6,995,939
Cost of labor	5,884,489	480,934	384,447	750,411	630,582	484,598	597,618	1,079,816	1,286,942
Materials and supplies	3,820,018	356,707	385,081	479,428	386,246	291,633	382,090	342	884,492
Other costs	15,738,441	1,643,410	504,710	1,126,878	1,601,287	451,361	1,176,033	3,481,811	4,281,263
Less: Inventory, end of year	7,717,221	556,823	137,844	861,516	1,172,854	840,627	723,068	1,709,982	1,715,217
Salaries and wages	17,738,019	1,251,120	1,352,002	3,866,348	2,216,108	1,589,241	1,472,230	3,124,544	4,380,404
Less: Jobs credit	34,404,408	1,591	2,224	5,161	9,309	3,759	2,635	5,847	3,883
Guaranteed payments to partners	2,984,452	215,159	454,010	627,167	458,906	572,578	388,048	429,113	429,113
Rent paid	4,098,150	404,749	431,921	709,007	555,271	391,537	612,984	666,823	666,823
Interest paid	8,515,213	340,902	86,740	208,456	352,542	500,998	727,746	2,674,543	3,643,404
Taxes paid	4,889,436	349,980	240,197	481,798	496,027	422,958	451,361	1,180,842	1,205,881
Bad debts	244,269	21,428	14,167	21,674	27,554	22,189	27,805	59,653	49,789
Repairs	2,323,856	270,892	180,754	246,945	237,874	204,526	237,874	584,500	463,741
Depreciation	6,805,149	538,437	448,996	415,256	574,457	578,426	673,975	2,074,700	1,802,902
Amortization	164,314	2,038	2,075	10,384	9,176	7,790	44,181	71,877	71,877
Depletion	178,861	945	88,83	787	3,126	7,913	4,937	27,24	131,366
Pension, profit-sharing, annuity, and bond purchase plans	286,427	11,833	10,162	21,358	16,938	16,873	18,907	61,322	139,500
Employee benefit plans	550,087	21,078	24,872	52,132	50,961	45,361	114,934	188,547	188,547
Net loss from other partnerships and fiduciaries	274,886	1,847	10	4,288	26,474	20,141	32,692	58,583	130,779
Farm net loss	214	15	—	—	—	—	14	98	98
Net loss, noncapital assets	71,961	5,954	1,387	3,554	5,150	9,745	1,120	14,397	31,253
Other deductions	26,743,917	1,667,925	1,646,537	2,825,578	2,374,328	2,367,864	1,855,549	4,777,060	9,229,775
Net income (less deficit)	15,887,892	1,967,911	2,218,347	3,249,201	2,827,400	1,558,650	1,281,375	1,844,458	1,160,541
Net income	22,167,450	2,257,548	2,450,550	3,574,882	2,977,760	1,971,981	1,810,150	3,582,638	3,541,981
Deficit	6,279,569	289,637	232,202	325,661	350,350	413,331	548,775	1,738,202	2,381,421
Capital gains and losses allocable to partners:									
Net short-term capital gain (less loss)	-55,301	346	28	1,246	4,078	8,023	20,512	11,689	-10,218
Net long-term capital gain (less loss)	2,04,946	84,676	3,514	98,716	52,982	83,700	103,303	986,819	630,256
Employment¹	2,489,340	256,225	256,584	458,144	322,704	1,212,052	189,477	415,630	257,941
Payroll	23,678,837	1,780,837	1,860,120	2,351,518	2,784,208	2,846,680	2,973,840	2,069,849	5,581,456
Proxy payroll ²	23,422,488	1,734,155	1,885,470	3,118,759	—	—	—	—	5,687,386

¹Reported as of March 12 on Form 941.

²From Form 941 and Form B43.

The sum of "Salaries and Wages" plus "Cost of Labor" from Form 1065.

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

1979 Partnership Employment and Payroll

Table 5.—Total Assets and Income Statement by Selected Industry for Partnerships Without Payroll

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

Item	All industries	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation, communication, electric, gas, and sanitary services	Wholesale trade	Retail trade	Finance	Insurance agents, brokers, and service	Real estate	Services	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
Number of partnerships	795,350	77,935	21,929	30,323	13,697	9,368	15,518	53,755	1,880	347,853	96,985		
Total assets	4,902,562	237,881	598,260	68,653	34,570	27,556	38,427	118,980	5,980	1,673,346	332,470		
Total receipts	248,624,229	7,449,129	10,383,386	2,853,911	1,847,398	5,224,743	988,604	1,014,480	55,480	151,202,340	12,167,084		
Business receipts	72,974,456	5,564,938	5,564,937	4,647,260	1,421,980	1,855,507	3,118,761	3,489,844	8,780,377	20,477	31,406,227	5,657,623	
Income from other partnerships and fiduciaries	65,276,509	6,384,213	5,191,551	4,579,065	1,391,956	1,873,761	3,087,486	3,455,170	4,019,802	165,039	28,876,911	5,244,894	
Nonqualifying dividends	871,318	4,281	75,924	4,708	10,924	0	128	45	138	688,201	84,889	20,296	
Interest received	65,970	1,019	3	62	6	22	45	115	120	60,982	115	1,230	
Rents received	4,439,127	40,427	42,483	19,450	8,306	8,767	7,555	4,322	3,468	654,432	175,686		
Royalties	320,503	43,541	14,077	18,708	1,950	1,234	5,863	9,935	9,935	76,398	797	126,755	
Farm net profit	334,481	71,067	63	1,414	0	81	1,643	0	209,392	0	0	24,116	
Net gain, noncapital assets	7,889	6,433	87	0	0	0	0	0	0	0	401	5	
Other receipts	1,141,408	262,232	63,797	23,103	11,202	6,382	709	2,036	112,021	0	241,674	71,452	
Total deductions	72,105,075	6,382,874	4,394,507	4,117,059	1,435,542	1,996,500	2,913,831	3,249,904	7,683,543	148,906	31,857,540	4,895,579	
Cost of sales and operations	21,579,380	3,838,572	1,559,776	3,237,226	985,935	673,915	2,564,782	2,569,984	16,008	46,610	4,979,657	1,104,288	
Inventory, beginning of year	3,317,681	179,686	33,987	533,388	91,688	1,714	188,988	346,888	49,506	1,800,451	65,092		
Purchases	10,845,765	1,649,341	368,546	634,669	76,550	516,198	2,088,315	2,457,769	76,398	1,605,025	1,605,025	524,428	
Cost of labor	537,130	132,903	102,232	150,149	42,313	11,158	3,943	6,472	1,037	0	68,578	17,325	
Materials and supplies	1,462,707	100,289	115,983	67,126	87,638	5,731	31,883	31,883	14,497	283,525	103,487		
Other costs	8,987,511	1,980,232	982,956	1,785,220	117,887	143,757	437,970	148,351	26,174	21,665	3,423,358	128,017	
Less: Inventory, end of year	3,951,503	205,859	49,229	537,506	114,331	4,642	201,674	420,598	88,149	0	2,202,281	499,953	
Salaries and wages	755,291	21,050	33,988	32,116	24,482	11,358	8,598	8,282	19,015	15	572,426	24,272	
Less: Job credit	695	36	87	4	87	0	6	47	0	180	1,180	171,403	
Guaranteed payments to partners	880,822	243,481	94,373	19,516	21,760	14,152	19,044	105,198	126,505	2,559	617,330	130,521	
Rent paid	1,308,956	11,398,151	481,242	291,168	127,327	56,388	201,211	34,371	28,139	678,077	1,097	877,672	
Interest paid	3,052,850	107,221	171,232	30,711	25,086	43,704	12,330	51,590	107,773	502	2,420,494	80,631	
Taxes paid	1,925,877	3,118	3,627	3,705	5,827	308	3,870	1,957	8,225	52	1,380	1,380	
Repairs	1,522,983	208,094	53,411	19,037	19,940	45,238	58,677	7,703	19,110	3,067	1,068,335	69,212	
Depreciation	9,768,231	570,705	543,206	82,420	68,470	568,079	26,059	48,979	383,143	1,034	5,925,584	1,553,837	
Amortization	19,185,327	885	187,985	2,784	459	3,319	524	337	14,380	0	112,566	17,074	
Depletion	213,979	5,776	187,985	0	587	0	121,9	5,726	0	11,216	0	1,195	
Pension, profit sharing, annuity, and bond purchase plans	8,108	3,435	76	589	2,148	73	13	119	0	1,195	1,195	1,195	
Employee benefit plans	25,952	1,532	2,390	1,561	1,187	500	224	0	1,183,387	1,318	9,543	1,198	
Net loss from other partnerships and fiduciaries	1,914,756	30,232	316,685	894	5,688	4,740	0	0	33,857	0	33,856	0	
Net loss, noncapital assets	6,203	252,928	3,191	0	0	0	0	0	0	0	184	0	
Other deductions	6,484	784,132	3,997,884	465,496	199,628	41,981	200,084	354,143	4,984,548	89,905	6,757,879	1,223,084	
Net income (loss)	869,362	474,063	- 1,888,601	530,191	- 8,052	- 101,001	206,128	239,940	1,144,834	52,571	- 451,131	672,044	
Net income	15,769,319	1,079,752	1,862,316	985,313	190,355	426,682	254,140	422,694	55,274	4,964,241	1,722,081		
Deficit	14,900,456	605,688	3,751,916	155,122	188,407	527,683	48,011	3,081,860	2,704	5,415,554	1,050,047		
Net short-term capital gain (less loss)	160,780	- 4,914	74	- 32	204	368	15	98,769	- 53	61,957	6,302		
Net long-term capital gain (less loss)	2,633,889	101,723	- 37,630	6,40	1,829	6,322	181	5,043	1,264	1,122,061	72,144		

NOTE: "Wholesale and retail trade not allocable" and "Nature of business not allocable" are not shown separately because of the small number of sample returns on which they were based. Nevertheless, the data are included in the appropriate totals. Detail may not add to total because of rounding.

Table 6.—Total Assets and Income Statement by Size of Business Receipts¹ for Partnerships Without Payroll

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

Item	All returns (1)	\$0 (2)	\$1 under \$25,000 (3)	\$25,000 under \$50,000 (4)	\$50,000 under \$100,000 (5)	\$100,000 under \$250,000 (6)	\$250,000 under \$500,000 (7)	\$500,000 under \$1 million (8)	\$1 million under \$2.5 million (9)	\$2.5 million under \$5 million (10)	\$5 million under \$10 million (11)	\$10 million and over (12)
Number of partnerships												
4,902,582	795,350	73,564	413,657	112,354	90,547	63,584	21,620	11,453	5,987	1,748	613	345
248,624,228	496,40	1,707,355	452,440	433,567	317,100	286,549	28,459	23,203	13,270	825	116,580	93,490
21,742,117	21,742,117	36,694,218	18,888,392	23,975,419	33,656,767	26,732,012	23,203,949	26,831,808	13,270,861	9,327,179	14,341,706	14,341,706
72,974,438	385,382	3,598,617	4,053,198	6,523,078	9,983,809	7,595,676	8,011,171	8,897,995	6,165,947	4,227,046	13,542,014	13,542,014
Business receipts												
Income from other partnerships and fiduciaries												
Nonqualifying dividends												
Interest received												
Rents received												
Royalties												
Farm net profit												
Net gain, noncapital assets												
Other receipts												
Total deductions												
Cost of sales and operations												
Inventory, beginning of year												
Purchases												
Cost of labor												
Materials and supplies												
Other costs												
Less: Inventory, end of year												
Salaries and wages												
Less: Jobs credit												
Guaranteed payments to partners												
Rent paid												
Interest paid												
Taxes paid												
Bad debts												
Repairs												
Depreciation												
Amonitization												
Depletion												
Pension, profit-sharing, annuity, and bond purchase plans												
Employee benefit plans												
Net loss from other partnerships and fiduciaries												
Farm net loss												
Net loss, noncapital assets												
Other deductions												
Net income (loss deficit)												
Net income												
Deficit												
Capital gains and losses allocable to partners:												
Net short-term capital gain (loss) (less loss)												
Net long-term capital gain (loss) (less loss)												
Net short-term capital gain (loss) (less loss)	160,780	25,228	11,734	26,805	10,592	-11,680	88,948	3,505	-5,441	1,174	-11,728	21,645
Net long-term capital gain (loss) (less loss)	2,632,889	374,776	895,486	306,189	248,449	316,018	216,136	56,742	128,988	10,598	-7,580	45,258

¹"Total receipts" for industries in "Finance, insurance, and real estate" and "Business receipts" for all other industries.

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

Table 7.—Total Assets and Income Statement by Size of Total Assets for Partnerships Without Payroll

[All figures are estimates based on samples—money amounts are in thousands of dollars]

1979 Partnership Employment and Payroll

Item	All	\$0	\$1 under \$25,000	\$25,000 under \$50,000	\$50,000 under \$100,000	\$100,000 under \$250,000	\$250,000 under \$500,000	\$500,000 under \$1 million	\$1 million under \$5 million	\$5 million and over
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of partnerships	705,350	174,483	75,849	89,261	117,624	66,398	37,709	36,972	6,404	70,237
Number of partners	4,902,532	858,713	609,482	284,900	578,612	431,458	370,254	688,983	70,237	94,938,375
Total assets	248,624,229	0	708,933	2,731,758	6,498,467	19,044,816	23,584,591	73,055,023	14,850,619	19,056,502
Total receipts	72,974,438	8,713,665	5,345,843	2,684,641	3,980,348	6,197,917	6,124,852	5,980,619	5,376,292	13,527,037
Business receipts from other partnerships and fiduciaries	65,226,508	7,003,535	5,061,638	2,497,959	3,742,798	5,842,121	5,598,240	102,132	153,291	16,826,950
Income from other partnerships and fiduciaries	871,318	68,039	110,726	62,534	18,570	1,224	2,385	104,631	171,154	10,407
Nonqualifying dividends	65,970	18,455	68,625	700	24,534	68,582	208,370	228,686	6,033	20,776
Interest received	4,459,127	1,232,942	67,702	52,325	11,087	12,284	40,573	34,723	720,579	1,601,255
Rents received	320,503	35,225	68,946	68,946	27,483	17,924	28,601	52,611	68,657	77,082
Royalties	334,481	39,779	4,491	1,411	0	5	5	50,571	58,414	12,063
Farm net profit	5,768	1,613	12,548	37,251	29,608	16,281	5	97	55	78,437
Net gain, noncapital assets	517,432	1,141,408	178,829	70,427	40,155	94,062	96,535	45,127	37,642	281,057
Other receipts	1,141,408	178,829	70,427	40,155	94,062	96,535	107,378	82,072	191,094	16,063,212
Total deductions	72,105,075	6,753,618	4,937,843	2,183,154	3,647,612	5,837,625	6,148,994	6,258,906	20,234,716	20,234,716
Cost of sales and operations	21,579,380	3,211,102	2,348,822	1,149,589	1,581,906	2,124,863	1,870,230	1,713,250	3,417,026	4,156,392
Inventory, beginning of year	3,317,681	221,196	137,755	170,061	431,773	326,054	392,347	835,971	511,508	1,240,387
Purchases	10,845,765	1,473,861	1,486,967	698,946	875,982	1,171,803	667,827	721,174	134,671	134,671
Cost of labor	537,150	62,995	64,262	22,620	28,540	56,048	70,400	29,689	67,925	309,864
Materials and supplies	1,482,707	248,731	196,323	98,088	85,139	98,580	141,161	74,498	233,420	1,781,850
Other costs	9,587,511	1,326,253	562,089	337,413	538,657	734,460	996,916	999,249	2,282,644	1,331,961
Less: Inventory, end of year	3,981,503	165,814	181,834	121,133	114,478	368,700	332,128	503,688	831,887	831,887
Salaries and wages	755,291	47,776	27,704	11,719	24,975	29,850	62,657	45,855	276,380	228,536
Leas: Jobs credit	885	497	59	47	0	0	5	5	139	143
Guaranteed payments to partners	860,822	105,011	486,181	49,715	44,381	66,888	104,090	135,188	165,982	126,315
Rent paid	1,309,956	156,858	181,587	72,698	67,433	824,173	1,120,024	1,136,872	3,684,975	3,603,435
Interest paid	11,386,151	487,404	182,710	121,814	27,743	126,707	271,126	312,407	844,320	844,320
Taxes paid	3,025,850	206,062	187,507	60,948	1,975	5,132	12,010	11,840	11,676	23,380
Bad debts	83,877	8,151	6,735	3,986	57,315	80,205	163,310	182,401	167,613	278,508
Repairs	1,525,863	182,388	80,428	57,315	315,119	768,899	945,774	806,814	2,805,023	3,126,622
Depreciation	9,768,231	49,144	231,668	180,170	3,916	4,084	7,392	9,783	11,176	73,048
Amortization	168,282	3,242	3,491	3,021	901	1,611	6,972	3,303	11,608	51,359
Depletion	213,979	9,005	8,108	1,296	1,073	1,073	1,073	1,073	84	4,851
Pension, profit-sharing, annuity, and bond purchase plans	8,108	2,552	1,690	851	737	988	998	2,218	2,839	13,880
Employee benefit plans	1,914,756	373,383	139,133	36,140	73,745	129,333	170,270	224,056	337,506	408,909
Net loss from other partnerships and fiduciaries	6,209	37,600	1,979	117	1,014	0	0	0	2,834	0
Farm net loss	25,628	1,445,144	1,389,152	26,228	6,933	21,655	21,154	16,212	44,954	59,408
Net loss, noncapital assets	19,185,927	1,980,047	447,800	458,657	1,061,049	1,315,024	1,221,527	1,120,871	3,911,807	6,985,486
Other deductions	68	689,382	501,187	292,738	360,292	23,238	-278,288	-1,212,961	-1,178,214	
Net income (less deficit)	15,789,818	2,894,044	1,444,583	715,253	808,504	1,483,583	1,225,744	2,218	2,839	
Capital gains and losses allocable to partners:	14,901,456	933,997	986,763	214,066	515,768	1,129,291	1,258,982	1,389,103	3,733,198	4,735,288
Net short-term capital gain (less loss)	160,780	41,869	23,523	26,516	-3,130	-2,587	-2,398	21,367	-8,112	63,731
Net long-term capital gain (less loss)	2,633,889	693,598	229,259	50,495	117,735	244,799	273,077	244,382	441,333	339,209

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

Crude Oil Windfall Profit Tax, Second Quarter, 1983

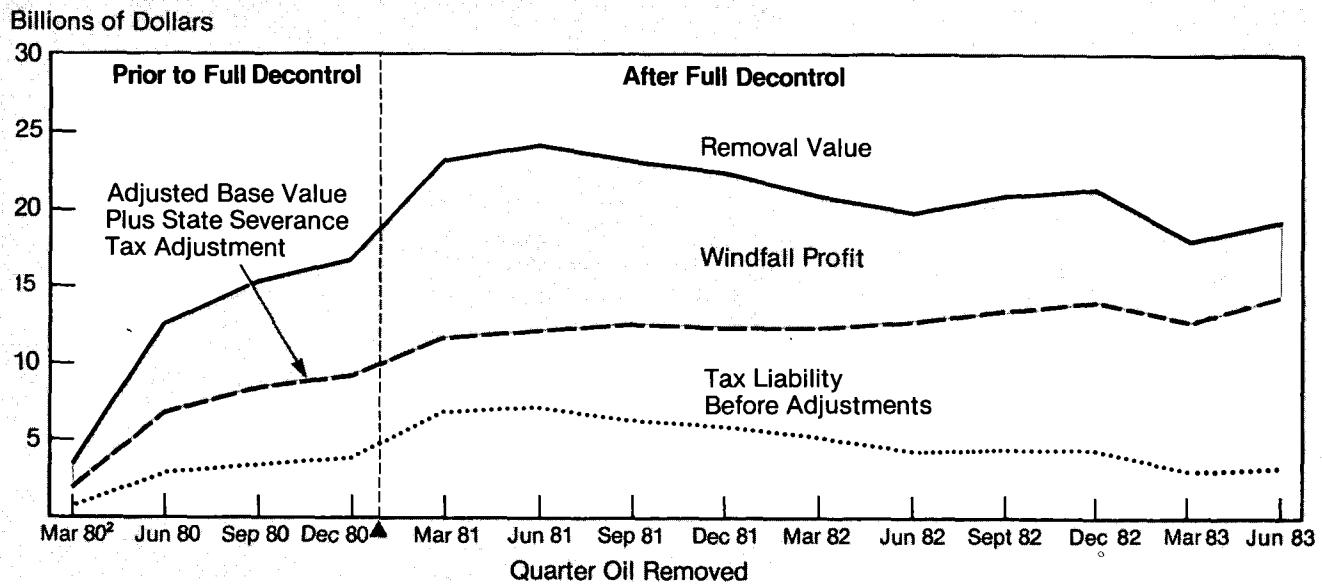
By Michael Alexander*

The second quarter of 1983 continued the downward trend in the windfall profit tax liability that has existed since the first quarter of 1981. The reported windfall profit tax liability for the second quarter of 1983 reached a point (\$2.7 billion) which was lower than the first full quarter (June 1980) for which liability was reported. The total liability reported, however, since the enactment of the Crude Oil Windfall Profit Tax Act rose to more than \$58 billion.

Windfall profit, defined as the removal value less the sum of the adjusted base value and state severance tax adjustment, decreased by \$1.4 billion or 29 percent from the first

quarter of 1983 to the second quarter of 1983. This decrease in windfall profit can be attributed primarily to declining oil prices and a decrease in taxable domestic oil production. The average removal price (generally the price for which oil is sold) declined from \$26.84 per barrel to \$26.40 per barrel. The number of barrels of taxable oil declined from 585 million to 494 million. The decline in the barrels of taxable oil subject to the windfall profit tax resulted from a decline in domestic production in response to the price decrease and the continued increase in the amount of stripper oil claimed as an exemption.

Components of Windfall Profit Tax Liability Before Adjustments: Aggregate Values By Quarter Oil Removed



¹Some returns report windfall profit tax liability only; therefore, data for removal value, adjusted base value and state severance tax adjustment have been adjusted to reflect totals as if all returns reported this detail.

²One month only.

Crude Oil Windfall Profit Tax, 1983

The table below shows windfall profit tax liability before and after adjustments. Tax liabilities can be deposited up to 90 days after the close of the month the oil is removed, depending on the identity of the first purchaser (see Definitions, Deposit Requirements). The windfall profit tax liability after adjustments decreased almost \$400 million from the previous quarter. These adjustments were necessary as a result of errors in withholding during previous quarters or, more frequently, reflect the application of the net income limitation. The net income limitation adjustment amounted to -\$161 million and adjustments to previous quarters were slightly less than -\$44 million, for a total adjustment of -\$205 million for the current quarter.

The net income limitation causes an adjustment because this provision limits the windfall profit to 90 percent of the net income per barrel of oil and can be estimated by certain taxpayers for the current quarter. The adjustments in the table below include under-or over-withholding from previous quarters which the depositing or withholding agent (usually the first purchaser) corrects by adjusting the amounts withheld in succeeding quarters. Additional over-withholding of windfall profit tax due to error or the net income limitation which has not been corrected by the withholding agent can be claimed as a refund or credit by producers on their income tax returns.

Windfall Profit Tax Before and After Adjustments (Millions of Dollars)

Quarter Ending	Tax Before Adjustments	Total Adjustments	Tax After Adjustments
Total	\$62,138	-\$3,640	\$58,491
Mar. 1980 ¹ ...	788	-	788
June 1980	2,842	-21	2,821
Sept. 1980 ...	3,413	-88	3,325
Dec. 1980	3,918	-927	2,991
Mar. 1981	6,953	+242	7,195
June 1981	7,253	-107	7,146
Sept. 1981 ...	6,344	-251	6,093
Dec. 1981	6,007	-497	5,510
Mar. 1982	5,222	-221	5,001
June 1982	4,283	-295	3,988
Sept. 1982 ...	4,404	-445	3,959
Dec. 1982	4,440	-634	3,806
Mar. 1983	3,320	-193	3,127
June 1983	2,951	-203	2,748

¹One month only.

Based on returns of taxpayers who provided complete detail on windfall profit tax computation [1], tier one oil has always dominated production. For the quarter ended

June 1983, tier one oil (which consists of all domestically-produced crude oil other than oil specifically classified as tier two or tier three, or explicitly exempted from the tax) represented 63 percent of total production, which is 7.4 percent lower than the previous quarter. A decrease of 85 million barrels of Sadlerochit oil was primarily responsible for the reduced production of tier one oil. Production of tier two oil, which represents 8 percent of total production, also decreased during the second quarter. Tier two oil consists of oil produced from stripper well property not qualifying for the stripper exemption and oil from economic interests in a Naval Petroleum Reserve held by the United States. The decrease in production of tier two oil was more than 9 million barrels from the first quarter of 1983 to the second quarter of 1983. Tier three oil, which consists of heavy oil, incremental tertiary oil and newly discovered oil (68 percent of tier three), accounted for 29 percent of total production, up 26 percent from the previous quarter. Newly discovered oil, with an increase of almost 7 million barrels from the first quarter of 1983, accounted for the increased production of tier three oil. Since 1981, when tax reductions on newly discovered oil were enacted, newly discovered oil has had the largest consistent growth in barrels of oil removed.

Percent of Oil Production by Tier of Oil

Quarter Ending	Tier One	Tier Two	Tier Three
June 1981	70	14	16
Sept. 1981	69	14	17
Dec. 1981	69	13	18
Mar. 1982	68	13	19
June 1982	67	13	20
Sept. 1982	65	13	22
Dec. 1982	65	12	23
Mar. 1983	68	9	23
June 1983	63	8	29

DATA SOURCES AND LIMITATIONS

The Quarterly Federal Excise Tax Return, Form 720, is the form on which the windfall profit tax is reported. Form 6047, Windfall Profit Tax, shows how the tax is computed and is filed as an attachment to Form 720. Tabulations in this article are based on the Form 6047. Returns are due two months after the end of the quarter in which the oil is removed. Data are based on all returns with a tax liability of \$1 million or more before adjustments and a 10 percent sample of all other returns.

Sampling and nonsampling errors were controlled by a variety of methods. Missing returns were requested from the service

centers. However, some returns may have been omitted due to time and resource constraints. Attempts were made to correct imbalances in taxpayer entries for the components of windfall profit; if this proved impossible, an out-of-balance return was treated as a return on which the components were not reported, and therefore only the liability for each tier was tabulated. A number of verification checks were performed at all stages of manual data abstraction and computer tabulation.

The *Statistics of Income Bulletin* also includes data on excise tax collections. The excise tax collection figures show the liability after adjustments, as reported on Form 720, from returns entered into the IRS' computerized Business Master File (BMF) each quarter. A number of considerations affect comparisons of data from these two sources. As mentioned above, returns are not due until two months after the close of the taxable quarter; however, the interval between the close of the taxable period and the final recording of the return often varies, so that the quarterly BMF totals usually represent several taxable periods. On the other hand, the data presented here have been tabulated for specific taxable periods. As a result, the two sets of statistics are not directly comparable.

DEFINITIONS

Brief definitions of the terms used in the tables are given below.

Adjusted Base Price.--The base price multiplied by the inflation adjustment, which is derived from the Gross National Product (GNP) "implicit price deflator."

Adjustments to Liability.--Corrections applied to the current quarter's liability in order to correct for the net income limitation and over-and under-withholding in previous quarters.

Base Price.--For tier one oil, the upper tier ceiling price, as defined by Department of Energy price control regulations, which would have applied to the oil had it been produced and sold in May 1979, reduced by 21 cents. For tiers two and three oil, the base prices were \$15.20 and \$16.55, respectively, adjusted for grade and quality.

Crude Oil.--The term applies only to natural crude petroleum and does not include synthetic petroleum, such as oil from shale or tar sands. It does, however, include natural gas liquids treated as crude oil under the June 1979 energy pricing regulations issued by the Department of Energy.

Deposit Requirements.--The timing of any first purchaser to deposit amounts withheld depends upon the identity of the first purchaser. Major refiners, other than independent refiners, are required to make semimonthly deposits of the withholding tax. All other first purchasers are required to make withholding deposits no later than 45 days after the oil is removed from the premises, except independent refiners that purchase oil under delayed payments contracts. They are required to make deposits by the first day of the third month beginning after the month of removal.

Exempt Alaskan Oil.--Oil from a reservoir other than the Sadlerochit reservoir that has been commercially exploited by any well north of the Arctic Circle; and oil produced north of the divides of the Alaska and Aleutian Ranges, and at least 75 miles from the nearest point of the Trans-Alaskan Pipeline System.

Exempt Charitable Oil.--Oil produced from economic interests held by qualified charitable medical facilities, educational institutions, and child care organizations (as defined in Internal Revenue Code section 170), if such interest was held on January 21, 1980, and at all times thereafter; and oil produced from interests held by a church on January 21, 1980, if, prior to January 22, 1980, the net proceeds of such oil were dedicated to the support of a medical facility, educational institution, or child care facility.

Exempt Governmental Oil.--Oil produced from an economic interest held by a state or political subdivision (including agencies and instrumentalities), the net income from which is used for public purposes.

Exempt Indian Oil.--Oil produced from mineral interests held by or on behalf of Indian tribes or individuals on January 21, 1980, which is one of the following: (a) production received by Indian tribes and individuals from Tribal Trust Lands (the title to such land is held by the United States in trust for the tribes), (b) production from land or mineral interests held by an Indian tribe eligible for services provided to Indians by the Secretary of the Interior, or (c) oil the proceeds from which are paid into the U.S. Treasury to the credit of tribal or native trust funds pursuant to law. This exemption also applies to production of any Alaskan Native Corporation prior to 1991, including wholly-owned subsidiaries of the native Indian corporation as clarified by IRS on September 3, 1982.

Exempt Royalty Oil.--Qualified royalty owners are exempt from the windfall profit tax on two

Crude Oil Windfall Profit Tax, 1983

barrels of oil per day for each day of the calendar quarter for oil removed after December 31, 1981. For 1985 and thereafter, three barrels per day will be exempt.

Exempt Stripper Oil.--Oil removed from stripper wells after 1982 may qualify for exemption from the windfall profit tax if the following conditions are met:

- (1) The oil must be removed from a stripper well property after 1982;
- (2) The oil must be produced by an independent producer;
- (3) The oil must be attributable to the independent producer's working interest in the property; and
- (4) The stripper well property must not be a property transferred by a non-independent producer on or after July 23, 1981.

Net Income Limitation.--The windfall profit on a barrel of oil may not exceed 90 percent of the net income attributable to the barrel.

Removal Price.--Generally, the price for which a barrel of oil is sold. In some instances, a constructive sale price is used.

Sadlerochit Oil.--Crude oil production from the Sadlerochit reservoir in the Prudhoe Bay oil field in Alaska.

State Severance Tax Adjustment.--A tax imposed by a state with respect to the extraction of oil. The windfall profit is reduced by the amount by which the severance tax exceeds that which would have been imposed had the oil been valued at its adjusted base price.

Stripper Oil.--In general, oil from a property for which the average daily production per well has been 10 barrels or less for any consecutive 12-month period after 1972.

Tier One Oil.--All domestically-produced crude oil other than any oil classified in tier two or three, or explicitly exempted by law from the tax. This includes the bulk of domestic oil from reservoirs proven to be productive before 1979.

Tier Two Oil.--Any oil which is from a stripper well property within the meaning of the June 1979 Department of Energy pricing regulations and oil from a U.S. economic interest in a Naval Petroleum Reserve. Note that the Crude Oil Windfall Profit Tax Act of 1980 defined tier two oil as from a "National" Petroleum Reserve. This was amended to read "Naval" Petroleum Reserve by the Technical Corrections Act of 1982.

Tier Three Oil, Heavy Oil.--All crude oil which is (1) produced from property which had a weighted average gravity of 16.0 degrees or less on the American Petroleum Institute (API) scale, corrected to 60 degrees Fahrenheit, for the last month of production prior to July 1979, or (2) oil from a property with a weighted average gravity of 16.0 degrees API or less, corrected to 60 degrees Fahrenheit, for the taxable period.

Tier Three Oil, Incremental Tertiary Oil.--Production in excess of a base level on a property on which a qualified tertiary recovery project (one which utilizes one of several specific chemical, fluid or gaseous recovery methods to extract oil not recoverable using standard techniques) has been undertaken. The non-incremental oil (i.e., the amount of production up to the base level) remains in the otherwise applicable tier.

Tier Three Oil, Newly Discovered Oil.--Crude oil that is sold after May 31, 1979, and that is produced from (1) an outer continental shelf area for which the lease was entered into on or after January 1, 1979, and from which there was no production in Calendar Year 1978 or (2) an on-shore property developed after Calendar Year 1978.

Windfall Profit.--The excess of the removal price of the barrel of oil over the sum of the adjusted base price and the State severance tax adjustment.

NOTES AND REFERENCES

- [1] At the inception of the windfall profit tax (March 1980), taxpayers were not required to complete the detail of the Form 6047, which shows how the tax is computed. However, taxpayers have been required to provide full information as of January 1981.
- [2] Joint Committee on Taxation (Staff), *General Explanation of the Crude Oil Windfall Profit Tax Act of 1980*, U.S. Government Printing Office, 1981.
- [3] See also Belal, Carol and Clark, Phil, "Windfall Profit Tax Liability for 1980," *Statistics of Income Bulletin*, Volume 1, Number 2, pp. 50-54.
- [4] See also Coleman, Michael, "Crude Oil Windfall Profit Tax for 1981," *Statistics of Income Bulletin*, Volume 2, Number 2, pp. 41-46.
- [5] See also Alexander, Michael, "Crude Oil Windfall Profit Tax for 1982," *Statistics of Income Bulletin*, Volume 3, Number 2, pp. 35-40.

Table 1.--Windfall Profit Tax Liability by Oil Tier and Tax Rate For Quarter Ending June 1983 Aggregate Components of Windfall Profit

[Money amounts are in millions of dollars]

Oil tier and tax rate	Number of barrels of oil (000's)	Removal value	Adjusted base value	State severance tax adjustment	Windfall profit	Tax liability before adjustments
						(6)
Returns with tax liability shown by oil tier and tax rate, total.....	493,993	13,043	9,322	275	3,446	2,017
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent.....	259,296	6,805	4,359	202	2,244	1,564
Taxed at 50 percent.....	21,152	619	357	17	245	123
Tier one, Sadlerochit oil:						
Taxed at 70 percent.....	30,594	515	504	2	9	7
Taxed at 50 percent.....	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent.....	39,191	1,114	785	16	313	167
Taxed at 30 percent.....	2,380	69	50	1	18	6
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	96,219	2,840	2,317	32	491	115
Incremental tertiary oil.....	18,215	527	429	5	93	27
Heavy oil.....	26,947	553	521	(²)	32	9
Returns with total tax liability only.....	-	-	-	-	-	934 ³

¹Newly discovered oil is taxed at 25.0 percent beginning in 1983.

²Less than 500,000.

³Also includes \$7 million for returns that reported by tier and type, but did not report data for columns 1-5.
NOTE: Detail may not add to total because of rounding.

Table 2.--Windfall Profit Tax Liability For Returns Reporting Components of Windfall Profit by Oil Tier and Tax Rate For the Quarter Ending June 1983 Average Daily Production and Average Dollars per Barrel

Oil tier and tax rate	Daily production (000's) (barrels)	Removal price	Adjusted base price	State severance tax adjustment	Windfall profit	Tax liability before adjustments
						(6)
All returns, total.....	5,369	26.40	18.87	.55	6.98	4.08
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent.....	2,818	26.24	16.81	.77	8.66	6.03
Taxed at 50 percent.....	230	29.25	16.81	.78	11.66	5.80
Tier one, Sadlerochit oil:						
Taxed at 70 percent.....	333	16.84	16.48	.05	.31	.21
Taxed at 50 percent.....	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent.....	426	28.42	20.03	.41	7.98	4.25
Taxed at 30 percent.....	26	29.12	20.81	.50	7.81	2.35
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	1,046	29.51	24.08	.33	5.10	1.19
Incremental tertiary oil.....	198	28.94	23.54	.28	5.12	1.48
Heavy oil.....	293	20.52	19.33	-	1.19	.34

¹Newly discovered oil is taxed at 25.0 percent beginning 1983.

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

Crude Oil Windfall Profit Tax, 1983

Table 3.--Windfall Profit Tax Liability by Oil Tier and Tax Rate For January - June 1983 Aggregate Components of Windfall Profit

[Money amounts are in millions of dollars]

Oil tier and tax rate	Number of barrels of oil (000's)	Removal value	Adjusted base value	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
Returns with tax liability shown by oil tier and tax rate, total.....	1,079,279	28,757	19,957	522	8,278	4,916
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent.....	518,860	14,389	8,619	340	5,430	3,782
Taxed at 50 percent.....	44,583	1,324	746	36	542	272
Tier one, Sadlerochit oil:						
Taxed at 70 percent.....	146,717	2,566	2,401	23	142	100
Taxed at 50 percent.....	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent.....	85,431	2,479	1,699	36	744	404
Taxed at 30 percent.....	6,737	201	139	3	59	.18
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	185,759	5,576	4,452	72	1,052	251
Incremental tertiary oil.....	35,985	1,070	844	12	214	63
Heavy oil.....	55,208	1,151	1,058	(²)	93	27
Returns with total tax liability only.....	-	-	-	-	-	1,355 ³

¹Newly discovered oil is taxed at 25.0 percent beginning in 1983.²Less than 500,000.³Also includes \$36 million for returns that reported by tier and type, but did not report data for columns 1-5.

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

Table 4.--Windfall Profit Tax Liability For Returns Reporting Components of Windfall Profit by Oil Tier and Tax Rate For January - June 1983 Average Daily Production and Average Dollars per Barrel

Oil tier and tax rate	Daily production (000's) (barrels)	Removal price	Adjusted base price	State severance tax adjustment	Windfall profit	Tax liability before adjustments
	(1)	(2)	(3)	(4)	(5)	(6)
All returns, total.....	5,963	26.64	18.49	.48	7.67	4.55
Tier one, other than Sadlerochit oil:						
Taxed at 70 percent.....	2,867	27.73	16.61	.66	10.47	7.29
Taxed at 50 percent.....	246	29.70	16.73	.81	12.16	6.10
Tier one, Sadlerochit oil:						
Taxed at 70 percent.....	811	17.49	16.36	.16	.97	.68
Taxed at 50 percent.....	-	-	-	-	-	-
Tier two oil:						
Taxed at 60 percent.....	472	29.02	19.89	.42	8.71	4.73
Taxed at 30 percent.....	37	29.84	20.63	.45	8.76	2.67
Tier three oil (taxed at 30 percent):						
Newly discovered oil ¹	1,026	30.02	23.97	.39	5.66	1.35
Incremental tertiary oil.....	199	29.73	23.45	.33	5.95	1.75
Heavy oil.....	305	20.85	19.16	-	1.68	.49

¹Newly discovered oil is taxed at 25.0 percent beginning in 1983.

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

Crude Oil Windfall Profit Tax, 1983

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Table 5.--Exempt Oil Volume by Tier and Category, Quarter Ending June 1983
(Thousands of barrels)

	Total	Tier one	Tier two	Tier three		
				Newly discovered oil	Incremental tertiary oil	Heavy oil
(1)	(2)	(3)	(4)	(5)	(6)	
Total.....	59,074	12,045	33,229	12,847	451	501
Exempt governmental interest.....	11,934	8,623	479	2,201	255	376
Exempt charitable interest.....	668	311	224	112	13	7
Exempt Indian oil.....	708	324	249	119	8	8
Exempt Alaskan oil.....	7,572	11	583	6,979	-	-
Exempt Royalty oil.....	11,305	2,775	4,808	3,437	173	111
Exempt Stripper oil.....	26,886	-	26,886	-	-	-

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

Table 6.--Exempt Oil Volume by Tier and Category, January - June 1983
(Thousands of barrels)

	Total	Tier one	Tier two	Tier three		
				Newly discovered oil	Incremental tertiary oil	Heavy oil
(1)	(2)	(3)	(4)	(5)	(6)	
Total.....	117,177	29,822	60,105	25,047	1,022	1,180
Exempt governmental interest.....	29,154	22,150	1,122	4,427	550	905
Exempt charitable interest.....	1,576	770	524	237	29	14
Exempt Indian oil.....	1,657	761	526	341	14	15
Exempt Alaskan oil.....	14,593	50	583	13,960	-	-
Exempt Royalty oil.....	22,055	6,090	9,209	6,081	427	247
Exempt Stripper oil.....	48,141	-	48,141	-	-	-

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

Table 1.--Individual Income Tax Returns for 1982: Selected Tax Data, by Size of Adjusted Gross Income

[All figures are estimates based on samples.]

Size of Adjusted Gross Income	Number of returns with --		Total income tax (\$000)	Average total income tax (\$)	Total tax liability (\$000)
	Income tax before credits	Income tax after credits			
	(37)	(41)			
All returns, total	79,451,411	76,598,376	276,936,694	3,610	283,465,148
No adjusted gross income	942	942	75,368	3,636	158,384
\$1 under \$1,000	650	650	2,879	598	15,737
\$1,000 under \$2,000	238,964	237,439	16,152	67	42,086
\$2,000 under \$3,000	135,844	134,237	20,317	147	65,310
\$3,000 under \$4,000	1,729,840	1,678,412	122,837	73	186,385
\$4,000 under \$5,000	2,565,881	2,355,843	351,416	148	433,303
\$5,000 under \$6,000	2,706,180	2,435,980	647,862	265	750,783
\$6,000 under \$7,000	2,492,633	2,073,815	801,011	385	923,258
\$7,000 under \$8,000	2,963,791	2,436,288	1,128,027	462	1,240,776
\$8,000 under \$9,000	3,534,996	3,208,622	1,823,698	568	1,946,140
\$9,000 under \$10,000	3,041,267	2,904,114	2,001,096	688	2,114,651
\$10,000 under \$11,000	3,144,571	3,065,047	2,450,015	798	2,592,987
\$11,000 under \$12,000	2,806,959	2,732,995	2,586,271	945	2,719,416
\$12,000 under \$13,000	2,733,298	2,664,441	2,943,109	1,104	3,084,539
\$13,000 under \$14,000	2,712,477	2,661,068	3,312,202	1,243	3,454,363
\$14,000 under \$15,000	2,648,829	2,600,089	3,655,419	1,404	3,807,103
\$15,000 under \$16,000	2,490,478	2,458,583	3,907,990	1,589	4,042,567
\$16,000 under \$17,000	2,229,333	2,198,308	3,857,208	1,753	4,001,931
\$17,000 under \$18,000	2,015,745	1,977,274	3,818,976	1,930	3,960,948
\$18,000 under \$19,000	1,929,662	1,901,909	3,950,490	2,076	4,083,233
\$19,000 under \$20,000	1,829,858	1,803,278	3,960,944	2,196	4,106,922
\$20,000 under \$25,000	8,793,029	8,659,840	24,007,414	2,770	24,685,750
\$25,000 under \$30,000	7,623,478	7,538,068	27,724,399	3,675	28,371,309
\$30,000 under \$40,000	9,865,653	9,755,102	49,603,290	5,080	50,601,257
\$40,000 under \$50,000	4,709,615	4,659,988	34,989,652	7,497	35,563,443
\$50,000 under \$75,000	3,074,227	3,038,648	36,007,905	11,811	36,743,975
\$75,000 under \$100,000	693,575	686,034	14,451,261	20,970	14,720,794
\$100,000 under \$200,000	568,568	562,019	21,947,475	38,823	22,200,577
\$200,000 under \$500,000	141,168	139,700	14,278,840	101,547	14,340,636
\$500,000 under \$1,000,000	21,778	21,591	5,575,122	256,787	5,584,627
\$1,000,000 or more	8,122	8,052	6,918,052	855,559	6,921,963
Taxable returns, total	76,643,625	76,598,376	276,936,694	3,610	282,566,619
Nontaxable returns, total	2,807,786	-	-	-	898,530

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Table 2.--A11 Returns: Selected Income, Deductions, and Tax Items by State

[A11 figures are estimates based on samples--money amounts are in thousands of dollars]

State	Total income tax amount	Average total income tax (dollars)	State	Total income tax amount	Average total income tax (dollars)
	(21)	(22)		(21)	(22)
United States, total ..	276,936,694	3,610			
Alabama	3,166,211	2,977	Nevada	1,236,910	3,667
Alaska	1,066,049	5,301	New Hampshire	1,143,063	3,327
Arizona	3,018,897	3,219	New Jersey	11,377,066	4,159
Arkansas	1,672,673	2,728	New Mexico	1,281,947	3,114
California	32,174,302	3,778	New York	22,529,407	3,815
Colorado	4,216,107	3,684	North Carolina	5,114,622	2,799
Connecticut	5,563,968	4,527	North Dakota	691,874	3,429
Delaware	827,062	3,635	Ohio	12,462,770	3,466
District of Columbia ..	997,166	4,081	Oklahoma	3,899,533	3,865
Florida	12,504,058	3,511	Oregon	2,620,515	3,299
Georgia	5,216,577	3,002	Pennsylvania	13,871,382	3,481
Hawaii	1,133,715	3,225	Rhode Island	992,673	2,976
Idaho	797,042	2,848	South Carolina	2,538,690	2,646
Illinois	16,052,876	4,103	South Dakota	544,811	2,842
Indiana	6,139,519	3,610	Tennessee	4,117,669	3,139
Iowa	3,066,185	3,391	Texas	21,827,363	4,336
Kansas	2,983,661	3,723	Utah	1,246,337	2,951
Kentucky	3,118,878	3,038	Vermont	458,940	2,660
Louisiana	5,118,208	3,973	Virginia	6,705,819	3,602
Maine	938,955	2,572	Washington	5,765,218	3,870
Maryland	6,085,290	3,757	West Virginia	1,076,066	3,326
Massachusetts	7,578,706	3,552	Wisconsin	5,016,205	3,316
Michigan	10,653,591	3,765	Wyoming	755,445	4,311
Minnesota	4,555,863	3,384			
Mississippi	1,800,679	2,842	APO/FPO	700,181	1,591
Missouri	5,422,133	3,428	Puerto Rico	15,610	1,188
Montana	750,464	2,973	U.S. Citizens		
Nebraska	1,615,768	3,119	Abroad	711,975	6,094

Appendix

General Description of Statistics of Income Sample Procedures and Data Limitations

This appendix discusses typical sampling procedures used in most Statistics of Income (SOI) programs. Aspects covered briefly include sampling criteria, selection techniques, methods of estimation, and sampling variability. Some of the nonsampling error limitations of the data are also described, as well as the tabular conventions employed.

Additional information on sample design and data limitations for specific SOI studies can be found in the separate SOI publications (see References). More technical information is available, upon request, from the Statistics of Income Division.

SAMPLE CRITERIA AND SELECTION OF RETURNS

Statistics compiled for the SOI studies are generally based on stratified probability samples of income tax returns or other forms filed with the Internal Revenue Service (IRS). The statistics do not reflect any changes made by the taxpayer through an amended return or by the IRS as a result of an audit. The samples are based on such criteria as: principal business activity; presence or absence of a schedule; State from which filed; size of adjusted gross income (or deficit) or largest of specific income (or loss) items; total assets or size of business and farm receipts.

The probability of a return being designated depends on its sample class or stratum and may range from a fraction of one percent to one hundred percent. Considerations in determining the selection probability for each stratum include the number of returns in the stratum, the diversity of returns in the stratum, and interest in the stratum as a separate subject of study. All this is subject to constraints on the allowable total cost or total sample size for the program.

For most SOI studies, returns are computer designated based on the Taxpayer Identification Number (TIN) which is either the Social Security Number (SSN) or Employer Identification Number (EIN). In some cases, the ending digits of each TIN are compared to a set of numbers randomly selected for each sample class. If the TIN ending digits are in the set, then the return is designated for the sample. Otherwise, it is not designated.

Alternatively, a fixed and essentially random number is associated with each possible TIN. If that random number falls into a range of numbers specified for the return's sample stratum, then it is designated. Otherwise, it is not.

Under either method of selection, the TIN's designated from one year's study are for the most part selected for the next study, so that a large proportion of the new sample are repeaters. This longitudinal character of the sample design improves the estimates of change from one study to the next.

METHOD OF ESTIMATION

In general, weighting factors are obtained by dividing the computer count of returns filed for a sample stratum by the actual number of returns secured for the sample. These weighting factors are then used to inflate the sample results to total population levels. During sampling, lists of the returns designated are checked against the returns secured for the sample to insure that the sample designated is the same as the sample selected. Special searches are made for returns not initially secured so that any bias from nonresponse is minimal.

For the individual income tax returns sample, weighting factors are computed for each sample class within each Internal Revenue district, even though the district is not used to designate the sample. This is an example of post-stratified estimation and is used to improve the estimates for the States. Usage of post-stratified estimation is being studied for other SOI studies.

SAMPLING VARIABILITY

The particular sample used in a study is only one of a large number of possible random samples that could have been selected using the same sample design. Estimates derived from the different samples would usually vary. The standard error of the estimate is a measure of the variation among the estimates from all possible samples and is used to measure the precision with which an estimate from a particular sample approximates the average result of the possible samples. The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that this interval includes the actual population value.

In SOI reports the standard error is not directly presented. Instead, the ratio of the standard error to the estimate itself is presented in decimal form. This ratio is called the coefficient of variation (CV). The user of SOI data may multiply an estimate by its coefficient of variation to recreate the standard error and to construct confidence intervals.

For example, if a sample estimate of 150,000 returns is known to have a coefficient of variation of 0.02, then the following arithmetic procedure would be followed to construct a 68% confidence interval estimate:

150,000 x 0.02 = 3,000	(sample estimate) (coefficient of variation) (standard error of estimate)
150,000 + 3,000 = 147,000 - 153,000	(sample estimate) (standard error) (68% confidence interval)

Based on these data, the interval estimate is from 147

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to 153 thousand returns. A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds of all possible similarly selected samples. To obtain this interval estimate with 95% confidence, multiply the standard error by two before adding to and subtracting from the sample estimate. (In this particular case, the resulting interval would be from 144 to 156 thousand returns.)

Further details concerning confidence intervals, including the approximation of CV's for combined sample estimates, may be obtained on request by writing to the Statistics of Income Division, D:R:S, Internal Revenue Service, Washington, DC 20224.

NONSAMPLE ERROR CONTROLS AND LIMITATIONS

Although the previous discussion focuses on sampling methods and the limitations of the data caused by sampling errors, there are other sources of errors which may be significant in evaluating the usefulness of SOI data. These include taxpayer reporting errors, processing errors, early cut-off of sampling, etc. More extensive information on nonsampling errors is presented in SOI reports, when appropriate.

In transcribing and tabulating the information from the returns or forms selected for the sample, checks are imposed to improve the quality of the resultant estimates. Missing entries are inputted during statistical processing by utilizing other information on the return and accompanying schedules. Data may be disaggregated and recombined during editing to achieve consistent statistical definitions. In the future, SOI studies will make use of earlier returns of the same taxpayer to check current data, for instance the industry code. Also, research on better methods of imputing missing data is being conducted.

Quality of the basic data abstracted at the processing centers is controlled by a continuous sampling verification system. In addition, the Statistics of Income Division in the National Office conducts an independent reprocessing of a small subsample of statistically processed returns as a further check. Prior to tabulation, numerous computer tests are applied to each return record to check for inconsistencies.

Finally, before publication, all statistics are reviewed for accuracy and reasonableness in light of provisions of the tax laws, taxpayer reporting variations and limitations, economic conditions, comparability with other statistical series, and statistical techniques used in data processing and estimating.

TABULAR CONVENTIONS

Estimates of frequencies and money amounts that are considered unreliable, due to the small sample size on which they are based, are noted by an asterisk (*) to the left of the data item(s) in the tabulations. The presence of an asterisk indicates that the sample rate is less than 100 percent of the population and there are fewer than 10 sample observations available for estimation purposes.

A dash in place of a frequency or amount indicates that no sample return had that characteristic. In addition, a dash in place of a coefficient of variation for which there is an estimate indicates that all returns contributing to the estimate were selected at the 100 percent rate.

Whenever a weighted frequency in a data cell is less than 3, the estimate is either combined with other cells or deleted in order to avoid disclosure of information about individual taxpayers or businesses. These combinations and deletions are indicated by a double asterisk (**).

REFERENCES

- [1] *Statistics of Income--1981, Individual Income Tax Returns* (see especially pages 11-13).
- [2] *Statistics of Income--1980, Corporation Income Tax Returns* (see especially pages 9 to 14).
- [3] *Statistics of Income--1980, Partnership Returns* (see especially pages 5-7).
- [4] *Statistics of Income--1981, Sole Proprietorship Returns* (see especially pages 5 to 9).
- [5] *Statistics of Income--1976-1979, International Income and Taxes, Foreign Income and Taxes Reported on U.S. Tax Returns* (see especially pages 13-15 and 85-87).
- [6] *Statistics of Income--1973, Sales of Capital Assets Reported on Individual Income Tax Returns* (see especially pages 17 to 20).
- [7] *Statistics of Income--1976 Estate Tax Returns* (see especially pages 11 to 12).
- [8] *Statistics of Income--1974-1978, Private Foundations* (see especially pages 9 to 16).

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Selected Statistical Series, 1970-1984

Table 1.—Individual Income Tax Returns: Selected Income and Tax Items for Selected Years, 1970-1982
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1979	1980	1981	1982 (Revised)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns:						
All returns	74,279,831	82,229,332	92,694,302	93,902,469	95,396,123	95,337,432
Joint returns	42,376,365	44,140,085	44,855,141	45,243,211	45,697,648	46,050,287
Total gross income:						
Salaries and wages:						
Number of returns	66,965,659	73,520,046	83,200,646	83,802,109	84,208,807	83,106,842
Amount	531,883,892	795,399,462	1,229,251,389	1,349,842,802	1,486,100,497	1,564,995,190
Interest received:						
Number of returns	32,630,355	40,378,240	47,885,069	49,019,575	49,656,550 ¹	52,841,721
Amount	22,021,267	43,433,554	73,875,462	102,009,444	140,559,366 ¹	157,021,475
Taxable pensions and annuities:						
Number of returns	3,249,558	5,088,937	6,866,851	7,373,704	8,157,475	8,824,885
Amount	7,878,808	20,886,871	37,346,510	43,339,736	51,886,406	60,123,166
Dividends:						
No. of returns before exclusion	12,452,227	13,370,427	13,969,453	14,640,139	16,482,018 ¹	17,186,673
Amount	17,018,148	23,270,182	37,479,767	43,567,241	48,161,460 ¹	54,044,825
No. of returns after exclusion	7,729,939	8,853,491	9,881,105	10,738,982	n.a.	13,172,360
Amount	15,806,924	21,892,126	33,482,508	36,761,253	n.a.	52,142,410
Net capital gain less loss:						
Number of returns	7,962,663	7,574,823	8,641,573	8,929,474	9,484,987	9,636,414
Amount	9,006,683	14,071,893	28,448,300	29,659,600	30,818,535	34,403,728
Business net income less loss:						
Number of returns	6,159,985	7,242,542	8,562,834	8,881,119	9,571,409	10,092,322
Amount	30,554,201	39,421,478	56,564,467	55,129,154	53,071,628	50,573,164
Total adjustments:						
Number of returns	6,370,552	9,024,255	11,543,369	13,148,919	14,078,211	33,421,412
Amount	7,665,251	15,101,999	24,778,484	28,614,061	31,442,288	64,887,065
Married couple who both work						
Number of returns	N/A	N/A	N/A	N/A	N/A	21,690,558
Amount	N/A	N/A	N/A	N/A	N/A	9,048,263
Individual Retirement Arrangement:						
Number of returns	N/A	1,211,794	2,451,955	2,564,421	3,415,053	12,010,038
Amount	N/A	1,436,443	3,198,788	3,430,894	4,750,190	28,273,852
Self-Employed Retirement (Keogh):						
Number of returns	591,655	595,892	590,189	568,936	557,038	559,011
Amount	847,692	1,603,788	2,029,300	2,007,666	2,011,947	2,482,594
Adjusted gross income	631,692,540	947,784,873	1,465,394,530	1,613,731,497	1,772,604,303	1,852,135,465
Exemptions:						
Total number	204,126,402	212,202,596	224,691,732	227,925,098	231,222,374	232,191,565
Number, age 65 or over	8,904,331	9,937,208	11,322,713	11,847,168	13,118,926	13,955,570
Total amount	127,531,204	159,140,845	223,891,529	227,569,280	231,119,115	232,142,140
Total deductions:						
Number of returns	73,862,448	81,585,541	87,202,857	88,491,251	90,319,941	90,283,236
Amount	120,549,755	233,181,778	332,957,555	346,000,155	401,168,213	425,157,106 ²
Total itemized deductions:						
Number of returns	35,430,047	26,074,061	26,483,877	28,950,282	31,571,246	33,432,809
Amount	88,178,487	122,260,601	184,168,669	218,028,139	256,448,021	284,506,318
Medical and dental expense	10,585,749	11,422,312	12,915,626	14,972,082	17,878,680	21,705,262
Taxes paid	32,014,673	44,141,289	60,674,905	69,404,275	79,698,519	88,037,196
Interest paid	23,929,477	38,885,282	74,427,045	91,187,006	108,718,281	121,852,419
Contributions	12,892,732	15,393,331	22,210,838	25,809,608	30,800,722	33,471,694
Taxable income:						
Number of returns	59,593,598	65,852,602	86,932,978	88,104,696	89,851,304	89,717,836
Amount	401,154,285	595,492,866	1,157,247,646	1,279,985,360	1,410,880,665	1,473,348,899
Income tax before credits:						
Number of returns	59,596,755	65,854,734	74,243,824	76,135,819	79,011,548	78,349,842
Amount	84,156,695 ³	132,452,044	220,099,516	256,294,315	293,590,035	283,931,862
Total tax credits:						
General tax credit	369,610	8,069,846	6,780,186	7,215,839	11,288,005	7,854,493
Investment credit	N/A	5,020,477	N/A	N/A	3,382,711 ⁴	N/A
Foreign tax credit	30,554	1,593,150	3,313,836	3,288,415	3,971,199	4,139,897
Child care credit	169,623	381,985	850,212	1,341,645	1,233,564	757,326
Credit for the elderly	167,656	128,968	131,734	956,439	1,147,907	1,501,453
Residential energy credit	N/A	N/A	473,603	562,141	124,011	131,074
Earned income credit	N/A	252,141	495,500	451,366	452,482	359,717
Income tax after credits	83,787,323	124,382,197	213,319,330	249,078,475	282,302,029	276,077,369
Additional tax for tax preferences	121,988	144,100	1,175,188	1,262,964	1,826,960	1,519,932
Total income tax:						
Number of returns	59,317,371	61,490,737	71,694,983	73,906,244	76,724,724	77,035,300
Amount	83,909,311	124,526,297	214,494,519	250,341,440	284,128,989	277,597,301
Payment status:						
Returns with payment due	16,478,813	15,842,400	18,844,060	21,755,516	23,007,970	20,326,807
Returns with refund due	55,273,385	63,825,188	71,433,691	69,868,451	70,028,741	72,425,701

See notes following Table 11.

Selected Statistical Series, 1970-1984

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Table 2.—Nonfarm Sole Proprietorship Returns: Selected Income and Deduction Items for Selected Years, 1970-1982
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1979	1980	1981	1982 (Preliminary)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	5,769,741	7,221,346	8,595,736	8,931,712	9,584,790	10,105,517
No. with net business income	n.a.	n.a.	n.a.	n.a.	6,534,688	n.a.
Inventory, end of year	11,060,775	15,578,040	21,925,135	21,996,236	22,921,503	21,804,915
Business receipts, total	198,582,172	273,954,741	395,669,594	411,205,713	427,063,055	433,664,789
Income from sales and operations ...	n.a.	272,342,560	392,497,616	407,169,299	421,700,025	428,311,732
Total deductions	168,044,746	234,318,288	339,141,191	356,258,495	373,991,426	383,091,626
Cost of goods sold/operations	109,148,811	146,261,435	202,498,637	209,889,809	209,723,950	205,471,499
Purchases	88,585,913	117,722,352	161,798,251	168,301,517	167,751,431	161,295,256
Cost of labor	7,704,285	8,791,083	10,943,072	10,922,221	10,923,120	11,424,639
Materials and supplies	6,216,057	9,090,638	13,230,280	12,909,222	12,081,423	12,735,789
Commissions	1,274,016	2,225,830	3,744,999	3,333,345	3,539,844	4,463,911
Salaries and wages	15,107,047	20,227,859	27,338,570	26,560,821	28,749,357	30,411,649
Car and truck expenses	n.a.	n.a.	11,442,680	13,378,289	12,358,478	n.a.
Rent paid	4,636,528	6,676,314	8,885,890	9,636,290	10,715,102	11,797,053
Repairs	2,444,607	3,044,175	4,769,757	5,031,573	5,414,156	6,006,374
Taxes paid	3,775,502	5,423,961	7,484,662	7,672,459	6,661,054	7,747,572
Utilities	n.a.	n.a.	4,502,560	4,790,337	8,275,517	n.a.
Insurance	2,309,608	3,503,812	5,861,950	6,003,126	6,238,704	6,448,496
Interest paid	1,784,276	3,390,845	6,386,472	7,190,257	9,052,338	10,143,651
Depreciation	5,451,525	7,958,143	12,929,133	13,952,703	15,854,513	19,121,397
Pension and profit sharing plans ...	72,741	125,296	135,952	141,463	152,588	136,359
Net income (less deficit)	30,537,426	36,636,453	56,528,403	54,947,219	53,071,628	50,573,163
Net income, businesses w/profit	33,735,732	45,624,890	67,078,638	68,010,051	68,552,791	68,647,384
Deficit, businesses w/o profit	3,198,306	5,988,437	10,550,235	13,062,832	15,481,162	18,074,220

See notes following Table 11.

Table 3.—Partnership Returns: Selected Income Statement and Balance Sheet Items for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1978	1979	1980	1981
	(1)	(2)	(3)	(4)	(5)	(6)
Total number of active partnerships ..	936,133	1,073,094	1,234,157	1,299,593	1,379,654	1,460,502
Number with net income	639,795	661,134	761,753	765,575	774,173	749,222
Number with balance sheets	555,741	783,271	1,023,542	n.a.	1,194,236	1,193,792
Number of partners	3,697,818	4,950,634	6,121,455	6,954,767	8,419,899	12,225,123
Total assets ¹	116,752,751	235,468,301	353,696,180	447,130,068	597,503,923	715,232,726
Buildings/depreciable assets (net)	n.a.	113,124,969	158,727,737	n.a.	239,139,823	367,270,152
Inventories, end of year	n.a.	11,985,431	17,202,990	n.a.	33,218,272	59,649,950
Land	n.a.	36,731,958	46,442,485	n.a.	70,241,248	76,336,446
Total liabilities	n.a.	193,875,629	293,050,496	n.a.	488,734,023	580,033,757
Accounts payable	n.a.	12,302,055	20,943,025	n.a.	33,899,048	29,092,451
Short-term debt ²	n.a.	22,709,476	27,810,649	n.a.	48,001,839	55,691,914
Long-term debt ³	n.a.	136,296,764	114,942,633	n.a.	178,044,406	196,508,937
Nonrecourse loans	n.a.	n.a.	83,746,916	n.a.	118,910,380	138,134,304
Partners' capital accounts	n.a.	41,592,672	60,645,684	n.a.	108,769,900	135,198,969
Total receipts	93,348,080	148,417,529	219,192,109	258,197,936	291,998,115	272,129,807
Business receipts	90,208,834	142,505,781	207,731,266	242,653,710	271,108,832	230,027,336
Interest received	942,304	2,477,173	4,346,928	7,246,203	10,869,323	13,772,559
Total deductions	83,557,684	140,679,959	204,745,300	242,992,028	283,749,460	274,864,704
Cost of goods sold/operations	46,040,874	64,672,843	87,217,203	102,096,671	113,885,668	130,043,609
Cost of labor	4,146,927	4,585,836	5,667,139	6,737,888	7,015,547	5,835,683
Purchases	31,820,581	42,608,734	55,983,188	64,201,085	70,439,607	92,136,914
Salaries and wages	8,129,233	12,489,039	16,585,456	19,392,819	22,336,337	21,136,914
Taxes paid	3,159,258	5,770,918	7,364,870	8,328,583	9,553,145	5,040,336
Interest paid	4,470,206	12,097,100	16,022,804	21,275,551	28,362,385	19,586,018
Depreciation	4,578,820	10,108,834	14,519,760	17,662,667	21,576,189	n.a.
Net income (less deficit)	9,790,396	7,737,570	14,446,809	15,205,908	8,248,655	-2,734,897
Net income, businesses w/profit	14,419,124	22,431,931	33,689,343	40,000,896	45,061,756	50,567,190
Deficit, businesses w/o profit	4,628,728	14,694,361	19,242,534	24,794,987	36,813,100	53,302,086

See notes following Table 11.

Selected Statistical Series, 1970-1984

Table 4.—Number of Individual Returns, Income, Tax and Average Tax by Size of Adjusted Gross Income, Tax Years 1979-1982
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns filed		Total adjusted gross income		Taxable income	
	1979	1980	1979	1980	1979	1980
	(1)	(2)	(3)	(4)	(5)	(6)
Total	92,694,302	93,902,469	1,465,394,530	1,613,731,497	1,157,247,646	1,279,985,360
Less than \$1,000	3,788,992	3,687,997	-7,517,144	-11,063,711	11,183	11,799
\$1,000 under \$3,000	9,023,068	8,673,301	17,931,942	17,314,975	7,686,884	7,569,858
\$3,000 under \$5,000	8,051,507	7,694,231	32,078,295	30,654,346	19,061,575	18,534,160
\$5,000 under \$7,000	8,390,494	7,633,889	50,451,302	45,738,822	34,235,887	30,497,371
\$7,000 under \$9,000	7,746,054	7,336,650	61,777,911	58,608,700	44,720,542	42,267,675
\$9,000 under \$11,000	6,732,073	6,605,618	67,110,738	65,907,303	51,164,615	49,980,765
\$11,000 under \$13,000	5,934,255	5,830,212	71,110,174	69,911,911	55,230,224	54,591,487
\$13,000 under \$15,000	5,295,237	5,267,669	74,071,705	73,590,238	58,475,957	58,114,413
\$15,000 under \$17,000	4,768,357	4,654,783	76,229,537	74,387,702	60,650,268	59,701,351
\$17,000 under \$19,000	4,486,955	4,350,522	80,768,766	78,267,330	64,462,617	63,009,244
\$19,000 under \$22,000	6,120,386	5,925,162	125,269,674	121,233,104	100,437,035	97,261,921
\$22,000 under \$25,000	5,030,867	5,325,787	117,930,754	125,021,261	95,129,727	100,538,990
\$25,000 under \$30,000	6,309,121	6,783,466	172,374,956	185,760,754	139,428,200	150,218,626
\$30,000 under \$35,000	4,069,181	4,729,899	131,310,195	152,927,369	106,353,381	124,032,123
\$35,000 under \$40,000	2,377,022	3,221,053	88,616,644	120,167,693	72,024,022	97,276,738
\$40,000 under \$50,000	2,229,252	3,053,039	98,307,745	134,907,796	79,955,613	109,091,818
\$50,000 under \$75,000	1,466,498	2,033,079	86,844,336	120,009,700	70,514,158	96,834,054
\$75,000 under \$100,000	423,380	535,348	36,318,472	45,918,079	29,474,761	36,849,386
\$100,000 under \$150,000	275,371	336,269	32,942,244	40,213,979	26,834,478	32,528,035
\$150,000 under \$200,000	82,501	107,245	14,108,589	18,377,241	11,563,895	14,823,138
\$200,000 under \$300,000	54,599	68,422	13,085,114	16,387,236	10,638,067	13,211,348
\$300,000 under \$500,000	25,627	31,947	9,585,275	11,956,450	7,704,281	9,505,239
\$500,000 under \$1,000,000	9,904	12,467	6,571,180	8,323,125	5,177,337	6,516,941
\$1,000,000 or more	3,601	4,414	8,116,126	9,210,095	6,312,939	7,018,879

Size of adjusted gross income	Total income tax	Percent of filers with no income tax liability		Filers with income tax liability			
		1979	1980	Average tax (whole dollars)	Tax as percent of adj. gross inc.		
		(7)	(8)	(9)	(10)	(11)	(12)
Total	214,494,519	250,341,440	22.7	21.3	2,992	3,387	15.3
Less than \$1,000	76,734	103,645	99.7	99.7	7,745	10,091	-
\$1,000 under \$3,000	22,840	32,471	97.5	96.9	103	122	5.0
\$3,000 under \$5,000	502,851	530,988	44.3	42.5	112	120	2.7
\$5,000 under \$7,000	2,115,791	1,864,897	31.2	32.1	366	360	6.1
\$7,000 under \$9,000	3,682,395	3,494,441	18.0	17.8	580	579	7.2
\$9,000 under \$11,000	5,386,370	5,296,395	5.0	5.0	842	844	8.4
\$11,000 under \$13,000	6,566,830	6,586,710	2.5	2.5	1,135	1,159	9.5
\$13,000 under \$15,000	7,556,089	7,633,561	1.7	2.1	1,452	1,480	10.4
\$15,000 under \$17,000 M	8,356,173	8,417,235	1.4	1.5	1,777	1,835	11.1
\$17,000 under \$19,000	9,311,627	9,351,972	1.2	1.1	2,100	2,173	11.7
\$19,000 under \$22,000	15,323,619	15,189,223	.8	1.0	2,524	2,589	12.3
\$22,000 under \$25,000	15,404,532	16,620,372	.5	.6	3,079	3,138	13.1
\$25,000 under \$30,000	24,377,331	26,635,973	.5	.4	3,884	3,941	14.2
\$30,000 under \$35,000	20,429,956	23,969,187	.4	.5	5,043	5,091	15.6
\$35,000 under \$40,000	15,056,264	20,419,148	.3	.5	6,532	6,373	17.0
\$40,000 under \$50,000	18,593,072	25,565,426	.2	.4	8,359	8,404	19.0
\$50,000 under \$75,000	19,753,175	27,208,647	.5	.6	13,536	13,463	22.9
\$75,000 under \$100,000	10,057,784	12,549,071	.3	.4	23,833	23,531	27.8
\$100,000 under \$150,000	10,548,353	12,868,433	.2	.3	38,392	38,368	32.1
\$150,000 under \$200,000	5,107,321	6,537,749	.1	.3	61,939	61,169	36.2
\$200,000 under \$300,000	5,141,069	6,370,648	.1	.1	94,238	93,234	39.3
\$300,000 under \$500,000	4,077,942	4,971,806	.1	.1	159,226	155,797	42.6
\$500,000 under \$1,000,000	2,972,594	3,713,691	.1	.1	300,353	298,169	45.3
\$1,000,000 or more	4,073,808	4,409,751	.1	.1	1,131,928	999,944	50.2

M - The median taxpayer was at this level for both 1979 and 1980.
 See notes following Table 11.

Table 4.—Number of Individual Returns, Income, Tax and Average Tax by Size of Adjusted Gross Income, Tax Years 1979-1982—Continued
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Size of adjusted gross income	Number of returns filed		Total adjusted gross income		Taxable income			
	1981	1982	1981	1982	1981	1982		
	(1)	(2)	(3)	(4)	(5)	(6)		
Total	95,396,123	95,337,432	1,772,604,303	1,852,135,465	1,410,880,665	1,473,348,899		
Less than \$1000	3,484,734	3,412,105	-16,952,842	-22,324,833	7,084	29,646		
\$1,000 under \$3,000	7,855,771	7,573,825	15,691,845	15,122,101	7,064,102	6,717,217		
\$3,000 under \$5,000	7,405,871	6,966,104	29,580,649	27,925,256	17,994,684	17,168,389		
\$5,000 under \$7,000	7,251,941	6,682,490	43,446,800	39,885,078	29,153,117	26,709,472		
\$7,000 under \$9,000	7,066,520	7,176,962	56,341,030	57,512,193	40,597,471	40,904,714		
\$9,000 under \$11,000	6,514,144	6,421,665	65,051,373	64,229,520	49,147,621	47,995,843		
\$11,000 under \$13,000	5,821,233	5,651,414	69,702,815	67,793,416	54,207,411	52,526,932		
\$13,000 under \$15,000	5,190,200	5,414,103	72,548,282	75,702,223	57,705,230	59,652,891		
\$15,000 under \$17,000	4,648,986	4,734,479	74,256,678	75,594,637	59,486,499	60,951,455		
\$17,000 under \$19,000	4,291,557	3,964,008	77,161,287	71,295,728	62,056,343	57,689,594		
\$19,000 under \$22,000	5,967,094	5,365,925	122,157,450	109,806,080	98,703,455	88,855,846		
\$22,000 under \$25,000	5,207,693	5,273,703	122,181,884	123,853,268	98,956,187	100,054,304		
\$25,000 under \$30,000	7,205,282	7,621,965	197,424,953	209,572,367	159,682,521	169,726,189		
\$30,000 under \$35,000	5,294,687	5,646,966	171,601,299	182,644,120	138,893,019	146,947,632		
\$35,000 under \$40,000	3,910,649	4,215,650	145,814,841	157,391,914	118,288,891	126,471,828		
\$40,000 under \$50,000	4,182,389	4,716,532	185,322,655	208,952,374	149,273,745	166,018,176		
\$50,000 under \$75,000	2,796,836	3,057,266	164,256,670	179,566,469	131,174,316	141,376,967		
\$75,000 under \$100,000	645,884	702,064	55,099,048	59,748,095	43,524,621	46,720,423		
\$100,000 under \$150,000	398,479	432,757	47,552,689	51,574,638	37,510,693	40,228,978		
\$150,000 under \$200,000	118,037	138,082	20,164,437	23,616,649	15,842,213	18,710,797		
\$200,000 under \$300,000	80,945	93,033	19,350,168	22,323,087	15,230,276	17,807,227		
\$300,000 under \$500,000	37,147	47,245	13,906,555	17,650,665	10,788,043	14,153,358		
\$500,000 under \$1,000,000	14,758	20,681	9,815,188	13,830,843	7,416,993	11,042,159		
\$1,000,000 or more	5,286	8,408	11,128,551	18,769,578	8,168,130	14,888,860		
Size of adjusted gross income	Total income tax		Percent of filers with no income tax liability		Filers with income tax liability			
			Average tax (whole dollars)	Tax as percent of adj. gross inc.	1981	1982	1981	1982
	1981	1982	1981	1982	1981	1982		
(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	
Total	284,128,989	277,597,301	19.6	19.2	3,703	3,604	16.5	15.4
Less than \$1,000	137,840	130,288	99.5	99.6	8,626	9,298	-	-
\$1,000 under \$3,000	43,465	35,182	95.5	95.0	123	92	6.0	5.0
\$3,000 under \$5,000	516,050	475,448	41.7	41.9	120	117	2.9	2.8
\$5,000 under \$7,000	1,761,464	1,473,139	32.0	31.4	357	321	5.9	5.4
\$7,000 under \$9,000	3,306,387	2,967,854	18.1	20.7	571	521	7.1	6.5
\$9,000 under \$11,000	5,150,823	4,462,848	5.2	6.8	834	746	8.3	7.4
\$11,000 under \$13,000	6,531,708	5,566,452	3.2	4.0	1,160	1,026	9.7	8.6
\$13,000 under \$15,000	7,601,053	7,002,695	2.2	2.3	1,498	1,324	10.7	9.5
\$15,000 under \$17,000	8,355,068	7,766,398	1.8	1.5	1,830	1,665	11.5	10.4
\$17,000 under \$19,000 M	9,226,778	7,786,372	1.3	1.8	2,179	2,001	12.1	11.1
\$19,000 under \$22,000	15,609,261	12,725,118	1.1	1.2	2,645	2,399	12.9	11.7
\$22,000 under \$25,000	16,563,264	15,378,094	.9	1.3	3,209	2,956	13.7	12.6
\$25,000 under \$30,000	28,474,945	27,852,640	.6	.6	3,976	3,676	14.5	13.4
\$30,000 under \$35,000	26,910,961	25,867,035	.4	.5	5,103	4,605	15.7	14.2
\$35,000 under \$40,000	24,834,220	24,098,091	.3	.5	6,370	5,743	17.1	15.4
\$40,000 under \$50,000	34,847,163	35,029,801	.6	.5	8,379	7,468	18.9	16.9
\$50,000 under \$75,000	36,299,454	35,892,383	.5	.5	13,050	11,803	22.2	20.1
\$75,000 under \$100,000	14,715,265	14,594,818	.4	.4	22,867	20,865	26.8	24.5
\$100,000 under \$150,000	14,619,378	14,385,740	.4	.2	36,828	33,321	30.9	27.9
\$150,000 under \$200,000	6,886,418	7,483,155	.2	.5	58,439	54,447	34.2	31.8
\$200,000 under \$300,000	7,183,611	7,651,434	.2	.2	88,930	82,400	37.2	34.3
\$300,000 under \$500,000	5,566,282	6,380,687	.1	.1	149,990	135,233	40.1	36.2
\$500,000 under \$1,000,000	4,100,676	5,222,845	.1	.1	278,182	252,751	41.8	37.8
\$1,000,000 or more	4,887,456	7,368,787	.1	.1	925,655	877,132	44.0	39.3

M - The median taxpayer was at this level for both 1981 and 1982.
 See notes following Table 11.

Selected Statistical Series, 1970-1984

Table 5.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division and items	1970	1975	1978	1979	1980	1981 (Revised)
	(1)	(2)	(3)	(4)	(5)	(6)
AGRICULTURE, FORESTRY AND FISHING						
Number of returns, total	37,283	56,280	69,971	76,643	80,883	85,370
Number with net income	19,843	33,328	44,807	46,683	43,827	44,948
Total assets	11,909,403	21,177,941	32,904,622	36,265,804	40,738,977	46,081,067
Total liabilities	7,897,335	14,332,992	22,685,831	24,775,572	29,278,042	32,492,648
Total receipts	14,277,707	28,118,514	41,417,558	50,986,876	52,089,915	65,061,959
Business receipts	13,591,763	26,624,149	39,222,456	48,367,354	48,850,056	60,907,045
Interest received	69,742	171,732	251,195	349,252	476,654	751,553
Total deductions	14,209,713	27,369,286	40,125,054	49,751,856	51,418,280	64,735,599
Cost of sales and operations	10,555,539	19,738,447	29,140,482	36,226,280	35,798,332	45,552,234
Interest paid	356,225	797,420	1,251,690	1,592,102	2,184,441	2,738,463
Net income (less deficit)	65,295	746,908	1,296,962	1,239,718	673,158	328,308
Net income, businesses w/profit ..	493,400	1,493,168	2,202,179	2,469,480	2,464,381	2,551,988
Deficit, businesses w/o profit ..	428,105	746,260	905,217	1,229,762	1,791,222	2,223,679
Income tax before credits ¹	113,115	351,059	475,815	501,397	533,768	543,280
Total income tax after credits	107,023	294,584	340,710	365,106	422,282	414,448
Distributions to stockholders except in own stock	65,824	244,524	251,428	326,037	304,733	512,027
MINING						
Number of returns, total	14,465	14,242	19,124	24,296	25,576	33,363
Number with net income	7,303	8,297	11,148	11,259	12,698	17,634
Total assets	23,972,812	64,505,341	97,670,205	115,530,163	126,947,880	168,908,241
Total liabilities	10,590,991	31,739,651	52,613,050	64,248,721	72,879,732	98,442,207
Total receipts	17,747,750	65,909,994	94,706,062	132,926,563	176,672,390	200,194,751
Business receipts	16,699,586	63,670,496	90,538,979	127,833,110	167,397,918	189,552,446
Interest received	176,728	522,757	635,038	959,329	1,301,266	2,432,908
Total deductions	15,927,348	42,348,765	67,158,152	89,992,366	169,051,624	195,021,576
Cost of sales and operations	9,955,600	30,171,612	44,583,576	60,477,876	116,989,880	150,193,394
Interest paid	388,032	1,166,182	2,180,034	2,769,022	3,440,080	6,051,461
Net income (less deficit)	1,834,315	23,574,833	27,709,582	43,063,340	7,750,561	5,620,746
Net income, businesses w/profit ..	2,399,507	24,347,893	29,582,865	44,911,264	10,133,685	10,611,609
Deficit, businesses w/o profit ..	565,192	773,060	1,873,283	1,571,455	2,383,124	4,990,863
Income tax before credits ¹	1,031,550	11,361,037	13,741,509	20,098,354	3,947,569	4,119,612
Total income tax after credits	342,928	1,051,138	1,046,525	1,212,267	1,672,492	1,685,491
Distributions to stockholders except in own stock	1,177,550	1,015,895	2,194,973	3,215,842	4,757,780	3,278,771
CONSTRUCTION						
Number of returns, total	138,905	191,219	228,657	259,213	272,432	276,395
Number with net income	82,078	108,852	148,712	162,732	150,368	145,206
Total assets	42,719,792	76,691,947	105,545,997	125,420,947	132,939,026	150,764,144
Total liabilities	30,900,188	57,662,870	79,758,557	95,369,236	100,112,852	113,695,252
Total receipts	90,610,644	146,955,117	216,710,160	258,723,850	267,205,356	280,172,375
Business receipts	88,945,385	143,412,715	211,618,796	252,702,613	260,387,692	270,543,236
Interest received	219,698	614,583	898,396	1,394,177	2,073,650	3,122,737
Total deductions	89,070,022	144,717,309	210,906,569	252,709,644	262,116,275	276,744,601
Cost of sales and operations	73,434,969	116,845,554	171,491,603	204,421,609	208,064,925	214,612,975
Interest paid	711,496	1,973,244	2,580,694	3,536,998	4,278,502	5,318,285
Net income (less deficit)	1,538,418	2,236,262	5,876,327	6,136,913	5,271,209	3,455,058
Net income, businesses w/profit ..	2,548,013	4,514,864	8,056,979	9,117,112	8,911,143	8,295,947
Deficit, businesses w/o profit ..	1,009,595	2,278,602	2,180,652	2,980,199	3,639,934	4,840,889
Income tax before credits ¹	776,979	1,320,196	2,398,869	2,550,908	2,521,507	2,316,708
Total income tax after credits	756,637	1,131,960	1,496,951	1,824,890	1,973,614	1,868,113
Distributions to stockholders except in own stock	299,204	464,553	627,914	697,637	793,764	889,557
MANUFACTURING						
Number of returns, total	197,807	217,354	223,417	241,795	242,550	251,294
Number with net income	120,814	136,839	159,631	164,605	153,640	149,964
Total assets	612,912,516	944,581,970	1,308,673,807	1,533,494,376	1,709,471,700	1,933,710,383
Total liabilities	303,989,223	501,994,296	713,609,724	856,041,068	960,284,926	1,085,493,079
Total receipts	722,952,890	1,296,359,650	1,836,552,260	2,166,399,886	2,404,323,844	2,613,512,581
Business receipts	700,090,661	1,258,338,650	1,773,467,830	2,086,220,228	2,301,056,550	2,487,695,859
Interest received	4,748,499	8,691,092	15,089,753	21,355,133	28,315,784	38,848,407
Total deductions	692,455,462	1,230,689,496	1,730,009,625	2,045,448,376	2,290,593,808	2,509,134,569
Cost of sales and operations	495,879,549	925,111,030	1,290,204,263	1,533,327,048	1,707,143,900	1,822,985,043
Interest paid	12,570,242	22,055,903	30,915,600	41,587,856	54,177,356	73,084,336
Net income (less deficit)	31,846,078	68,406,627	113,518,786	130,791,918	125,667,815	116,775,393
Net income, businesses w/profit ..	37,925,489	74,466,554	120,144,888	140,223,449	141,547,510	138,215,539
Deficit, businesses w/o profit ..	6,079,411	6,059,927	6,626,102	9,431,531	15,879,695	21,440,146
Income tax before credits ¹	16,744,905	32,306,739	52,753,150	58,668,112	59,577,413	58,820,480
Total income tax after credits	13,242,226	21,024,964	34,218,035	35,059,349	32,701,861	30,115,496
Distributions to stockholders except in own stock	14,616,282	19,973,061	31,173,451	38,321,486	37,306,509	41,434,134

Table 5.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items by Industrial Division for Selected Years, 1970-1981
—Continued
[All figures are estimates based on sample—money amounts are in thousands of dollars]

Industrial division and items	1970	1975	1978	1979	1980	1981 (Revised)
	(1)	(2)	(3)	(4)	(5)	(6)
TRANSPORTATION AND PUBLIC UTILITIES						
Number of returns, total	67,398	80,701	92,686	106,824	111,324	109,127
Number with net income	38,204	45,360	54,343	61,583	62,232	56,480
Total assets	287,740,207	443,236,797	597,721,008	676,186,972	758,364,400	837,300,816
Total liabilities	166,535,185	266,792,390	356,560,566	411,531,388	467,708,707	516,438,230
Total receipts	135,495,271	243,480,637	372,898,491	448,140,811	523,807,396	598,507,994
Business receipts	131,463,171	234,689,427	360,687,424	434,427,319	507,372,820	575,602,089
Interest received	930,266	1,520,913	2,945,437	4,067,665	5,760,072	8,048,746
Total deductions	127,931,131	233,409,166	352,027,145	429,849,123	503,954,285	579,172,068
Cost of sales and operations	77,743,359	143,932,463	227,211,452	284,041,578	336,868,172	358,354,512
Interest paid	7,364,200	13,761,062	18,142,886	21,631,167	27,638,591	34,085,384
Net income (less deficit)	7,543,718	10,099,571	21,001,954	18,462,903	20,046,155	19,573,717
Net income, businesses w/profit..	9,471,595	12,088,189	23,305,319	22,058,598	24,917,293	25,739,287
Deficit, businesses w/o profit..	1,927,877	1,988,618	2,303,365	3,595,695	4,871,138	6,165,570
Income tax before credits ¹	4,342,334	5,107,158	10,252,353	9,115,461	10,532,722	10,481,203
Total income tax after credits	4,036,650	2,836,470	5,256,704	4,834,026	5,322,990	5,065,529
Distributions to stockholders except in own stock	5,837,565	8,900,353	13,666,472	15,275,029	17,329,807	19,622,705
WHOLESALE AND RETAIL TRADE						
Number of returns, total	518,062	614,632	721,443	776,661	799,628	816,836
Number with net income	339,987	399,668	483,173	502,947	487,300	476,877
Total assets	192,181,800	323,496,726	486,146,204	573,310,389	646,901,005	708,060,408
Total liabilities	115,179,668	200,846,992	313,748,608	376,719,434	424,611,318	472,256,895
Total receipts	522,547,923	969,938,872	1,461,404,863	1,750,559,063	1,955,523,778	2,039,628,384
Business receipts	511,316,883	951,463,550	1,436,428,884	1,711,773,627	1,919,347,689	1,997,262,710
Interest received	1,291,906	3,857,318	5,293,767	8,243,949	10,503,989	14,319,277
Total deductions	512,910,193	947,511,780	1,426,238,358	1,711,496,089	1,919,454,218	2,006,891,471
Cost of sales and operations	392,391,856	745,299,204	1,134,768,864	1,361,550,632	1,538,128,634	1,594,256,679
Interest paid	4,309,663	8,587,173	13,677,333	19,931,751	25,645,855	30,997,865
Net income (less deficit)	9,671,044	22,489,430	35,759,358	40,242,601	38,309,671	33,320,403
Net income, businesses w/profit..	12,395,411	27,681,721	41,432,239	48,246,345	49,426,500	47,657,374
Deficit, businesses w/o profit..	2,724,367	5,192,291	5,672,882	8,003,744	11,116,829	14,336,971
Income tax before credits ¹	4,476,047	8,103,316	12,386,647	13,313,992	13,515,653	12,329,212
Total income tax after credits	4,237,181	7,348,619	9,913,600	10,772,309	10,550,255	10,282,598
Distributions to stockholders except in own stock	2,068,501	5,029,897	7,272,502	8,821,280	10,343,087	10,034,841
FINANCE, INSURANCE AND REAL ESTATE						
Number of returns, total	406,235	411,846	454,031	471,227	493,426	469,795
Number with net income	248,586	243,409	278,590	281,195	273,853	258,622
Total assets	1,401,153,520	2,321,965,956	3,249,397,057	3,630,045,296	4,022,206,073	4,486,191,441
Total liabilities	1,204,673,072	2,052,195,429	2,883,857,407	3,187,436,102	3,491,664,756	3,830,001,863
Total receipts	177,321,173	315,795,981	474,690,489	560,968,442	697,460,846	877,808,946
Business receipts	92,091,887	157,126,715	234,578,853	254,722,667	256,892,475	330,631,846
Interest received	63,694,046	127,040,303	194,203,053	250,979,245	315,146,115	421,159,015
Total deductions	161,630,060	297,963,817	432,294,860	514,086,140	652,637,787	838,764,803
Cost of sales and operations	48,434,362	84,614,209	111,618,648	123,367,688	129,644,330	162,447,596
Interest paid	34,548,509	77,677,659	118,850,328	164,365,541	219,167,684	314,128,780
Net income (less deficit)	12,214,079	11,663,330	33,873,934	37,011,262	33,122,792	26,346,494
Net income, businesses w/profit..	15,081,939	18,825,003	38,585,831	43,275,518	46,040,390	53,018,005
Deficit, businesses w/o profit..	2,867,860	7,161,673	4,711,897	6,264,256	12,917,599	26,671,510
Income tax before credits ¹	4,404,449	5,558,647	11,756,250	11,595,112	9,680,755	7,968,422
Total income tax after credits	4,150,009	4,673,705	9,908,261	9,601,617	7,698,134	6,037,489
Distributions to stockholders except in own stock	7,387,211	8,729,977	13,599,824	18,348,769	24,692,146	41,998,295 ²
SERVICES						
Number of returns, total	281,218	435,672	560,016	609,103	671,338	752,813
Number with net income	150,525	249,641	338,498	364,156	408,716	441,100
Total assets	61,875,140	90,534,067	134,379,134	153,219,483	178,163,737	213,724,531
Total liabilities	42,346,078	63,678,693	95,548,868	108,132,469	125,298,224	152,673,683
Total receipts	69,572,626	131,377,364	210,606,073	244,542,893	279,883,187	346,846,723
Business receipts	66,459,515	125,747,462	201,678,049	234,497,897	266,088,619	328,053,889
Interest received	435,070	875,506	1,524,734	2,196,467	3,269,412	4,696,008
Total deductions	68,384,452	127,996,443	202,985,210	236,359,966	271,792,974	338,790,049
Cost of sales and operations	37,733,747	63,724,869	100,355,222	117,057,522	129,352,692	157,886,393
Interest paid	1,802,802	3,279,438	4,752,293	6,082,021	8,033,612	10,472,892
Net income (less deficit)	1,198,703	3,396,744	7,666,125	8,252,805	8,193,903	8,197,916
Net income, businesses w/profit..	3,384,869	6,025,592	10,994,355	12,060,033	13,246,601	15,182,552
Deficit, businesses w/o profit..	2,186,166	2,628,848	3,328,230	3,807,228	5,052,698	6,984,635
Income tax before credits ¹	1,058,264	1,625,093	3,151,307	3,276,011	3,497,265	4,029,725
Total income tax after credits	1,003,130	1,323,637	2,158,326	2,419,382	2,613,888	2,943,149
Distributions to stockholders except in own stock	558,452	855,402	1,490,937	1,816,177	1,841,945	2,491,324

See notes following Table 11.

Selected Statistical Series, 1970-1984

Table 6.—Corporation Income Tax Returns: Selected Balance Sheet, Income Statement, and Tax Items for Selected Years, 1970-1981
 [All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	1970	1975	1978	1979	1980	1981 (Revised)
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	1,665,477	2,023,647	2,376,779	2,577,801	2,710,538	2,812,420
Number with net income	1,008,337	1,226,208	1,523,648	1,599,322	1,596,532	1,597,298
Small Business Corp. returns	257,475	358,413	478,679	518,550	545,389	541,489
DISC returns	N/A	6,431	7,208	8,066	8,665	9,408
Total assets	2,634,706,564	4,286,556,273	6,014,452,008	6,844,891,231	7,617,238,403	8,547,161,872
Notes and acc'ts receivable	614,667,376	1,051,542,806	1,589,330,717	1,817,469,863	1,984,601,790	2,239,832,960
Inventories	190,401,642	317,718,545	442,652,820	504,315,590	534,806,547	588,219,956
Investments in Gov't obligations	196,625,390	316,131,699	403,628,383	421,441,738	472,059,737	514,837,697
Net capital assets, except land ¹	552,838,384	825,107,002	1,115,564,447	1,264,872,322	1,418,605,742	1,591,843,868
Total liabilities	1,882,295,401	3,189,491,468	4,519,695,153	5,125,337,041	5,672,850,147	6,303,221,090
Accounts payable	148,812,597	263,417,584	403,553,630	482,558,295	542,172,368	619,969,292
Short-term debt ²	170,884,261	272,123,551	380,851,818	452,958,194	504,802,288	585,947,678
Long-term debt ²	362,700,303	586,703,526	780,536,053	885,515,693	986,663,932	1,058,070,877
Net worth	752,411,163	1,097,064,806	1,494,756,856	1,719,554,190	1,944,388,256	2,243,940,782
Total receipts	1,750,776,503	3,198,627,860	4,714,602,615	5,615,625,519	6,361,284,012	7,026,351,839
Business receipts	1,620,885,576	2,961,729,640	4,353,704,519	5,152,613,019	5,731,616,337	6,244,678,064
Interest on Gov't obligations	9,687,116	17,264,405	25,381,712	30,420,365	38,061,592	50,519,552
United States	5,911,199	10,552,799	16,241,045	19,541,449	25,440,716	36,638,092
State and Local	3,775,917	6,711,606	9,140,667	10,878,916	12,620,875	13,881,460
Other interest	61,883,309	126,034,505	195,479,301	259,146,298	328,802,958	442,918,194
Rents and royalties	16,524,889	26,932,271	38,164,761	40,303,671	53,821,391	67,522,636
Net short-term capital gain less net long-term capital loss	190,439	301,601	884,646	1,209,842	2,013,510	2,178,572
Net long-term capital gain less net short-term capital loss	5,481,580	8,364,523	14,679,875	20,005,538	24,910,957	29,064,630
Net gain, sales of noncap. assets ..	5,315,562	7,757,287	12,137,078	15,397,176	20,117,615	16,639,271
Dividends received from domestic corporations	5,238,421	8,818,282	13,321,287	16,863,766	18,654,800	17,442,112
Dividends received from foreign corporations	3,466,515	5,467,726	9,277,932	12,715,084	14,563,353	13,790,320
Total deductions	1,682,778,847	3,052,674,597	4,467,196,877	5,331,970,825	6,125,365,155	6,813,841,356
Cost of sales and operations	1,146,263,273	2,129,928,467	3,113,421,507	3,721,782,971	4,204,905,905	4,509,198,199
Bad debts	6,479,814	13,781,147	15,660,693	17,486,107	18,769,771	22,286,815
Taxes paid	49,523,243	81,530,302	116,155,070	128,172,063	163,003,622	170,470,926
Interest paid	62,055,010	129,307,921	192,403,316	261,530,850	344,612,542	476,964,684
Contributions or gifts	797,029	1,202,130	2,084,022	2,294,755	2,358,554	2,514,425
Depreciation	52,941,266	86,295,664	121,299,900	138,490,396	157,345,828	186,195,048
Depletion	5,623,339	5,341,489	6,402,020	7,828,973	8,871,993	7,929,396
Pension, profit-sharing, stock bonus, and annuity plans	12,225,912	26,526,129	41,825,415	46,583,431	51,529,310	52,952,583
Net loss, sales of noncap. assets ..	1,289,305	1,804,079	2,155,305	4,074,858	5,903,104	7,943,607
Net income (less deficit)	65,901,614	142,636,826	246,867,473	285,300,630	239,006,542	213,648,962
Net income, businesses w/profit ..	83,710,924	169,483,336	274,519,721	322,517,550	296,787,201	301,440,778
Deficit, businesses w/o profit	17,809,310	26,846,510	27,652,248	37,216,920	57,780,659	87,791,816
Income subject to tax	72,374,437	146,589,287	239,631,773	280,155,155	246,598,486	241,496,368
Income tax before credits ³	32,949,937	65,769,822	106,976,893	119,157,964	103,831,172	100,644,417
Tax credits, total	5,414,940	26,452,791	43,501,607	54,229,274	42,167,741	43,813,131
Foreign tax credit	4,548,986	19,987,724	26,357,629	36,828,057	24,861,315	21,828,686
Possessions tax credit	N/A	N/A	1,134,422	1,376,124	1,565,681	1,945,637
Investment credit	865,954	6,459,746	12,897,172	14,678,306	15,102,812	18,887,286
Jobs credit	N/A	N/A	3,093,915	1,318,837	601,444	472,895
Research credit	N/A	N/A	N/A	N/A	N/A	639,302
Income tax after credits ³	27,534,997	39,317,031	63,475,286	64,928,690	61,663,431	56,831,286
Additional tax for tax preferences ..	265,249	156,740	340,519	433,649	438,820	524,851
Total income tax	27,878,078	39,691,517	64,386,838	66,120,672	62,974,695	58,444,720
Distributions to stockholders, except in own stock	32,012,677	45,224,392	70,294,349	86,833,911	97,378,617	120,295,338

See notes following Table 11.

Selected Statistical Series, 1970-1984

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Table 7.—Gross Internal Revenue Collections: Amount Collected by Quarter and Fiscal Year, 1980-1984
 [Money amounts are in millions of dollars]

Quarter and fiscal year	Source of Revenue					
	Total	Individual income taxes ¹	Corporation income taxes	Excise taxes ²	Employment taxes ³	Estate and gift taxes
(1)	(2)	(3)	(4)	(5)	(6)	
FISCAL YEAR 1980 TOTAL	519,375	287,548	72,380	24,619	128,330	6,498
October 1979 - December 1979	105,947	58,899	14,894	4,902	25,755	1,497
January 1980 - March 1980	122,422	68,723	15,074	4,250	32,850	1,524
April 1980 - June 1980	166,827	91,480	28,360	7,335	38,036	1,617
July 1980 - September 1980	124,179	68,447	14,051	8,132	31,689	1,861
FISCAL YEAR 1981 TOTAL	606,799	332,850	73,733	40,420	152,886	6,910
October 1980 - December 1980	118,804	67,081	14,527	7,305	28,193	1,698
January 1981 - March 1981	143,899	77,467	14,844	10,082	39,878	1,628
April 1981 - June 1981	196,970	108,600	29,204	11,963	45,510	1,692
July 1981 - September 1981	147,126	79,702	15,158	11,069	39,304	1,893
FISCAL YEAR 1982 TOTAL	632,241	352,609	65,991	36,779	168,718	8,143
October 1981 - December 1981	137,570	71,526	15,898	10,577	37,654	1,915
January 1982 - March 1982	154,128	85,930	14,722	9,426	41,751	2,299
April 1982 - June 1982	196,506	113,852	23,115	8,389	49,165	1,986
July 1982 - September 1982	144,036	81,301	12,256	8,387	40,148	1,943
FISCAL YEAR 1983 TOTAL	627,247	349,628	61,780	35,766	173,848	6,226
October 1982 - December 1982	132,205	70,312	13,404	8,498	38,404	1,588
January 1983 - March 1983	150,019	86,853	11,494	8,222	41,930	1,519
April 1983 - June 1983	194,431	111,721	22,027	8,947	50,219	1,516
July 1983 - September 1983	150,591	80,742	14,855	10,097	43,294	1,602
FISCAL YEAR 1984						
October 1983 - December 1983	141,849	73,379	16,208	9,654	41,132	1,476

See notes following Table 11.

Table 8.—Internal Revenue Refunds: Amount Refunded by Quarter and Fiscal Year, 1980-1984
 [Money amounts are in millions of dollars]

Quarter and fiscal year	Amount Refunded by Type of Return					
	Total	Individual income taxes ¹	Corporation income taxes	Excise taxes ²	Employment taxes ³	Estate and gift taxes
(1)	(2)	(3)	(4)	(5)	(6)	
FISCAL YEAR 1980 TOTAL	54,009	44,423 ⁴	8,056	293	1,115	123
October 1979 - December 1979	3,062	732	2,119	45	137	29
January 1980 - March 1980	19,980	17,731	1,962	137	132	18
April 1980 - June 1980	26,438	23,553	2,222	75	550	39
July 1980 - September 1980	4,529	2,407	1,753	36	296	37
FISCAL YEAR 1981 TOTAL	63,303	48,409 ⁴	13,294	343	1,114	143
October 1980 - December 1980	4,215	971	3,047	49	116	32
January 1981 - March 1981	21,988	18,285	3,687	76	-99	39
April 1981 - June 1981	30,352	26,027	3,160	163	967	34
July 1981 - September 1981	6,749	3,125	3,400	55	128	40
FISCAL YEAR 1982 TOTAL	75,202	55,102 ⁵	17,974	367	1,578	181
October 1981 - December 1981	5,530	1,347	3,920	42	185	37
January 1982 - March 1982	24,024	19,338	4,197	76	377	36
April 1982 - June 1982	35,793	30,481	4,298	163	796	54
July 1982 - September 1982	9,855	3,936	5,559	86	220	53
FISCAL YEAR 1983 TOTAL	89,761	61,198 ⁵	26,012	493	1,849	208
October 1982 - December 1982	9,411	1,875	7,030	58	397	52
January 1983 - March 1983	23,928	16,548	6,838	108	372	62
April 1983 - June 1983	46,715	38,341	7,421	194	721	38
July 1983 - September 1983	9,705	4,434	4,723	133	359	56
FISCAL YEAR 1984						
October 1983 - December 1983	7,201	2,064 ⁶	4,548	195	325	69

See notes following Table 11.

Selected Statistical Series, 1970-1984

Table 9.—Classes of Excise Taxes by Selected Fiscal Year, 1970-1984
 [Money amounts are in millions of dollars]

Selected class of tax	1970	1975	1980	1981	1982	1983
	(1)	(2)	(3)	(4)	(5)	(6)
ALCOHOL TAXES, TOTAL	4,746,382	5,350,858	5,704,768	5,688,413	5,459,810	5,634,853
Distilled spirits	3,501,538	3,865,162	3,945,377	3,837,640	3,634,519	3,798,148
Wine	163,337	177,113	211,538	244,445	218,987	239,329
Beer	1,081,507	1,308,583	1,547,853	1,606,328	1,606,303	1,597,375
TOBACCO TAXES, TOTAL	2,094,212	2,315,090	2,446,416	2,583,857	2,539,495	4,139,810
Cigarettes	2,036,101	2,261,116	2,402,857	2,538,674	2,499,046	4,099,226
Cigars	56,834	51,226	39,500	40,742	35,666	33,716
MANUFACTURERS EXCISE TAXES, TOTAL	6,683,061	5,516,611	6,487,421	6,088,156	6,382,900	6,776,023
Gasoline and lubricating oil ¹	3,517,586	4,071,465	4,326,549	4,108,716	4,320,856	4,953,267
Tires, tubes and tread rubber	614,795	697,660	682,624	668,902	616,785	677,966
Motor vehicles, bodies, parts ²	1,753,327	662,556	1,088,696	914,524	884,845	516,872
Recreational products	53,427	84,946	136,521	158,054	131,288	132,672
Black Lung taxes	N/A	N/A	251,288	237,097	426,620	490,731
SPECIAL FUELS, TOTAL ³	257,820	404,187	560,144	587,486	628,625	831,196
Diesel and special motor fuels	257,712	370,489	512,718	553,107	598,840	742,380
MISCELLANEOUS EXCISE TAXES, TOTAL	2,084,730	3,306,077	6,359,198	19,773,803	24,813,053	19,228,685
Telephone and teletype ⁴	1,469,562	2,023,744	1,117,834	998,503	919,749	1,048,317
Air transportation	250,802	850,567	1,748,837	1,326,829	1,154,818	1,898,786
Highway use tax	135,086	207,663	263,272	266,225	257,329	287,457
Foreign insurance ⁵	8,614	19,458	74,630	74,882	68,276	-44,440
Exempt organizations net investment income	N/A	63,828	65,280	84,045	93,188	112,380
Crude oil windfall profit	N/A	N/A	3,051,719	16,930,548	22,035,927	15,660,081
Environmental taxes (superfund)	N/A	N/A	N/A	61,264	252,903	235,954

Selected class of tax	Fiscal year quarter ending					
	Sept. 1982	Dec. 1982	Mar. 1983	June 1983	Sept. 1983	Dec. 1983
	(7)	(8)	(9)	(10)	(11)	(12)
ALCOHOL TAXES, TOTAL	1,502,209	1,362,584	1,331,830	1,293,551	1,646,888	1,250,919
Distilled spirits	942,311	991,691	906,974	853,577	1,045,906	892,575
Wine	24,332	67,672	63,829	61,896	45,933	64,331
Beer	535,566	303,221	361,027	378,078	555,050	294,013
TOBACCO TAXES, TOTAL	685,428	638,860	1,002,323	1,137,118	1,361,508	1,147,900
Cigarettes	673,383	629,867	993,909	1,127,198	1,348,253	1,140,023
Cigars	10,636	7,798	6,791	7,946	11,181	5,426
MANUFACTURERS EXCISE TAXES, TOTAL	1,624,385	1,463,058	1,480,465	1,426,353	2,406,147	2,814,502
Gasoline and lubricating oil ¹	1,099,027	992,928	979,122	998,042	1,983,175	2,488,842
Tires, tubes and tread rubber	139,197	166,892	168,796	158,654	183,624	187,793
Motor vehicles, bodies, parts ²	204,322	144,263	179,889	106,755	85,965	-18,802 ⁶
Recreational products	36,278	35,354	27,043	38,141	32,133	35,042
Black Lung taxes	143,517	123,114	125,176	123,777	118,664	121,185
SPECIAL FUELS, TOTAL ³	166,676	151,540	182,275	177,061	320,319	588,675
Diesel and special motor fuels	158,421	140,554	155,646	151,367	294,813	411,280
MISCELLANEOUS EXCISE TAXES, TOTAL	9,013,517	4,998,036	6,370,018	4,715,585	3,145,046	4,285,278
Telephone and teletype ⁴	174,043	140,756	211,881	394,149	301,532	677,149
Air transportation	304,870	343,762	503,498	548,423	503,103	587,384
Highway use tax	151,866	17,789	54,784	46,444	168,440	25,665
Foreign insurance ⁵	19,921	-14,801	-9,640	-3,229	-16,769	8,010
Exempt organizations net investment income	35,632	7,654	23,600	45,325	35,800	9,445
Crude oil windfall profit	8,256,853	4,440,146	5,518,749	3,616,501	2,084,685	2,909,803
Environmental taxes (superfund)	59,473	56,330	59,247	61,175	59,203	63,725

See notes following Table 11.

Selected Statistical Series, 1970-1984

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Table 10.—Selected Returns and Forms Filed During Selected Calendar Years, 1970-1983

Type of return or form	Calendar Year						1984 Projected (Revised)	
	Number Filed							
	1970	1975	1980	1981	1982	1983 Actual (Revised)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	
Individual income ¹	77,281,384	84,026,785	93,194,916	94,156,710	95,574,230	95,541,338	97,038,000	
Form 1040	77,143,251	61,450,279	55,360,030	57,088,682	57,800,627	59,580,123	59,847,500	
Nonbusiness	68,129,351	51,377,153	43,957,141	45,288,528	45,480,555	46,632,123	46,816,400	
Business	9,013,900	10,073,126	11,402,889	11,800,154	12,320,072	12,948,000	13,031,100	
Schedule C	6,351,304	7,438,968	8,944,298	9,345,121	9,877,372	10,507,000	10,685,200	
Schedule F	2,662,596	2,634,158	2,458,591	2,455,033	2,442,700	2,441,000	2,345,900	
Form 1040A	N/A	22,462,776	37,692,282	36,924,610	37,618,855	21,045,266	21,121,850	
Form 1040EZ	N/A	N/A	N/A	N/A	N/A	14,915,949	16,068,650	
Corporation income:								
Form 1120	1,487,244	1,705,789	2,030,092	2,265,811	2,346,203	2,461,461	2,514,560	
Form 1120S	248,936	367,219	528,070	547,176	566,787	616,719	672,495	
Partnership, Form 1065	991,904	1,132,839	1,401,567	1,457,974	1,552,735	1,613,493	1,673,018	
Fiduciary, Form 1041 ²	1,149,445	1,558,570	1,876,392	1,944,494	1,962,485	2,019,483	2,068,110	
Estate Tax, Forms 706 and 706NA	141,156	225,827	147,303	146,496	127,051	108,330	88,922	
Gift Tax, Form 709	146,338	273,184	214,389	190,106	84,364	93,260	106,679	
Exempt Organization:								
Form 990 ³	377,030	346,627	362,632	322,572	368,278	344,216	331,038	
Form 990-PF	N/A	29,637	33,137	31,688	31,831	33,232	33,333	
Form 990-T	5,041	19,683	23,455	24,562	23,720	25,598	26,836	

See notes on following page.

Table 11.—Selected Demographic and Economic Indexes, 1970-1983

Series	Source	1970 Total (millions)	INDEXES (1970 = 100)				
			1975	1980	1981	1982	1983
			(1)	(2)	(3)	(4)	(5)
Total U.S. Population ¹	Census	205.05	105.3	111.0	112.1	113.2	114.2
Number of Individual Tax Exemptions ²	SOI	195.10	103.6	110.7	111.7	112.2	-
Civilian Employment ³	BLS	78.68	109.1	126.2	127.6	126.5	128.2
Individual Income Tax Returns Filed ⁴	SOI	74.28	110.7	126.4	128.4	128.3	-
Personal Income ⁵	BEA	\$ 811,100	156.0	267.0	300.2	317.9	338.0
Individual Income Taxes ⁶	SOI	\$ 83,909	148.4	298.3	338.6	330.8	-
Social Security & Gov't. Pension Contributions ⁷ ...	BEA	\$ 58,600	189.2	347.6	404.4	431.7	464.7
Gross National Product ⁸	BEA	\$ 992,700	156.1	265.1	297.6	309.6	333.4
Real (Deflated) Gross National Product ⁹	BEA	\$ 1,025,600	113.4	135.9	139.4	136.8	141.4
Industrial Production Index ¹⁰	FRB	-	109.3	136.4	140.1	128.6	137.0
Corporations Reporting Net Profit ¹¹	SOI	1.01	121.6	158.4	158.4	-	-
Unincorporated Businesses* with Net Profit ¹²	SOI	5.03	114.1	134.7	130.0	111.0	-
Net Corporations Income Tax Collections ¹³	IRS	\$ 32,829	123.7	196.8	186.2	149.9	112.8
Business Failures ¹⁴	D&B	0.01	106.4	109.2	156.3	235.8	-
Corporations Reporting Net Loss ¹¹	SOI	0.66	121.4	169.5	184.9	-	-
Unincorporated Businesses* with Net Loss ¹²	SOI	1.47	137.9	201.7	207.6	308.3	-
Business Fixed Investment ¹⁵	BEA	\$ 33,900	89.4	227.1	264.6	174.0	131.6
Corporation Investment Tax Credit ¹⁶	SOI	\$ 866	746.0	1,744.1	2,181.1	-	-
Depreciation Claimed on Corp. Tax Returns ¹⁷	SOI	\$ 52,941	163.0	297.2	351.7	-	-

* Excluding farm sole proprietorships.
See notes on following page.

Notes to Selected Statistical Series Tables

General notations

N/A - Not applicable

n.a. - Not available

r - Revised

Table 1

- [1] The 1981 data for interest and dividends are before exclusion. The combined amount of interest and dividends in adjusted gross income (after the exclusion) was \$178,097,705,000, reported on 34,144,410 returns.
- [2] Includes total itemized deductions and zero bracket amounts on nonitemized returns.
- [3] Includes surcharge of \$2,018,078,000.
- [4] For 1981 only, this was the 1.25 percent rate reduction credit applicable to all returns with income tax before credits, as provided by the Economic Recovery Tax Act of 1981.

SOURCE: *Statistics of Income--Individual Income Tax Returns*, appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 2

SOURCE: *Statistics of Income--Sole Proprietorship Returns*, appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 3

- [1] Total assets, total liabilities and partners capital accounts are somewhat understated because not all partnership returns filed contained a completed balance sheet.

[2] Short-term debt is the abbreviated title given to mortgages, notes and bonds payable in less than 1 year.

[3] Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more. In addition, for Tax Year 1975 long-term debt included nonrecourse loans.

SOURCE: *Statistics of Income--Partnership Returns*, for appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 4

SOURCE: *Statistics of Income--Individual Income Tax Returns*, appropriate years. Tax law changes have affected the comparability of the data. See the specific Statistics of Income reports for a description of those law changes.

Table 5

- [1] Consists of normal tax, surtax, and alternative tax for Tax Years 1970 through 1978, and regular tax and alternative tax for Tax Years 1979-1981.
- [2] The 109-percent increase by the regulated investment companies industry accounted for almost 62 percent of the increase from 1980 to 1981.

SOURCE: *Statistics of Income--Corporation Income Tax Returns*, appropriate years. Tax law changes have affected the comparability of the data. See the appropriate Statistics of Income reports for a description of those law changes.

Table 6

- [1] Net capital assets, except land, consisted of depreciable, depletable, and intangible assets less accumulated depreciation, depletion and amortization.
- [2] Short-term debt is the abbreviated title given to mortgages, notes and bonds

Notes to Selected Statistical Series Tables

payable in less than 1 year. Long-term debt is the abbreviated title given to mortgages, notes and bonds payable in 1 year or more.

- [3] Consists of normal tax, surtax, and alternative tax for Tax Years 1970 through 1978, and regular tax and alternative tax for Tax Years 1979-1981. Tax Year 1970 includes surcharge of \$784,437,000.

SOURCE: *Statistics of Income--Corporation Income Tax Returns*, appropriate years. Tax law changes have affected the comparability of the data. See the appropriate Statistics of Income reports for a description of those law changes.

Tables 7 and 8

- [1] Includes estimated tax payments or amounts withheld by employers prior to return filing, payments made with the return, and any subsequent payments.
- [2] Includes taxes imposed on selected products, services, and activities, such as those on alcohol and tobacco products and the windfall profit tax on domestically produced crude oil.
- [3] Includes payroll taxes levied on salaries and wages, such as social security, railroad retirement, and unemployment taxes.
- [4] Includes earned income credits refunded, amounting to \$1.3 billion.
- [5] Includes earned income credits refunded, amounting to \$1.2 billion.
- [6] Includes earned income credits refunded, amounting to \$11 million.

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

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch.

Table 9

- [1] Includes a one-time tax of 5 cents per gallon on gasoline and 4 cents per gallon on gasohol imposed on inventories of dealers as of April 1, 1983.
- [2] Effective January 7, 1983, the excise taxes on parts and accessories for trucks and buses, which are included in this classification, were repealed. For the quarter ending December 1983, motor vehicles are excluded.

[3] Special fuels, total includes diesel and special motor fuels which were classified as miscellaneous excise taxes in 1970. For the quarter ending December 1983, motor vehicles are included.

- [4] Effective January 1, 1983, the excise tax increased from 1 percent to 3 percent.

[5] The negative amounts are due to refunds of this tax under the United States - United Kingdom Income Tax Treaty, which provides for an exemption from the tax retroactive to January 1, 1975. Also, a similar United States - France treaty provides for an exemption retroactive to January 1, 1979.

- [6] The negative amount reflects adjustments made for prior quarters.

NOTES: For 1970 and 1975, fiscal year was defined as July of the previous year through June of the year noted. For 1979, 1980, 1981, and 1982, fiscal year was defined as October of the previous year through September of the year noted.

Additional detail is published in the *Annual Report of the Commissioner of Internal Revenue*.

SOURCE: Internal Revenue Service, Returns Processing and Accounting Division, Revenue and Accounting Branch.

Table 10

- [1] Includes Forms 1040NR, PR and SS.
- [2] Includes Form 1041A in 1970 and 1975.
- [3] Includes Form 990A in 1970.

SOURCE: Internal Revenue Service, Research Division, Projections and Forecasting Group.

Table 11

- [1] U.S. Department of Commerce, Bureau of the Census, *The 1984 Economic Report of the President*, Table B-28.
- [2] Exemptions reported on individual income tax returns. Does not include additional exemptions allowed for a taxpayer or spouse age 65 or over, blind, or both. *Statistics of Income--Individual Income Tax Returns*, appropriate years.
- [3] Wage and salary workers in all industries and government, as well as the self-employed. U.S. Department of Labor, Bureau of Labor Statistics, *The 1984 Economic Report of the President*, Table B-30.

- [4] Includes Forms 1040, 1040A, and 1040EZ. *Statistics of Income--Individual Income Tax Returns*, appropriate years.
- [5] Incomes received by persons in the form of wages and salaries, proprietary incomes, rents, dividends, and interest, as well as social security benefits, unemployment compensation and other government transfer payments. U.S. Department of Commerce, Bureau of Economic Analysis, *The 1984 Economic Report of the President*, Table B-22.
- [6] Income tax after credits. Includes additional tax for tax preferences. *Statistics of Income--Individual Income Tax Returns*, appropriate years.
- [7] Contributions made by employers and employees to the social security system and contributions made to state and local government employee pension funds. *Ibid.*, Table B-20.
- [8] The global measure of the level of economic activity for the United States. *Ibid.*, Table B-1.
- [9] Same as Note 8, except corrected for inflation. *Ibid.*, Table B-2.
- [10] An index number measuring the nation's physical volume of output of manufacturing, mining, and utility industries. Board of Governors of the Federal Reserve System, *The 1984 Economic Report of the President*, Table B-42.
- [11] Based on the number of returns of active corporations. The number of Form 1120-DISC and Form 1120S filed, respectively, by Domestic International Sales Corporations and Small Business Corporations for which an election was made to be taxed through stockholders are included. *Statistics of Income--Corporation Income Tax Returns*, appropriate years.
- [12] Based on number of Schedule C's filed with the individual income tax return of the sole proprietor. *Statistics of Income--Sole Proprietorship Returns*, appropriate years.
- [13] Corporation income taxes collected less refunds. *Annual Report of the Commissioner of Internal Revenue*, appropriate years.
- [14] A measure of failures of commercial and industrial businesses, excluding railroads, banks and other financial businesses, steamship lines, and travel agencies. U.S. Department of Commerce, Bureau of Economic Analysis, and Dun & Bradstreet, Inc., *The 1984 Economic Report of the President*, Table B-91.
- [15] Total spending for factories and other business structures and for producers durable equipment. U.S. Department of Commerce, Bureau of Economic Analysis, *The 1984 Economic Report of the President*, Table B-15.
- [16] Reduction of income tax allowed corporations for investment in qualifying depreciable (or amortizable) property with a useful life of at least 3 years. *Statistics of Income--Corporation Income Tax Returns*, appropriate years.
- [17] Depreciation deducted as a reasonable allowance for the exhaustion, wear and tear, and obsolescence of business property allowable under Internal Revenue Code section 167. *Ibid.*

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- **Private Activity Bonds**
- **Sole Proprietorship Returns, 1982**
- **Partnership Returns, 1982**
- **Foreign Tax Credit, 1980**
- **Fiduciary Income Tax Returns, 1982**
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COMMISSIONER OF INTERNAL REVENUE

Washington, DC 20224

April 25, 1984

The Honorable Donald T. Regan
Secretary of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

I am transmitting the Spring 1984 issue of the *Statistics of Income Bulletin*. This report has been produced in accordance with the mandate of section 6108 of the Internal Revenue Code which requires the preparation and publication of statistics reasonably available with respect to the operation of the internal revenue laws. Presented in this issue are recent financial and tax data obtained from tax returns and associated supporting schedules.

With kind regards,

Sincerely,



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