

Domestic Corporations Controlled by Foreign Persons, 1989

by James R. Hobbs

For 1989, the 44,840 domestic corporations each "controlled" by a foreign "person" generated \$1.0 trillion of worldwide receipts and reported total assets amounting to \$1.4 trillion. These corporations, 1.2 percent of the U.S. total, accounted for 8.8 and 8.1 percent of the receipts and assets, respectively, reported on U.S. corporation income tax returns. During the 1984-1989 period, foreign-controlled domestic corporations accounted for an increasingly larger percentage of the receipts and assets reported by all corporations (see Figure A).

The net income (less deficit) for foreign-controlled domestic corporations (FCDC's) was \$8.3 billion for 1989, less than the 1988 amount of \$11.2 billion and more than the 1987 amount of \$5.6 billion. Net income (less deficit) as a percentage of receipts was relatively small for FCDC's when compared to other domestic corporations; for 1989, 0.9 and 3.1 percents, respectively. Previous years showed similar differences.

Foreign-controlled domestic corporations accounted for 8.8 percent of the 1989 receipts reported on all U.S. corporation income tax returns.

Manufacturers accounted for \$6.7 billion, or over four-fifths, of the 1989 total net income (less deficit) for FCDC's. These same companies produced 41 percent of the total receipts for FCDC's. By comparison, wholesalers accounted for 34 and 17 percent of FCDC total receipts and net income (less deficit), respectively.

Profitable companies in all industries reported \$20.8 billion of taxable income, a small increase for 1989. FCDC's also reported \$6.2 billion of total U.S. income tax after credits, up slightly from the previous year.

Domestic corporations controlled by persons from Japan had total receipts of \$253.9 billion for 1989, an amount considerably larger than the receipts representing any other country. The receipts for U.S. companies controlled by persons in the United Kingdom remained in second place with \$175.9 billion, followed by the Netherlands (\$115.0 billion), Canada (\$93.0 billion) and West Germany (\$87.5 billion). Of these countries, the Netherlands had the largest rate of increase in receipts (23.5 percent) over 1988. Canada had the smallest rate of increase, 11.4 percent.

James R. Hobbs is an economist and Assistant Chief, Foreign Statistics Branch. This article was prepared under the direction of Daniel F. Skelly, Chief.

Direct Foreign Investment in the United States

Direct foreign investment in the United States can take several forms, including corporations, partnerships and even joint ventures. Under these forms of direct investment, the foreign investor has sufficient equity in the enterprise so as to control and participate in managing its operations [1].

A foreign direct investor can either gain control of an existing U.S. corporation, or create a new company incorporated in the United States [2]. Another method of operating in the United States is through a branch of a foreign corporation. There are several factors involved in the decision of a foreign investor to operate in the United States through either a "domestic" or "foreign" corporation [3]. This article focuses on domestic corporations (i.e., companies incorporated in the United States) that are "controlled" (i.e., majority-owned) by a foreign person. The Explanation of Selected Terms section of this article gives a description of "foreign persons" [4]. A separate article will be published in a future issue of the *Statistics of Income Bulletin* covering branch operations of foreign corporations with income "effectively connected" with a U.S. trade or business.

Growth of Companies

Foreign direct investment in the United States through foreign-controlled domestic corporations grew substantially during the 1984-1989 period. Worldwide receipts of FCDC's increased from \$459.2 billion for 1984 to \$967.1 billion for 1989, a 111-percent increase using current dollars. In comparison, worldwide receipts reported on all U.S. corporation income tax returns grew from \$7.9 trillion for 1984 to \$10.9 trillion for 1989, a 39 percent increase over the same period [5]. As a result of the rapid growth rate of FCDC's, their share of the receipts reported on all corporate returns increased from 5.9 percent for 1984 to 8.8 percent for 1989.

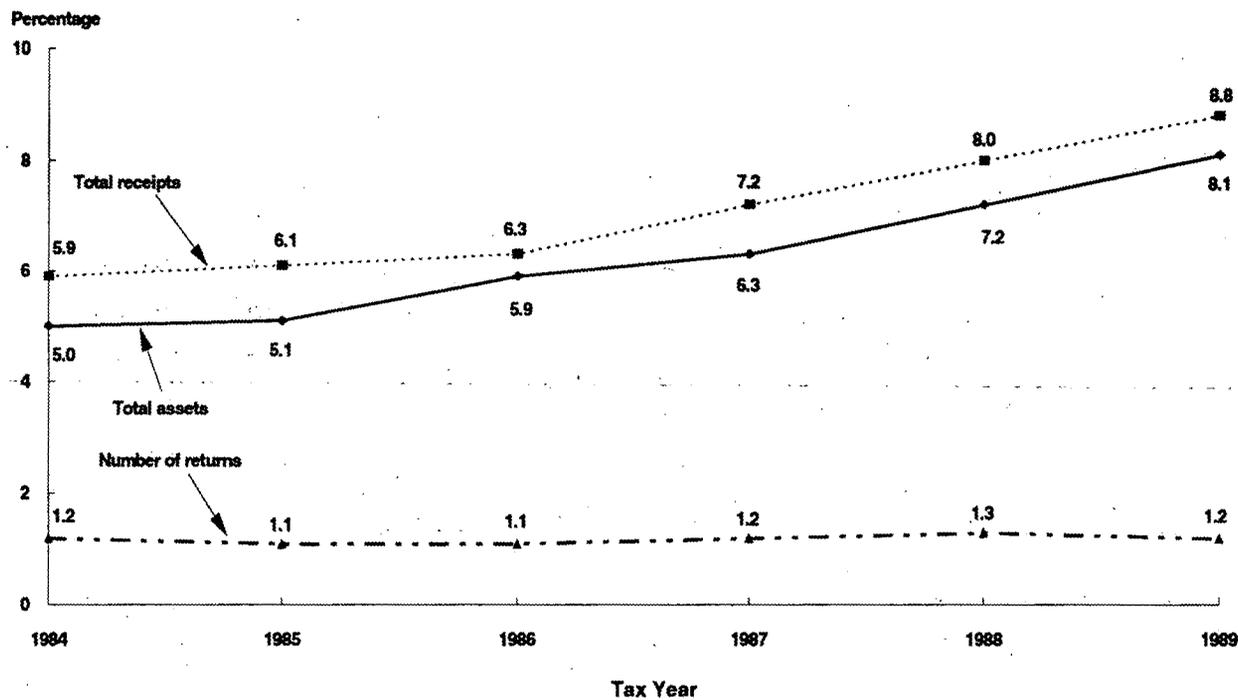
Figure B illustrates the growth of FCDC's controlled by persons from Japan, the United Kingdom, the Netherlands, Canada and West Germany. During the 1984 to 1989 period, Canada showed the largest growth rate in terms of total receipts (194.3 percent), followed by West Germany (140.4 percent), the United Kingdom (128.7 percent), Japan (125.5 percent) and the Netherlands (60.5 percent).

The growth of FCDC's can also be measured from the early 1970's, when a question concerning foreign ownership of companies was first placed on Form 1120, *U.S. Corporation Income Tax Return*. For 1971, these companies had \$39 billion of worldwide receipts, just 2.1 percent of the \$1.9 trillion reported for all corporations. By 1989, this percentage had grown to nearly 9 percent.

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Figure A

Foreign Controlled Domestic Corporations as a Percentage of All Corporations, 1984-1989



Total assets of domestic corporations controlled by a foreign person grew at an even faster rate than that for receipts. Between 1984 and 1989, assets increased from \$0.6 trillion to \$1.4 trillion, a 159-percent increase. During this period, their share of the book value of total assets reported on all U.S. corporation income tax returns grew from 5.0 percent to 8.1 percent. For 1971, these companies had reported \$37 billion of assets, just 1.3 percent of the total.

The number of returns of foreign-controlled domestic corporations was 44,840 for 1989, a slight decrease compared to 1988, but about the same as the number for 1987 [6]. For the 1984-1986 period, there were approximately 37,000 returns filed yearly by FCDC's [7]. Despite the sharp increase between 1986 and 1987, returns of these companies comprised a rather constant percentage of all U.S. corporation income tax returns, between 1.1 and 1.3 percent for each year between 1984 and 1989. This is in contrast to the rising percentages over this period for receipts and assets.

It should be noted that foreign-controlled domestic corporations are considerably larger, on average, than other companies. While they accounted for only 1.2 percent of the total returns filed by corporations, for 1989 they comprised 8.8 and 8.1 percent of the total receipts and assets, respectively. Percentages for these three items

had similar magnitudes for 1984 through 1988. Going back to 1971, the percentage for number of returns was similarly lower than the percentages for total receipts and assets (0.3, 2.1 and 1.3 percent, respectively).

Industry Characteristics

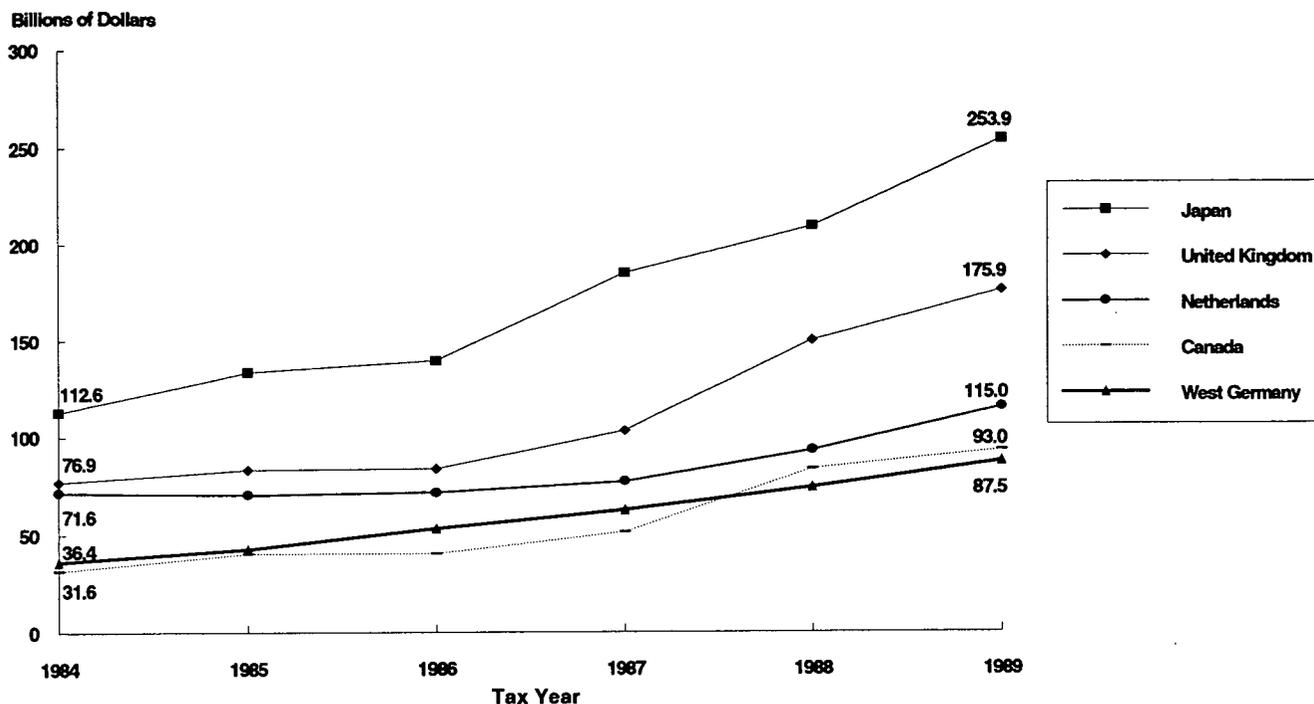
Foreign-controlled domestic corporations were involved in every type of industrial activity, but, based on number of returns, were concentrated mainly in two industrial divisions: (1) wholesale and retail trade, and (2) finance, insurance and real estate (see Table 1) [8]. For 1989, these two divisions accounted for two-thirds of all returns filed by domestic corporations owned by a foreign person. By comparison, these same two divisions made up 44 percent of all the U.S. corporation income tax returns filed for that year. Two other industrial divisions contained significant numbers of returns filed by FCDC's. Returns classified in the services and manufacturing divisions together represented nearly one quarter of all FCDC returns. For all returns, these two divisions accounted for 36 percent of the returns for 1989.

Looking at assets, once again two industrial divisions comprised most of the total for FCDC's for 1989. Finance, insurance and real estate and manufacturing accounted for \$0.6 and \$0.5 trillion of total assets, respectively. This was 78 percent of the \$1.4 trillion of assets for

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Figure B

Total Receipts of Foreign Controlled Domestic Corporations, by Selected Countries, 1984-1989



all FCDC's. These two divisions also made up 78 percent of the total assets reported on all U.S. corporation income tax returns. In this respect, FCDC's closely mirrored all companies.

Alternatively, using total receipts as the criterion, wholesale and retail trade and manufacturing were the two primary industrial divisions for FCDC's for 1989. Manufacturers reported \$399.3 billion of receipts, while wholesalers and retailers, together, reported \$397.3 billion. Together, these two divisions accounted for 82 percent of the total receipts for all FCDC's. This percentage was higher than the comparable one (61 percent) for all companies that filed U.S. corporation income tax returns.

The comparative levels of assets and receipts of foreign-owned domestic companies (as well as other corporations) primarily engaged in wholesale and retail trade and those engaged in finance, insurance and real estate differed significantly. FCDC wholesalers and retailers produced large amounts of receipts with relatively small amounts of assets, amounting to \$2.08 of receipts for each dollar of assets. On the other hand, companies classified in finance, insurance and real estate had large amounts of assets, but relatively small amounts of receipts. (This was particularly true for banks, credit agencies, and security

and commodity brokers and services.) These companies produced only \$.16 of receipts for each dollar of assets. The difference between these industries is also reflected in the totals for all companies which filed U.S. corporation income tax returns; \$2.29 for wholesalers and retailers, \$.19 for finance, insurance and real estate companies.

Even though foreign-controlled domestic corporations accounted for less than 9 percent of the \$10.9 trillion of worldwide receipts reported by all companies filing U.S. income tax returns for 1989, these companies played disproportionately large roles in certain industrial groups, as shown in Figure C. In particular, FCDC's in the wholesale trade, mining, and manufacturing industrial divisions accounted for 21.3, 16.7, and 11.3 percent, respectively, of the receipts of all companies classified in these divisions. Each of these percentages was an increase over that for the 2 previous years, which was: wholesale trade (19.7 and 18.9 percents for 1988 and 1987, respectively), mining (16.1 and 12.3 percents) and manufacturing (10.1 and 8.5 percents) [9].

There were several major industries (metal mining; coal mining; leather manufacturing; stone, clay and glass products manufacturing; and miscellaneous wholesale trade) in which foreign-controlled domestic corporations produced over 20 percent of the U.S. totals for receipts for

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Figure C

Total Receipts of Foreign Controlled Domestic Corporations as a Percentage of All Corporations, by Selected Major Industrial Groups, 1989

(Money amounts are in millions of dollars)

Selected major industrial groups	All U.S. corporation income tax returns	Returns of foreign controlled domestic corporations	Percentage of all returns
	(1)	(2)	(3)
All industries ¹	10,934,973	967,121	8.8
Agriculture, forestry and fishing.....	86,627	1,214	1.4
Mining.....	102,379	17,134	16.7
Metal mining.....	8,264	2,670	32.3
Coal mining.....	22,915	5,719	25.0
Oil and gas extraction.....	58,977	7,523	12.8
Nonmetallic minerals, except fuels....	12,223	*1,222	10.0
Construction.....	517,477	12,175	2.4
Manufacturing.....	3,531,219	399,330	11.3
Food and kindred products.....	375,064	40,878	10.9
Tobacco manufactures.....	75,295	8,575	11.4
Textile mill products.....	52,734	3,491	6.6
Apparel and other textile products....	69,023	1,695	2.5
Lumber and wood products.....	83,145	*2,522	3.0
Furniture and fixtures.....	41,310	1,400	3.4
Paper and allied products.....	124,137	3,956	3.2
Printing and publishing.....	164,658	18,699	11.4
Chemicals and allied products.....	363,181	70,459	19.4
Petroleum (including integrated) and coal products.....	455,945	75,596	16.6
Rubber and miscellaneous plastics products.....	76,472	11,952	15.6
Leather and leather products.....	17,942	*6,059	33.8
Stone, clay and glass products.....	70,097	16,382	23.4
Primary metal industries.....	152,540	24,278	15.9
Fabricated metal products.....	178,280	14,316	8.0
Machinery, except electrical.....	296,286	22,943	7.7
Electrical and electronic equipment...	309,358	40,846	13.2
Motor vehicles and equipment.....	308,798	13,028	4.2
Transportation equipment, except motor vehicles.....	155,624	3,020	1.9
Instruments and related products.....	88,025	9,847	11.2
Miscellaneous manufacturing and manufacturing not allocable.....	73,306	9,389	12.8
Transportation and public utilities....	906,501	16,893	1.9
Wholesale and retail trade.....	3,184,946	397,251	12.5
Wholesale trade.....	1,543,789	328,911	21.3
Groceries and related products.....	230,755	14,956	6.5
Machinery, equipment and supplies.....	142,600	25,361	17.8
Miscellaneous wholesale trade.....	1,170,433	288,594	24.7
Retail trade.....	1,637,529	67,849	4.1
Wholesale and retail trade not allocable.....	3,628	*491	13.5
Finance, insurance and real estate...	1,868,003	92,523	5.0
Banking.....	525,404	25,403	4.8
Credit agencies other than banks.....	238,471	6,551	2.7
Security, commodity brokers and services.....	75,247	10,424	13.9
Insurance.....	713,513	23,697	3.3
Insurance agents, brokers and service.....	34,116	1,248	3.7
Real estate.....	129,223	9,183	7.1
Holding and other investment companies, except bank holding companies.....	152,028	16,018	10.5
Services.....	735,497	30,538	4.2

¹ Includes "Nature of business not allocable," which is not shown separately.

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

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

these industries. Of these industrial groups, wholesale trade produced by far the largest amount of receipts for both FCDC's and other companies. The percentage of FCDC receipts to total receipts for this industry was substantial (17.6 to 24.7 percent) over the entire 1984-1989 period. Many of the companies in this industrial group were U.S. distributors of products made in foreign countries by their parent corporations.

The miscellaneous wholesale trade "major" industrial group is composed of 16 "minor" industrial groups. For these groups, FCDC's accounted for as much as 57.4 percent of all 1989 receipts related to the wholesale distribution of motor vehicles and automotive equipment. FCDC's were also prevalent in several of the other minor industrial groups (see Figure D).

Country Characteristics

Domestic corporations are owned by persons throughout the world. However, for 1989, owners from seven countries controlled nearly 57 percent of the 44,840 domestic corporations 50 percent or more controlled by a foreign person (see Figure E). (The countries represent the geographic location of the direct foreign owner's country of residence, incorporation, organization, creation or administration. Because holding companies located in a country different from that of the ultimate owner may directly own the stock of U.S. affiliates, the country reported on the tax return may not necessarily reflect the country of the ultimate owner. No data on the extent of this potential limitation are available.) The 25,488 corporations owned by persons from these seven countries accounted for 80 percent or more of the most significant financial items, including total assets and receipts, for all FCDC's.

Domestic corporations controlled by Japanese persons had assets of \$322 billion and worldwide receipts of nearly \$254 billion for 1989, amounts larger than those representing any other country. The receipts represented over 26 percent of the total for all FCDC's. (Japanese persons also accounted for the largest amount of receipts for the 1983-1988 period.) Over \$183 billion of these receipts were produced by wholesale trade companies. Japanese-controlled wholesalers of motor vehicles and automotive equipment, metals and minerals (except petroleum and scrap), and of electrical goods produced \$54, \$39, and \$29 billion, respectively, of receipts for 1989.

Japanese-controlled domestic corporations as a whole reported an overall net deficit of \$76.4 million for 1989. However, nearly a third of these companies did report a profit, and most of the latter group reported a tax liability

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Figure D

Total Receipts of Foreign Controlled Domestic Corporations as a Percentage of All Corporations, Miscellaneous Wholesale Trade Industrial Groups, 1989

[Money amounts are in billions of dollars]

Industrial group	All U.S. corporation income tax returns	Returns of foreign controlled domestic corporations	Percentage of all returns
	(1)	(2)	(3)
Miscellaneous wholesale trade, total.....	1,170.4	288.6	24.7
Electrical goods.....	103.3	35.0	33.9
Furniture and home furnishings.....	14.5	1.0	6.9
Hardware, plumbing and heating equipment and supplies.....	45.5	2.2	4.8
Lumber and construction materials.....	51.8	1.5	2.9
Metals and minerals, except petroleum and scrap.....	125.0	61.6	49.3
Motor vehicles and automotive equipment.....	130.3	74.8	57.4
Sporting, recreational, photographic and hobby goods, toys and supplies.....	24.6	11.4	46.3
Other durable goods.....	124.6	26.6	21.3
Alcoholic beverages.....	43.4	2.3	5.3
Apparel, piece goods and notions.....	56.7	3.0	5.3
Chemicals and allied products.....	31.7	6.1	19.2
Drugs, drug proprietaries and druggists' sundries.....	42.9	1.5	3.5
Farm-product raw materials.....	111.3	24.5	22.0
Paper and paper products.....	35.5	5.0	14.1
Petroleum and petroleum products.....	132.1	19.2	14.5
Miscellaneous nondurable goods; wholesale trade not allocable.....	97.2	12.8	13.2

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

[10]. The \$1.1 billion they reported for total U.S. income tax after credits accounted for 18 percent of the total for all FCDC's.

Domestic corporations controlled by persons in the United Kingdom accounted for the second largest amount (\$176 billion) of receipts for 1989 (as well as the second largest for the 1983-1988 period). Unlike Japan, most of these receipts, totalling \$99 billion, were produced by

manufacturers (see Table 1). Some of the more predominant manufacturing industries were petroleum and coal products (\$21 billion); food and kindred products (\$16 billion); chemicals and allied products (\$13 billion); tobacco (\$8 billion); leather and leather products (\$6 billion); stone, clay and glass products (\$6 billion); printing and publishing (\$5 billion); and electrical and electronic equipment (\$5 billion). Apart from manufacturing, an additional \$41 and \$20 billion of receipts were produced by wholesale and retail trade companies and companies in finance, insurance and real estate, respectively. Metals and minerals (except petroleum and scrap) was the predominant wholesale industry with \$14 billion in receipts. Insurance companies and banks accounted for \$6 and \$5 billion of receipts, respectively, for 1989.

U.K.-controlled domestic corporations accounted for 18 percent of the 1989 receipts for all FCDC's. These companies also reported consolidated profits (less deficits) of \$4.9 billion and total U.S. income tax after credits of \$1.9 billion. This tax represented 31 percent of the total for all FCDC's.

The worldwide receipts of domestic corporations controlled by a foreign person increased by \$141.6 billion, or 17.1 percent, between 1988 and 1989. (Receipts of all corporations that filed U.S. income tax returns increased by \$670.1 billion, or 6.5 percent, for 1989.) For corporations with owners from the seven countries noted in Figure E, the growth rates in terms of receipts varied widely. Corporations owned by persons in the Netherlands and Japan showed increases of 23.5 and 21.5 percent, respectively, which were above the average. Percentage increases for West Germany (17.7 percent) and the United Kingdom (17.5 percent) were close to the average. Corporations owned by persons in France (13.3 percent), Canada (11.4 percent) and Switzerland (4.8

Figure E

Foreign Controlled Domestic Corporations: Selected Items, by Selected Countries, 1989

[Money amounts are in millions of dollars]

Country	Number of returns		Total assets	Total receipts	Net income (less deficit)	Net income	Total U.S. income tax after credits
	Total	With net income					
	(1)	(2)					
All countries.....	44,840	17,697	1,429,150	967,121	8,308	27,581	6,161
Selected countries, total '.....	25,488	10,350	1,156,320	813,947	7,590	22,306	5,416
Percentage of all countries.....	56.8	58.5	80.9	84.2	91.4	80.9	87.9
Japan.....	6,592	2,090	322,268	253,896	-76	4,247	1,139
United Kingdom.....	4,612	2,609	308,032	175,867	4,852	7,876	1,934
Netherlands.....	1,764	767	167,909	114,951	-206	2,106	463
Canada.....	6,993	2,801	146,363	92,971	196	2,832	613
West Germany.....	2,528	1,075	90,727	87,473	1,892	2,891	646
France.....	1,538	429	68,551	48,255	88	987	250
Switzerland.....	1,461	579	52,470	40,534	844	1,367	371

¹ This figure includes only those countries reported on returns which showed \$25 billion or more of total receipts for 1989. Country information is based on the location of the owner's country of residence, incorporation, organization, creation or administration.

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percent) had smaller-than-average increases in total receipts between 1988 and 1989.

It should be noted that percentage increases in total receipts for countries over a 1-year period (as discussed above) can be very different from those for a longer period of time. For instance, between 1984 and 1989, receipts increased by 111 percent for all countries. Over this same time period, corporations owned by persons in the following countries showed these increases in receipts: Canada (194 percent), West Germany (140 percent), United Kingdom (129 percent), Switzerland (126 percent), Japan (125 percent), France (117 percent) and the Netherlands (60 percent). These results were different from those for the 1988 to 1989 period.

Income and Deductions

Over 90 percent of the \$967 billion in total receipts reported by domestic corporations controlled by a foreign person consisted of "business receipts" (i.e., receipts from sales and operations). Taxable interest income of \$54 billion accounted for an additional 6 percent of the total, with banks producing the largest part (\$21 billion) [11]. (Briefly, banking items such as fees, commissions, trust department earnings, exchange collections, discounts and service charges were included in business receipts. Interest, the principal operating income of banks, was excluded from business receipts and shown separately as a component of total receipts.)

These same domestic companies claimed \$960 billion in deductions for 1989. Cost of sales and operations was \$657 billion, or 68 percent of the total. Interest paid (\$66 billion, including \$15 billion paid mostly to depositors by banks), depreciation (\$26 billion), and advertising (\$16 billion) accounted for 7, 3, and 2 percent, respectively, of total deductions. There was also \$136 billion, or 14 percent of the total, of "other deductions."

For 1989, the ratio of cost of sales and operations to business receipts was considerably higher for foreign-controlled domestic corporations whose principal business activity was trade than it was for other corporations in trade; 85.2 percent versus 76.0 percent (see Figure F). (For manufacturers, the percentage for FCDC's and other companies was much closer.) The difference may reflect the unique characteristics of FCDC's, as well as certain transfer pricing practices of FCDC's that buy goods and services from related persons outside the United States [12, 13]. These practices help determine the size of their deductions and, as a result, their net income or deficit.

Net Income (Less Deficit)

The net income (less deficit), as computed under the

Figure F

Cost of Sales and Operations as a Percentage of Business Receipts, 1989

[Money amounts are in millions of dollars]

Type of corporation, industrial group and item	Number of returns or amount
Foreign controlled domestic corporations:	
Manufacturing:	
Number of returns.....	4,859
Business receipts.....	374,507
Cost of sales and operations.....	262,177
Percentage.....	70
Wholesale and retail trade:	
Number of returns.....	13,710
Business receipts.....	386,008
Cost of sales and operations.....	328,993
Percentage.....	85
Other corporations:	
Manufacturing:	
Number of returns.....	296,487
Business receipts.....	2,901,506
Cost of sales and operations.....	1,995,507
Percentage.....	69
Wholesale and retail trade:	
Number of returns.....	999,270
Business receipts.....	2,708,807
Cost of sales and operations.....	2,059,971
Percentage.....	76

Internal Revenue Code, for foreign-controlled domestic corporations was \$8.3 billion for 1989. For statistical purposes, net income (less deficit) was the difference between "modified" total receipts and total deductions. The \$967.1 billion of total receipts for 1989 was modified as follows: (1) tax-exempt interest from State and local Government obligations was subtracted and (2) "constructive" receipts were added. Constructive receipts were the sum of the following types of taxable income from related foreign corporations: (1) includable income from Controlled Foreign Corporations, and (2) foreign dividend income resulting from foreign taxes deemed paid.

Net income should be distinguished from taxable income (i.e., "U.S. income subject to tax" in the statistics). Because certain statutory special deductions, including the net operating loss deduction, were allowed most companies in computing their taxable income, the statistics for net income are generally larger than the amounts shown for taxable income.

Manufacturing companies accounted for \$6.7 billion of the total 1989 profits of FCDC's. Other industrial divisions with significant amounts of profits were: wholesale and retail trade (\$0.9 billion), mining (\$0.9 billion), and finance, insurance and real estate (\$0.8 billion). The services industrial division had a net deficit of \$0.9 billion.

The \$8.3 billion of net income (less deficit) was the result of 17,697 corporations reporting \$27.6 billion of profits and 27,143 companies reporting \$19.3 billion of deficits [14]. Thus, less than 40 percent of the domestic

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corporations with foreign owners reported a profit for 1989. By comparison, 53 percent of all corporations filing U.S. income tax returns for 1989 reported profits which totalled \$556.3 billion. The deficits for all corporations were \$167.3 billion, resulting in a net income (less deficit) amount of \$389.0 billion. The percentages of corporations reporting a profit for 1989 were similar to those for the 1984-1988 period (see Figure G).

Six out of every 10 FCDC's reported deficits for 1989. Collectively, these companies had \$19.3 billion of deficits, up 26 percent from the \$15.3 billion reported for 1988. Deficits increased for 1989 in most industrial groups, including: manufacturing (\$4.9 to \$6.7 billion); trade (\$3.4 to \$4.5 billion); finance, insurance and real estate (\$3.7 to \$4.1 billion) and services (\$1.3 to \$2.1 billion). Deficits could be carried back or forward to other tax years, under prescribed rules, to reduce the taxable income of those years (see "net operating loss deduction" in the Explanation of Selected Terms section of this article).

The amount of pre-tax net income (less deficit) can be computed as a percentage of several key financial items for both foreign-controlled domestic corporations and

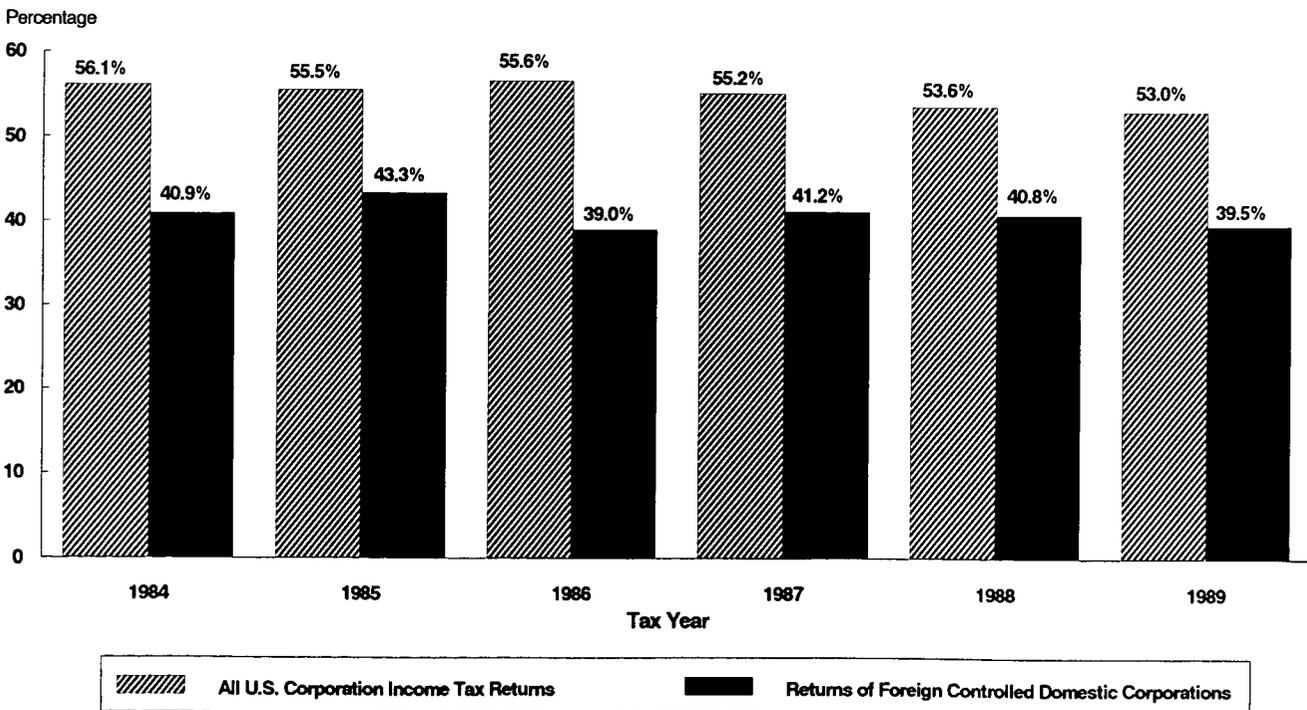
other domestic corporations. The three ratios shown in Figure H are all significantly lower for FCDC's than for other domestic companies. For 1989, the ratio of net income (less deficit) to total receipts was 0.9 percent for FCDC's, less than one third of the 3.1 percent for other domestic corporations. A similar difference occurred for every year since 1984 (see Figure I).

The percentages shown in Figure H for domestic corporations controlled by a foreign person varied by industry. Net income (less deficit) as a percentage of total receipts was only 0.2 percent for wholesale and retail trade, as compared to 0.9 percent and 1.7 percent for finance, insurance and real estate and manufacturing, respectively. Mining showed the highest profit ratio with 5.3 percent. Both services and agriculture, forestry and fishing reported net deficits for 1989, resulting in ratios of -3.0 and -13.3 percent, respectively.

In addition to the actual profits reported by the different industries, it should be noted that many of the percentages discussed above are reflections of the relative levels of receipts that typify certain activities. For instance, trade companies tend to have more receipts and less assets than do financial companies of similar size. With this in mind,

Figure G

Percentage of Returns Reporting Net Income, 1984-1989



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Figure H

Comparative Ratios of Net Income (Less Deficit) to Selected Financial Items for Foreign Controlled and Other Domestic Corporations, 1989

[Money amounts are in billions of dollars]

Item, ratio	Foreign controlled domestic corporations	Other domestic corporations
Number of returns.....	44,840	2,188,647
With net income.....	17,697	1,194,204 ¹
Percentage.....	39.5	54.6 ¹
Total assets.....	1,429.2	15,540.0
Net worth.....	347.3	3,266.0
Total receipts.....	967.1	9,172.7
Net income (less deficit).....	8.3	287.4
Net income (less deficit) to total assets, (percentage).....	0.6	1.8
Net income (less deficit) to net worth, (percentage).....	2.4	8.8
Net income (less deficit) to total receipts, (percentage).....	0.9	3.1

¹ Estimated.

it is desirable to compare ratios of net income (less deficit) to total receipts between FCDC's and other domestic corporations on an industry basis. Unfortunately, these ratios by industry are not available for "other domestic corporations." However, they are available for "other corporations." (Both "other domestic corporations" and

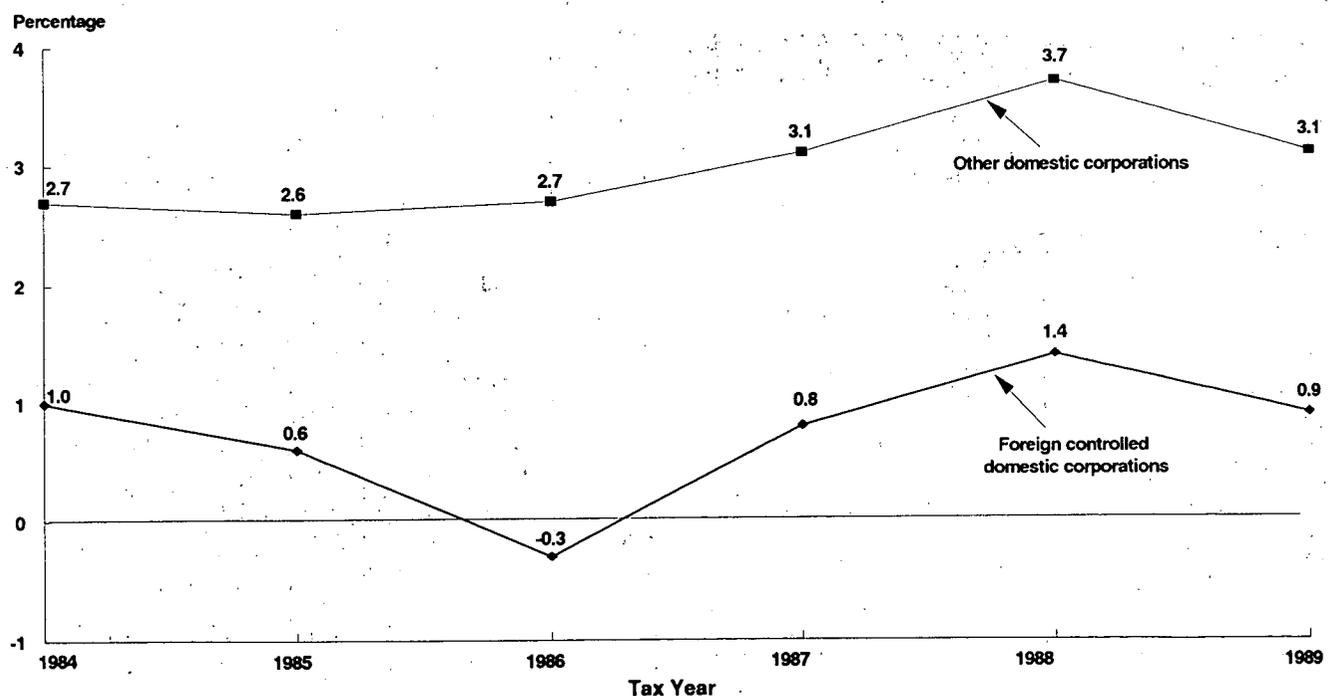
"other corporations" include Form 1120, *U.S. Corporation Income Tax Return*; Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*; Form 1120L, *U.S. Life Insurance Company Income Tax Return*; and stock companies on Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*. In addition, data for "other corporations" include: Form 1120S, *U.S. Income Tax Return for an S Corporation*; Form 1120F, *U.S. Income Tax Return of a Foreign Corporation*; Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*; and mutual companies on Form 1120-PC. Data for "other domestic corporations" exclude these returns; see the Explanation of Selected Terms section.) Figure J shows ratios for selected industrial groups. In each case, FCDC's again had substantially lower ratios for 1989 than the other group of companies. This figure also shows that the ratio of net income (less deficit) to total receipts for all "other corporations" was 3.8 percent for 1989, as compared to the 3.1 percent shown in Figure I, for all "other domestic corporations."

Taxes

For 1989, profitable foreign-controlled domestic corpora-

Figure I

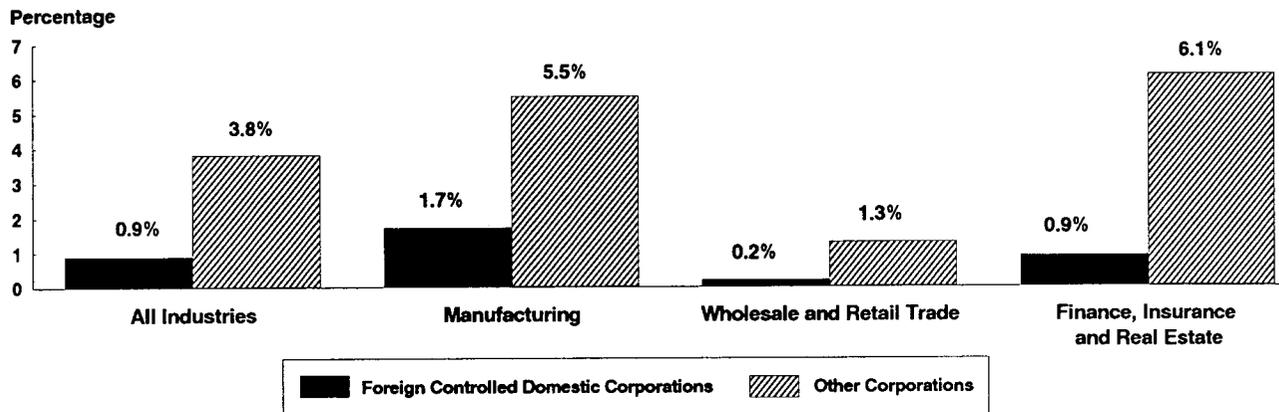
Net Income (Less Deficit) as a Percentage of Total Receipts, 1984-1989



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Figure J

Net Income (Less Deficit) as a Percentage of Total Receipts for Selected Industrial Divisions, 1989



tions had \$20.8 billion of "U.S. income subject to tax" (or taxable income, i.e., the base on which tax was computed for the statistics), resulting in tax before credits of \$7.5 billion [15]. The difference between the \$27.6 billion of profit (or net income) and \$20.8 billion of income subject to tax was the result of statutory special deductions. These deductions were allowed most corporations in computing their taxable income and were for "net operating losses" from other years, as well as deductions for both intercorporate dividends received and for dividends on certain preferred stock of public utilities. The net operating loss deduction accounted for 85 percent of the total

statutory special deductions for 1989 (see the Explanation of Selected Terms section of this article for a discussion of the net operating loss deduction).

Tax credits totalling \$1.4 billion reduced the U.S. tax liability of foreign-owned domestic corporations to \$6.2 billion for 1989. The largest credits claimed were \$1.0 billion of foreign tax credits, \$0.2 billion of general business credits and \$0.1 billion of prior-year minimum tax credits. The \$6.2 billion of total U.S. income tax after credits represents the tax liability as reported by taxpayers. However, it does not include any changes made by taxpayers through amended returns or by the Internal Revenue Service as a result of audit examination.

Like net income (less deficit), total income tax after credits as a percentage of key financial items can be compared for FCDC's and other domestic corporations. The ratios shown in Figure K are lower for FCDC's than those for other domestic corporations. However, the differences in the ratios between the two groups of companies are not as pronounced as the ratios based on net income (less deficit) shown in Figure H. For 1989, the ratio of tax to receipts was 0.6 percent for FCDC's, as compared to 1.0 percent for other domestic corporations. A similar difference occurred for 1987 (0.7 and 1.1 percents) and 1988 (0.7 and 1.0 percents).

Figure L shows 1989 ratios of total income tax after credits to total receipts on an industry basis for FCDC's and "other corporations." For all industries, FCDC's once again had a lower ratio (0.6 percent) than that for other corporations (0.9 percent). However, both groups of companies in the wholesale and retail trade industry had a ratio of 0.4 percent. Looking back to Figure J, these companies had substantially different ratios of net income

Figure K

Comparative Ratios of Income Tax to Selected Financial Items for Foreign Controlled and Other Domestic Corporations, 1989

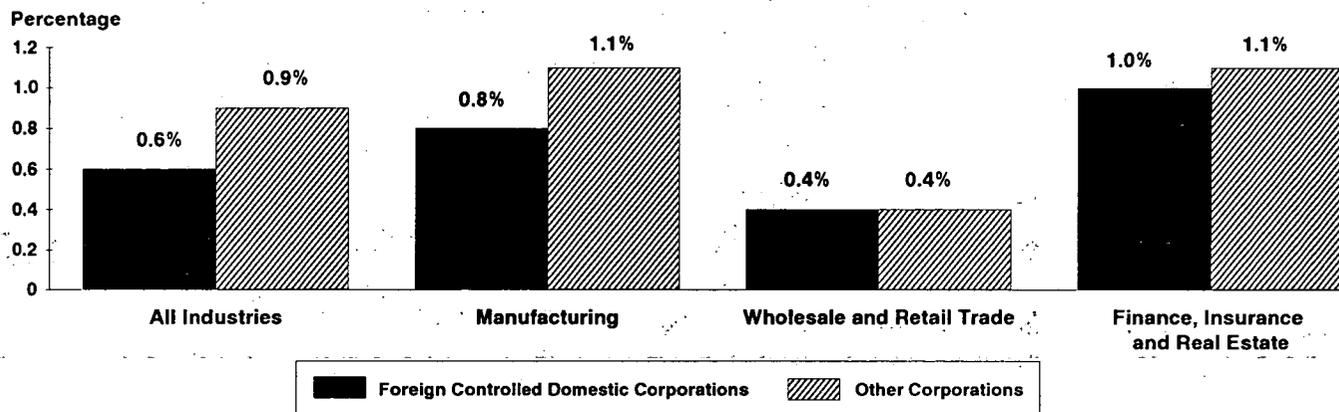
[Money amounts are in billions of dollars]

Item, ratio	Foreign controlled domestic corporations	Other domestic corporations
Number of returns.....	44,840	2,188,647
With total income tax after credits.....	12,705	896,251
Percentage.....	28.3	41.0
Total assets.....	1,429.2	15,540.0
Net worth.....	347.3	3,266.0
Total receipts.....	967.1	9,172.7
Total income tax after credits.....	6.2	94.1
Total income tax after credits to total assets, percentage.....	0.4	0.6
Total income tax after credits to net worth, percentage.....	1.8	2.9
Total income tax after credits to total receipts, percentage.....	0.6	1.0

Domestic Corporations Controlled by Foreign Persons, 1989

Figure L

Total Income Tax After Credits as a Percentage of Total Receipts for Selected Industrial Divisions, 1989



(less deficit) to receipts: 0.2 percent for FCDC's and 1.3 percent for other corporations. Figures J and L may imply that there was a group of FCDC's in the trade industry that collectively reported a substantial amount of profits (\$5.3 billion) and thus taxes after credits (\$1.4 billion). However, there were other FCDC's in this industry that reported substantial deficits (\$4.5 billion), resulting in a net income (less deficit) amount of \$0.9 billion, on \$397.3 billion of receipts.

Summary

Direct foreign investment in the United States through corporations continued to grow at a relatively fast rate for 1989. While worldwide receipts reported on all U.S. corporation income tax returns increased by 7 percent (using current dollars) for 1989, receipts of domestic corporations controlled by foreign persons increased by 17 percent.

Foreign-controlled domestic corporations in two industrial divisions generated approximately 82 percent of the total receipts. These two divisions were manufacturing and trade. From a single country perspective, domestic corporations controlled by persons in Japan had worldwide receipts of \$254 billion, over one-fourth of the total. The United Kingdom accounted for another 18 percent.

The collective net income (less deficit) amount reported by foreign-controlled domestic corporations decreased to \$8.3 billion for 1989, as compared to \$11.2 billion for 1988. This reflects the increase in deficits (\$15.3 to \$19.3 billion) reported by FCDC's for 1989. However, profitable FCDC's reported increased amounts of net income, \$27.6 billion for 1989 versus \$26.5 billion for 1988. Total income tax after credits also increased for 1989 to \$6.2 billion, from \$5.8 billion for 1988.

Explanation of Selected Terms

Attribution rules.—In regard to domestic corporations that are 50 percent or more owned by a foreign "person," these rules provide that an individual shall be considered as owning the stock of a corporation that is owned, directly or indirectly, by or for his or her family. The family of an individual includes his or her spouse, brothers and sisters, ancestors, and lineal descendants. For more information on these rules, see section 267(c) of the Internal Revenue Code. However, if a corporation is owned by two or more unrelated persons, neither of whom owned 50 percent or more of the corporation, then that corporation was excluded from the statistics even though, together, these persons may have met the 50-percent-or-more ownership criterion.

Foreign person.—A foreign person (or entity) is defined as a person other than a U.S. person. A U.S. person includes: (1) a citizen or resident of the United States, (2) a domestic partnership, (3) a domestic corporation, and (4) any estate or trust (other than a foreign estate or trust). Section 7701 of the Internal Revenue Code further defines the term U.S. person.

Net income (or deficit).—This is the difference between gross receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. In this article, it is also referred to as "profits." It reflects not only actual receipts, but "constructive" receipts as well, i.e., certain income from Controlled Foreign Corporations and the foreign taxes deemed paid on foreign dividends received. Interest from State and local Government obligations is excluded. Because certain statutory special deductions, including the net operating loss deduction, were allowed most corporations in computing their "taxable income" (or "income subject to

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tax”), the statistics for net income are generally larger than the amounts shown for “U.S. income subject to tax,” i.e., the base on which tax was computed. See also the discussion of the “net operating loss deduction” in this section of the article.

Net operating loss deduction (NOLD).—A statutory “net operating loss” (NOL) for a given tax year could be carried back, in general, over a 3-year period to reduce the taxable income of those years, and any amount of the NOL not offset against income during that time could be carried forward against income for a period not exceeding 15 years. The amount of NOLD included in the statistics, however, consists only of losses from prior years carried forward and actually used to reduce taxable income for the current (1989) tax year. Losses incurred after the 1989 Tax Year and carried back to that year at a later date could not be reported on the tax returns used for this article. Net operating losses on which the 1989 deduction was based include: (1) the excess of ordinary and necessary business expenses over income in previous loss years, and (2) statutory special deductions claimed in a loss year for dividends received and for dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

Other corporations.—Data shown in this article for these companies are based on all U.S. corporation income tax returns, except those for domestic companies controlled by a foreign person. Thus, the data include Forms 1120, 1120A, 1120L, 1120S, 1120F, 1120-RIC, 1120-REIT and 1120PC (both stock and mutual forms of property and casualty companies). For tax years before 1988, the data also include Forms 1120 IC-DISC and 1120-FSC [5]. When available, data for “other domestic corporations” (see below) were compared to the FCDC’s. However, when these data were not available, data for “other corporations” were used, instead.

Other domestic corporations.—Data shown in this article for these companies are based on Forms 1120, 1120A, 1120L, and 1120PC (stock forms of property and casualty companies). The following forms were excluded: 1120S, 1120F, 1120 IC-DISC, 1120-FSC, 1120-RIC, 1120-REIT, and 1120PC (mutual forms of property and casualty companies). This was done in order to use a group of corporations, for which statistics were readily available, that was as comparable as possible to FCDC’s.

Data Sources and Limitations

Sample

The statistics for domestic corporations controlled by a foreign person are based primarily on samples of Forms 1120 (*U.S. Corporation Income Tax Return*). In addition,

the 1989 statistics include data from small numbers of Forms 1120L (*U.S. Life Insurance Company Income Tax Return*), Forms 1120-RIC (*U.S. Income Tax Return for Regulated Investment Companies*), Forms 1120-REIT (*U.S. Income Tax Return for Real Estate Investment Trusts*), and Forms 1120-PC (*U.S. Property and Casualty Insurance Company Income Tax Return*).

Form 1120, 1120-RIC and 1120-REIT sampled returns were stratified based on the year a return was sampled for the study, business activity, size of total assets and size of “proceeds,” which was the larger of the absolute value of net income (or deficit) or the absolute value of “cash flow” (i.e., net income plus depreciation plus depletion). Forms 1120L and 1120-PC were sampled based on the size of total assets.

For 1989, the achieved sampling rates for Forms 1120 alone (the overwhelming majority of the returns used for the sample) ranged from less than 1 percent to 100-percent. In general, Form 1120 returns with assets of \$25 million or more, or with “proceeds” of \$5 million or more, were selected for the study at the 100-percent rate. For additional information on the sampling rates, see *Statistics of Income—1989, Corporation Income Tax Returns*.

Because the data presented are estimates based on samples, they are subject to sampling error. To properly use these data, the magnitude of the sampling error should be known. Coefficients of variation (CV’s) are used to measure that magnitude. For a general discussion of CV’s, see the appendix to this publication. For a more detailed discussion of the CV’s applicable to the corporation statistics, see *Statistics of Income—1989, Corporation Income Tax Returns*.

Nonsampling Limitations

Most of the data in this article relate to Tax Year 1989. However, the estimates cover returns with accounting periods that ended in a 12-month span beginning in July and ending in June. Thus, for Tax Year 1989, this span was between July 1989 and June 1990. As a result of the 12-month span for ending accounting periods, the statistics for each year shown in this article include income received or expenses incurred during a 23-month span. For Tax Year 1989, that span was from August 1988 through June 1990.

Returns were selected for this study based on taxpayers’ responses to a question on the various types of Form 1120 which asks whether “a person other than a U.S. person” owned, directly or indirectly, 50 percent or more of the filing corporation’s voting stock. Certain taxpayers incorrectly answered this question “yes” when a U.S.

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person other than an individual (such as a U.S. corporation) was the owner (see the definition of a foreign person in the Explanation of Selected Terms section of this article). These reporting errors were primarily made by corporations with small amounts of assets and income. As a result of these errors, the number of returns shown in the statistics may be slightly overstated. However, money amounts for balance sheet, income statement and tax items are only minimally overstated because of the predominance of large corporations on the data [16].

Each return used for the statistics had an industry code reported or assigned during statistical processing. This code was used as a classifier of the returns. The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of total receipts) of the corporation filing the return. However, a given return may have been for a company engaged in several business activities or may have been a consolidated return filed for an affiliated group of corporations which conducted different business activities. To the extent that some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, the data in this article are not entirely related to the industrial activity under which they are shown.

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

Each return used for the statistics also had a foreign country code assigned during statistical processing, which identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country where the foreign entity was incorporated, organized, created or administered. The code was also used as a classifier of the returns. To the extent that a holding company or other affiliated entity was part of a chain between a U.S. subsidiary company and the ultimate parent, the data are not entirely related to the foreign country under which they are shown.

Notes and References

[1] Portfolio investment is different from direct investment in that there is no control of the management of the enterprise, except to the extent, for example, of rights to vote periodically in stockholder meetings of corporations. The portfolio investor has a minimal

interest in a company, and is primarily seeking dividend payments or an increase in the value of the shares of stock.

- [2] The Bureau of Economic Analysis of the U.S. Department of Commerce periodically publishes data on foreign investors' outlays to acquire or establish U.S. businesses. From their surveys, investment outlays were \$23.1 billion in 1985, \$39.2 billion in 1986, \$40.3 billion in 1987, \$72.7 billion in 1988, \$71.2 billion in 1989, \$65.9 billion (revised) in 1990 and \$22.6 billion (preliminary) in 1991. See *United States Department of Commerce News*, BEA 92-23, June 9, 1992.
- [3] Sections 7701(a)(4) and (5) of the Internal Revenue Code define a domestic corporation as one created or organized in the United States or under the laws of the United States or any State. A foreign corporation is "one which is not domestic."
- [4] For purposes of this article, "control" is defined as ownership by any foreign "person" (i.e., an individual, partnership, corporation, estate or trust), directly or indirectly, of 50 percent or more of a U.S. corporation's voting stock at the end of the tax year. For rules of attribution, see the Explanation of Selected Terms section of this article and section 267(c) of the Internal Revenue Code.
- [5] Beginning with 1988, returns of Foreign Sales Corporations and Interest Charge Domestic International Sales Corporations were not included in the totals for all U.S. corporation income tax returns. Previously, they were included in the totals. Because these returns accounted for such a small portion of the total for most financial items, this change is not considered to be significant in the year-to-year comparison of statistics.
- [6] Foreign-controlled domestic corporations could file consolidated returns for affiliated groups of corporations. To the extent that this happened, the data included in this article actually represent more than 44,840 companies.
- [7] The increase in the number of returns for 1987 may be a reflection of additional incentives provided by the Tax Reform Act of 1986 for foreigners to purchase U.S. companies. For information about these incentives, see, for example, Scholes, Myron and Wolfson, Mark, "The Effects of Changes in Tax Laws on Corporate Reorganization Activity," *NBER*

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Working Paper No. 3095, National Bureau of Economic Research.

- [8] See the Data Sources and Limitations section of this article for a discussion of how returns are industry-coded during statistical processing.
- [9] For percentages comparable to those shown in Figure C for Tax Years 1984-1987, see Hobbs, James R., "Domestic Corporations Controlled by Foreign Persons, 1987," *Statistics of Income Bulletin*, Summer 1990, Volume 10, Number 1.
- [10] Corporations were allowed to apply certain statutory special deductions, including the net operating loss deduction, against their net income (i.e., profits) in computing their income subject to tax. These deductions could completely offset net income so that there was no income tax liability.
- [11] For all industries, total receipts include \$615 million of tax-exempt interest income from State and local Government obligations, most of which (\$377 million) was received by banks. This amount, however, is not included in net income (less deficit).
- [12] See Dworin, Lowell, "Transfer Pricing Issues," *National Tax Journal*, Volume 43, September 1990, pp. 285-291; also, Grubert, Harry, Goodspeed,

Timothy, and Swenson, Deborah, "Explaining the Low Taxable Income of Foreign Controlled Companies in the United States," November 1991; and Peterson, Shirley D., Commissioner of Internal Revenue, Statement before the Subcommittee on Oversight, House Committee on Ways and Means, April 1992.

- [13] See "Transactions Between Foreign Controlled Corporations and Related Foreign Persons, 1988," *Statistics of Income Bulletin*, Summer 1992, Volume 12, Number 1.
- [14] The 27,143 companies reporting a deficit include a small number of "breakeven" companies, i.e., those whose receipts and deductions were equal.
- [15] The \$7.5 billion of total income tax before credits as it appears in the statistics includes the alternative minimum tax (\$405.9 million), tax from recapture of investment credits (\$39.0 million), environmental tax (\$31.5 million), and Personal Holding Company tax (\$2.0 million).
- [16] For the 1990 Form 1120, the question was changed to ask specifically if any "foreign person" owned, directly or indirectly, 50 percent or more of the filing corporation's voting stock.

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Table 1.--Financial Items, by Selected Industry and Geographic Area

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

Selected industry and geographic area ¹	Number of returns			Total assets	Total receipts	Net income (less deficit)	Net income	U.S. income subject to tax	Total U.S. income tax	
	Total	With net income	With income tax ²						Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
ALL INDUSTRIES										
All geographic areas.....	44,840	17,697	12,971	1,429,150,004	967,121,100	8,308,450	27,580,522	20,810,707	7,539,940	6,161,053
Canada.....	6,993	2,801	2,045	146,363,385	92,971,142	196,352	2,831,522	1,903,650	702,587	613,209
Latin America, total.....	7,431	2,960	1,923	54,197,402	32,283,147	84,627	1,146,642	663,748	238,140	171,565
Mexico.....	2,019	923	722	3,436,623	2,869,476	-70,912	44,667	28,393	8,679	7,264
Central America, total.....	1,671	169	134	8,055,606	7,439,488	23,281	234,068	220,947	75,156	35,293
Panama.....	1,661	166	134	7,962,730	7,378,422	25,250	232,738	220,947	75,156	35,293
Caribbean, total.....	2,519	1,332	654	38,749,659	17,893,247	123,812	803,176	369,598	140,360	116,732
Cayman Islands.....	391	159	94	4,133,188	2,054,886	-58,825	125,331	84,012	29,166	28,979
Netherlands Antilles.....	1,206	579	472	31,875,198	14,518,989	265,135	634,169	262,660	103,386	80,124
South America.....	1,222	536	414	3,955,515	4,080,936	8,445	64,730	44,810	13,945	12,276
Other Western Hemisphere, total.....	551	57	51	12,615,292	10,129,923	-165,131	177,955	134,264	48,974	47,052
Bermuda.....	204	40	36	12,024,609	9,618,970	-184,866	148,771	111,069	40,988	39,066
Europe, total.....	14,777	6,638	4,930	765,972,837	523,466,471	7,839,256	16,936,892	13,593,952	4,950,949	3,996,992
European Economic Community, total.....	12,250	5,555	4,038	681,331,849	455,166,234	6,880,938	14,895,382	11,914,956	4,344,965	3,494,842
Belgium.....	136	96	59	14,430,890	13,300,364	595,430	693,370	647,198	225,093	110,640
Denmark.....	184	42	43	4,375,489	2,666,597	-75,882	30,502	26,633	9,102	7,915
France.....	1,538	429	301	68,551,268	48,254,661	88,229	987,151	796,335	281,109	250,403
Ireland.....	224	13	*12	11,899,584	2,404,072	-12,678	102,316	*95,909	*33,370	*32,083
Italy.....	825	360	346	7,540,651	4,489,424	-112,135	140,218	106,984	36,272	33,773
Luxembourg.....	141	49	*36	3,129,841	4,809,251	-114,922	26,465	*8,116	*3,569	*3,481
Netherlands.....	1,764	767	380	167,909,086	114,950,718	-205,601	2,105,982	1,578,090	619,598	462,830
United Kingdom.....	4,612	2,609	2,048	308,031,853	175,867,012	4,852,372	7,876,344	6,550,917	2,342,270	1,934,446
West Germany.....	2,528	1,075	702	90,727,027	87,472,808	1,891,827	2,890,760	2,065,285	781,139	646,496
Austria.....	113	*33	*33	2,176,438	2,410,994	-38,474	*25,923	*18,494	*6,215	*5,901
Finland.....	123	*38	*38	6,357,804	3,395,151	-119,166	*49,974	*48,020	*17,030	*7,150
Norway.....	190	93	46	2,891,124	2,355,374	-16,226	56,148	28,283	10,297	9,395
Sweden.....	329	253	258	18,338,335	17,456,610	322,729	465,920	349,017	137,244	101,081
Switzerland.....	1,461	579	432	52,470,470	40,534,047	843,743	1,367,282	1,211,595	427,345	370,857
Africa.....	785	224	*155	735,235	607,842	-13,397	29,178	*6,693	*2,076	*1,830
Asia, total.....	11,636	4,062	3,208	396,816,403	284,639,090	567,799	5,897,967	4,112,336	1,458,294	1,258,517
Hong Kong.....	1,962	762	724	35,604,137	7,313,152	131,757	303,716	143,613	51,348	37,326
Japan.....	6,592	2,090	1,782	322,267,552	253,896,040	-76,427	4,247,443	3,514,160	1,230,856	1,139,024
Kuwait.....	*23	*4	*4	*12,625,357	*2,197,380	*765,758	*843,119	*2,333	*19,121	*19,121
Saudi Arabia.....	*413	*389	*4	*2,559,485	*3,949,915	*220,358	*268,582	*268,283	*95,609	*7,180
South Korea.....	160	89	75	5,946,040	9,047,765	-272,715	37,930	24,980	8,507	8,420
Oceania, total.....	497	138	104	47,416,433	18,170,413	-379,080	234,632	131,348	49,982	41,292
Australia.....	344	108	74	46,558,675	17,376,336	-370,237	220,256	120,586	46,453	37,865
Puerto Rico and U.S. Possessions.....	*31	*28	*28	*1,646,102	*1,057,253	*184,335	*185,623	*181,417	*61,864	*6,377
Country not stated.....	2,138	788	527	3,386,914	3,795,821	-6,312	140,112	83,297	27,074	24,219

Footnotes at end of table.

Domestic Corporations Controlled by Foreign Persons, 1989

Table 1.—Financial Items, by Selected Industry and Geographic Area—Continued

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

Selected industry and geographic area ¹	Number of returns			Total assets	Total receipts ⁻	Net income (less deficit)	Net income	U.S. income subject to tax	Total U.S. income tax	
	Total	With net income	With income tax ²						Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
MANUFACTURING										
All geographic areas.....	4,859	2,589	2,455	520,621,118	399,329,710	6,687,526	13,401,363	11,226,287	4,046,646	3,342,108
Canada.....	611	429	412	50,286,371	43,544,314	613,766	1,394,397	1,003,613	360,935	309,162
Latin America, total.....	612	536	483	10,267,187	7,810,318	60,527	271,940	221,582	82,936	68,136
Mexico.....	*422	**	**	*1,426,475	*1,006,423	*-25,050	**	**	**	**
Central America, total....	*7	—	—	*667,592	*1,324,547	*-57,510	—	—	—	—
Panama.....	*7	—	—	*667,592	*1,324,547	*-57,510	—	—	—	—
Caribbean, total.....	179	112	60	8,139,025	5,403,311	141,887	263,854	215,793	80,980	66,435
Cayman Islands.....	*59	*54	**	*868,399	*685,289	*60,219	*67,449	**	**	**
Netherlands Antilles....	98	57	58	7,015,626	4,121,059	87,045	193,103	153,453	59,608	45,063
South America.....	*3	**	**	*34,096	*76,037	*1,199	**	**	**	**
Other Western Hemisphere, total.....	*18	**	**	*2,927,100	*3,532,766	*26,187	**	**	**	**
Bermuda.....	*18	**	**	*2,927,100	*3,532,766	*26,187	**	**	**	**
Europe, total.....	2,258	1,093	1,054	380,139,530	288,554,511	6,929,485	10,573,496	9,169,348	3,302,339	2,690,450
European Economic Community, total.....	1,888	888	848	339,043,744	249,080,054	5,929,861	9,152,096	7,904,628	2,851,662	2,324,456
Belgium.....	*10	*7	*7	*6,908,262	*5,751,188	*13,270	*84,958	*81,314	*28,285	*24,381
Denmark.....	*30	*4	*4	*272,240	*526,926	*-20,115	*11,469	*8,346	*2,926	*2,926
France.....	164	106	105	34,526,413	26,714,234	-74,999	509,609	396,681	142,552	134,226
Ireland.....	*5	*5	*5	*433,217	*467,653	*11,592	*11,592	*11,129	*4,357	*4,354
Italy.....	365	*39	*25	1,544,248	1,715,129	-28,275	*52,625	*37,675	*13,366	*11,165
Luxembourg.....	*19	*4	*5	*414,998	*325,348	*-7,661	*3,804	*2,185	*1,342	*1,342
Netherlands.....	323	84	96	105,715,903	76,098,804	551,892	1,400,394	1,174,371	457,570	305,588
United Kingdom.....	482	357	361	150,158,661	99,300,271	4,720,439	5,812,952	5,201,685	1,853,976	1,550,264
West Germany.....	473	268	225	38,899,623	38,102,276	781,640	1,263,532	990,081	347,055	289,978
Austria.....	*8	—	—	*137,458	*68,369	*-12,954	—	—	—	—
Finland.....	11	*4	*4	2,263,697	1,889,943	-45,400	*17,027	*15,399	*5,728	*5,677
Norway.....	*7	**	**	*417,340	*1,036,156	*8,037	**	**	**	**
Sweden.....	61	52	56	8,243,651	10,130,563	249,729	337,348	265,437	96,414	62,601
Switzerland.....	255	121	119	29,694,026	25,797,097	800,562	1,043,323	973,463	344,505	294,362
Africa.....	*4	**	**	*16,061	*45,915	*2,333	**	**	**	**
Asia, total.....	1,099	343	314	46,244,652	45,912,620	-829,857	935,446	653,524	236,199	220,369
Hong Kong.....	*10	**	**	*438,412	*352,968	*-5,806	**	**	**	**
Japan.....	902	237	207	40,783,749	38,899,039	-685,433	855,372	599,460	217,174	201,916
Kuwait.....	**	**	**	**	**	**	**	**	**	**
Saudi Arabia.....	**	**	**	**	**	**	**	**	**	**
South Korea.....	*42	*13	*13	*643,922	*787,248	*-96,030	*1,107	*272	*57	*57
Oceania, total.....	61	32	*33	29,874,028	8,771,791	-97,430	110,915	*78,055	*29,038	*20,728
Australia.....	57	29	*30	29,822,219	8,726,933	-98,100	110,245	*77,385	*28,832	*20,624
Puerto Rico and U.S. Possessions.....	*8	*5	*5	*177,020	*345,655	*6,108	*7,395	*7,383	*2,690	*2,176
Country not stated.....	188	*147	*148	689,168	811,819	-23,593	*26,732	*25,537	*8,953	*8,953

Footnotes at end of table.

Domestic Corporations Controlled by Foreign Persons, 1989

Table 1.—Financial Items, by Selected Industry and Geographic Area—Continued

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

Selected industry and geographic area ¹	Number of returns			Total assets	Total receipts	Net income (less deficit)	Net income	U.S. income subject to tax	Total U.S. income tax	
	Total	With net income	With income tax ²						Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
WHOLESALE AND RETAIL TRADE										
All geographic areas.....	13,710	6,174	4,787	191,001,844	397,251,079	869,567	5,330,319	4,213,308	1,520,303	1,419,259
Canada.....	1,248	581	585	20,890,171	27,869,293	-308,946	305,104	186,544	68,691	63,187
Latin America, total.....	2,249	1,168	629	6,215,306	12,153,176	10,475	165,544	70,937	23,607	21,385
Mexico.....	541	296	*277	669,459	1,631,512	1,933	17,949	*14,966	*4,214	*3,663
Central America, total.....	522	*88	*77	783,381	1,707,471	4,222	*25,353	*19,042	*6,121	*6,121
Panama.....	519	*85	*77	740,026	1,649,908	2,892	*24,022	*19,042	*6,121	*6,121
Caribbean, total.....	656	488	*80	3,946,760	5,473,065	-31,734	77,859	*9,867	*4,516	*4,308
Cayman Islands.....	*26	*6	*6	*434,684	*477,301	*3,149	*17,472	*2,475	*1,140	*997
Netherlands Antilles.....	141	*51	*36	2,949,611	4,633,886	-12,424	*52,564	*3,328	*2,286	*2,286
South America.....	530	296	*196	815,705	3,341,128	36,054	44,384	*27,062	*8,755	*7,293
Other Western Hemisphere, total.....	297	*7	*8	2,330,482	4,407,873	-132,081	*10,422	*185	*299	*299
Bermuda.....	*25	*4	*5	*2,147,723	*4,099,725	*-133,736	*5,058	*185	*209	*209
Europe, total.....	4,297	2,322	1,771	66,741,596	146,914,735	598,744	2,527,364	1,962,433	747,696	677,796
European Economic Community, total.....	3,508	1,878	1,408	59,425,750	130,293,352	618,355	2,264,092	1,769,995	672,789	606,105
Belgium.....	*50	*46	*8	*1,817,147	*5,997,210	*211,789	*223,092	*210,903	*72,474	*71,700
Denmark.....	100	*28	*30	684,307	1,159,928	-37,279	*4,272	*3,626	*1,205	*965
France.....	606	146	97	5,348,157	14,964,393	75,970	219,974	191,607	65,659	64,900
Ireland.....	*4	**	**	*166,304	*261,558	*-33,238	**	**	**	**
Italy.....	430	301	301	1,297,143	1,860,726	-11,399	59,507	56,747	18,241	18,175
Luxembourg.....	*39	**	**	*367,372	*3,716,835	*-19,573	**	**	**	**
Netherlands.....	275	195	196	9,208,207	22,344,104	-261,354	249,784	173,989	62,815	62,341
United Kingdom.....	1,191	506	398	17,018,256	40,597,939	-3,907	461,053	295,638	105,852	101,647
West Germany.....	677	526	263	23,261,527	39,031,502	699,700	1,018,638	816,166	339,495	279,764
Austria.....	81	*31	*31	580,745	1,919,024	-5,228	*21,845	*16,114	*5,405	*5,109
Finland.....	*49	*29	*29	*753,544	*790,014	*-62,306	*2,484	*2,484	*530	*530
Norway.....	*95	*78	*31	*295,614	*658,967	*8,438	*14,422	*10,253	*3,282	*3,282
Sweden.....	148	123	123	2,692,630	5,490,623	40,762	79,789	46,561	25,584	24,244
Switzerland.....	354	173	140	2,277,420	6,330,718	48,919	139,826	116,556	39,930	38,406
Africa.....	*101	*51	*51	*216,294	*404,517	*11,219	*11,257	*6,483	*1,774	*1,528
Asia, total.....	4,517	1,698	1,574	92,675,855	201,662,556	707,295	2,262,176	1,945,488	664,752	642,578
Hong Kong.....	748	498	498	1,229,025	2,292,922	178	77,372	73,313	24,247	23,748
Japan.....	2,663	916	845	84,736,615	186,155,117	938,005	2,124,805	1,839,567	630,072	608,907
Kuwait.....	-	-	-	-	-	-	-	-	-	-
Saudi Arabia.....	-	-	-	-	-	-	-	-	-	-
South Korea.....	109	72	58	4,388,987	8,173,139	-179,257	28,470	16,914	5,787	5,700
Oceania, total.....	170	*46	*39	1,022,514	2,160,661	-21,537	*14,779	*11,581	*3,614	*3,614
Australia.....	*50	*26	*18	*641,429	*1,526,343	*-3,143	*13,934	*10,736	*3,488	*3,488
Puerto Rico and U.S. Possessions.....	*15	*15	*15	*63,962	*67,781	*227	*227	*227	*34	*34
Country not stated.....	817	*285	*114	845,664	1,610,488	4,170	*33,445	*29,429	*9,835	*8,837

Footnotes at end of table.

Domestic Corporations Controlled by Foreign Persons, 1989

Table 1.—Financial Items, by Selected Industry and Geographic Area—Continued

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

Selected industry and geographic area ¹	Number of returns			Total assets	Total receipts	Net income (less deficit)	Net income	U.S. income subject to tax	Total U.S. income tax	
	Total	With net income	With income tax ²						Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
FINANCE, INSURANCE AND REAL ESTATE										
All geographic areas.....	16,161	4,801	2,948	589,637,053	92,523,310	790,893	4,850,138	3,084,936	1,100,985	946,074
Canada.....	3,466	1,001	414	59,694,040	11,658,436	85,843	657,157	451,320	163,791	135,994
Latin America, total.....	3,729	1,013	751	28,774,260	5,260,863	-23,385	429,514	157,520	57,564	47,986
Mexico.....	732	*99	*4	1,136,637	124,112	-33,077	*11,579	*4,162	*1,424	*850
Central America, total.....	917	*74	*47	1,882,524	1,228,001	-76,749	*3,854	*2,205	*746	*746
Panama.....	910	*74	*47	1,833,002	1,224,498	-73,450	*3,854	*2,205	*746	*746
Caribbean, total.....	1,447	630	491	22,925,710	3,570,413	99,345	396,745	135,535	50,880	42,038
Cayman Islands.....	191	*69	*75	2,153,292	339,721	-76,330	*26,560	*19,099	*6,582	*6,570
Netherlands Antilles.....	849	402	366	19,433,156	3,003,162	202,024	337,747	97,573	37,683	28,966
South America.....	633	209	209	2,829,389	338,336	-12,904	17,336	15,618	4,514	4,352
Other Western Hemisphere, total.....	210	32	30	2,047,465	642,616	16,315	68,062	55,732	19,186	18,749
Bermuda.....	139	20	18	1,685,904	453,267	-1,203	44,803	32,537	11,290	10,853
Europe, total.....	3,662	1,309	460	260,538,652	48,695,463	689,585	2,303,386	1,355,950	482,472	419,454
European Economic Community, total.....	2,914	1,148	355	228,588,979	41,502,319	652,466	2,066,217	1,216,972	433,219	381,257
Belgium.....	*10	**	**	*2,943,854	*212,595	*8,271	**	**	**	**
Denmark.....	14	*9	*7	3,071,814	304,216	-10,635	*7,991	*7,891	*2,658	*2,658
France.....	196	102	41	24,214,995	3,214,258	94,111	129,766	110,616	37,936	23,379
Ireland.....	*7	**	**	*10,520,077	*1,348,248	*52,384	**	**	**	**
Italy.....	16	**	**	3,658,697	429,400	-5,578	**	**	**	**
Luxembourg.....	46	*6	*6	1,039,205	255,690	-49,319	*11,431	*631	*434	*362
Netherlands.....	866	448	43	41,105,107	9,783,563	-144,722	318,737	151,270	56,404	55,645
United Kingdom.....	1,342	479	165	112,388,440	20,243,790	365,588	1,050,881	614,177	219,502	200,002
West Germany.....	337	66	58	25,402,585	5,305,732	340,157	437,369	231,237	81,323	66,127
Austria.....	*23	**	**	*1,372,836	*419,079	*3,144	**	**	**	**
Finland.....	*17	*5	*5	*3,129,822	*584,847	*7,019	*30,462	*30,137	*10,772	*943
Norway.....	59	*7	*7	1,696,639	493,556	-15,339	*19,759	*13,838	*4,836	*4,609
Sweden.....	38	19	20	7,078,857	1,406,016	26,290	41,235	30,887	10,838	10,463
Switzerland.....	498	119	62	17,570,258	4,198,928	-2,617	101,289	60,615	21,619	21,014
Africa.....	665	*165	*97	376,581	131,087	-16,739	*3,630	*150	*22	*22
Asia, total.....	3,873	1,187	1,112	230,371,957	24,940,523	13,624	1,297,107	1,016,522	361,342	307,466
Hong Kong.....	1,085	255	*217	33,762,342	4,628,076	181,232	220,971	*64,927	*25,273	*11,750
Japan.....	1,811	564	547	180,865,482	18,688,279	-4,294	972,362	853,370	302,452	266,257
Kuwait.....	*17	**	**	*1,692,348	*236,063	*-70,679	**	**	**	**
Saudi Arabia.....	*24	**	**	*172,114	*49,778	*-3,513	**	**	**	**
South Korea.....	*4	*4	*4	*683,891	*70,610	*8,354	*8,354	*7,794	*2,662	*2,662
Oceania, total.....	125	22	19	6,427,556	590,524	27,275	40,391	27,417	9,861	9,857
Australia.....	94	16	*13	6,002,692	475,623	18,394	27,530	*18,170	*6,664	*6,660
Puerto Rico and U.S. Possessions.....	*6	*6	*6	*40,571	*20,687	*16,281	*16,281	*12,087	*4,167	*4,167
Country not stated.....	424	*64	*59	1,365,972	583,112	-17,905	*34,610	*8,239	*2,581	*2,383

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

** Not shown to avoid disclosure about specific corporations. However, data are included in the appropriate totals.

¹ Selected industries include manufacturing; wholesale and retail trade; and finance, insurance, and real estate; together they accounted for 91 and 92 percent of total assets and receipts, respectively. Industries comprising the remainder include: agriculture, forestry, and fishing; mining; construction; transportation and public utilities; services; and nature of business not allocable. Selected geographic areas are based on the location of the owner's country of residence, incorporation, organization, creation, or administration.

² Total income tax before credits. After the reduction of tax by credits, the number of returns may have been less than what is shown in this column.