

Foreign-Controlled Domestic Corporations, 1998

by James R. Hobbs

For Tax Year 1998, the 61,658 domestic corporations each “controlled” by a foreign “person” generated \$1.9 trillion of total receipts and reported \$3.9 trillion of total assets on income tax returns filed with the Internal Revenue Service (IRS). These corporations were relatively few in number, just 1.3 percent of the U.S. total. However, they accounted for 10.9 percent of the receipts and 10.5 percent of the assets reported on all U.S. corporation income tax returns. They also accounted for 8.9 percent of the “taxable income” and 10.1 percent of the total income tax after credits reported on these returns.

The profits (i.e., “net income (less deficit)” shown in the statistics) reported by foreign-controlled domestic corporations (FCDC’s) for tax purposes under the Internal Revenue Code were \$40.6 billion for 1998. This was a decline by nearly one-fourth from the \$52.4 billion reported for the prior year [1]. Placed in context, the net income (less deficit) reported on all corporation income tax returns also decreased, by a smaller 8.4 percent, from \$915.4 billion for 1997 to \$838.2 billion for 1998 [2].

Of all the FCDC’s, 29,172 reported (positive) net income for 1998, totaling \$75.4 billion, a slight decrease from the \$79.4 billion reported for 1997. The profitable companies for 1998 also reported \$59.4 billion of taxable income after statutory special deductions (i.e., “income subject to tax” shown in the statistics), another slight drop from the previous year. Total statutory special deductions also decreased between the 2 years, including the net operating loss deduction component of that total. The U.S. tax liability (i.e., “total income tax after credits”) of FCDC’s was \$18.3 billion, 7.4 percent less than that of the prior year.

For 1998, the 2,956 “largest” companies (i.e., those with at least \$250 million of assets, or with at least \$50 million of receipts, or with both) accounted for most of the key financial items of all FCDC’s: 94.2 percent of total assets, 91.9 percent of total receipts, 87.8 percent of taxable income, and 87.1 percent of total income tax after credits. After an overview of all FCDC’s, this article focuses on the

largest foreign-controlled domestic companies and compares them on industry and age bases to the largest domestic corporations not controlled by foreign persons.

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 may have sufficient equity in the enterprise to control and participate in managing its operations [3]. With regard to corporations, a foreign investor can either gain control of an existing U.S. company, create a new company incorporated in the United States, or operate in the United States through a branch of a foreign corporation.

There are numerous factors involved in the decision of a foreign investor to operate in the United States through either a domestic or foreign corporation [4, 5]. For the foreign-controlled domestic corporations covered in this article, “control” is generally defined as ownership by any foreign person or entity (including an individual, corporation, partnership, estate, or trust), directly or indirectly, of 50 percent or more of a U.S. corporation’s voting stock (or the value of all of the corporation’s stock) at any time during the accounting period. (This is discussed in greater depth in the Data Sources and Limitations section. Also, a description of foreign persons and an explanation of the rules of constructive ownership are given in the Explanation of Selected Terms section.)

Foreign-Controlled Domestic Corporations

Form Coverage

Data for all corporation income tax returns discussed in this article include the following seven form types filed by domestic corporations: (1) Form 1120, *U.S. Corporation Income Tax Return*; (2) Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*; (3) Form 1120-L, *U.S. Life Insurance Company Income Tax Return*; (4) Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*; (5) Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; (6) Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*; and

James R. Hobbs is a management official for the Special Studies Branch.

Foreign-Controlled Domestic Corporations, 1998

(7) Form 1120S, *U.S. Income Tax Return for an S Corporation*. Also included in the total is Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*, for foreign corporations with income effectively connected with a U.S. trade or business. All of these form types are included in the Statistics of Income Corporate Study, from which FCDC statistics are derived [6]. By comparison, FCDC's can file tax returns only on Forms 1120, 1120-L, 1120-PC, 1120-REIT, and 1120-RIC. They cannot file Forms 1120-A, 1120-F, or 1120S.

This article includes five basic tables showing selected balance sheet, income statement, and tax items. Table 1 shows historical FCDC data for selected tax years between 1971 and 1998. Table 2 includes information for all FCDC's, classified by major industries that conform to the recently adopted North American Industry Classification System (NAICS). Tax Year 1998 is the first year in which data are presented using NAICS. In previous years, the Enterprise Standard Industrial Classification system was used. Table 3 also presents data covering all FCDC's, classified by both countries of the foreign owners and by age of the corporations. Table 4 presents information on the "largest" FCDC's, classified by selected industrial groupings and the age of the companies. For comparison purposes, this table also contains data for the largest domestic corporations not controlled or owned by foreign persons. Table 5 contains selected percentages for the largest FCDC's and other domestic corporations, compared on the bases of selected industrial groupings and the age of the companies. For reasons explained later in this article, Tables 4 and 5 exclude data from Forms 1120-REIT, 1120-RIC, and 1120S.

Growth of Corporations

Direct foreign investment in the United States through foreign-controlled domestic corporations grew steadily during the 1989-1998 period [7]. Total receipts of FCDC's grew from \$1.0 trillion for 1989 to \$1.9 trillion for 1998, a 95.5-percent increase (using current dollars). In comparison, total receipts reported on all U.S. corporation income tax returns grew from \$10.9 trillion for 1989 to \$17.3 trillion for 1998, a 58.4-percent increase. As a result of the relative rapid growth rate of FCDC's, their share of the receipts reported on all corporate returns increased from 8.8 percent for

1989 to 10.9 percent for 1998 (see Figure A).

There were an estimated 61,658 returns of foreign-controlled domestic corporations for 1998, a slight increase from the estimated 61,621 returns for 1997. Returns of FCDC's comprised a rather constant percentage of all U.S. corporation income tax returns, generally between 1.2 percent and 1.4 percent for each year between 1989 and 1998. This is in contrast to the percentage of receipts, as well as assets, accounted for by FCDC's over this period.

To the extent that FCDC's filed consolidated income tax returns, the data included in this article actually represent more companies than the stated number of returns. FCDC's, like most other corporations, could elect to file consolidated returns for affiliated groups of domestic corporations. Consolidated returns contained the combined financial data of two or more corporations in which a common parent corporation owned at least 80 percent of the stock of at least one member of the group, and at least 80 percent of the stock of each other member of the group was owned within the group. A consolidated return filed by a common parent was treated as a unit, with each statistical item being determined on the basis of the combined data of the affiliated group.

The assets of domestic corporations controlled by foreign persons increased by 15.5 percent between 1997 and 1998, more than the increase of 13.1 percent for the assets reported on all U.S. corporation income tax returns [8]. As a result, the percentage of total corporate assets accounted for by FCDC's rose from 10.3 percent for 1997 to 10.5 percent for 1998. This level is a considerable increase from the 8.1 percent for 1989.

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 the corporation income tax return. For 1971, the 5,154 companies reported \$36.7 billion of total assets and \$39.2 billion of total receipts. They accounted for just 0.3 percent of the returns, 1.3 percent of the assets, and 2.1 percent of the receipts reported by all corporations for that year. See Table 1.

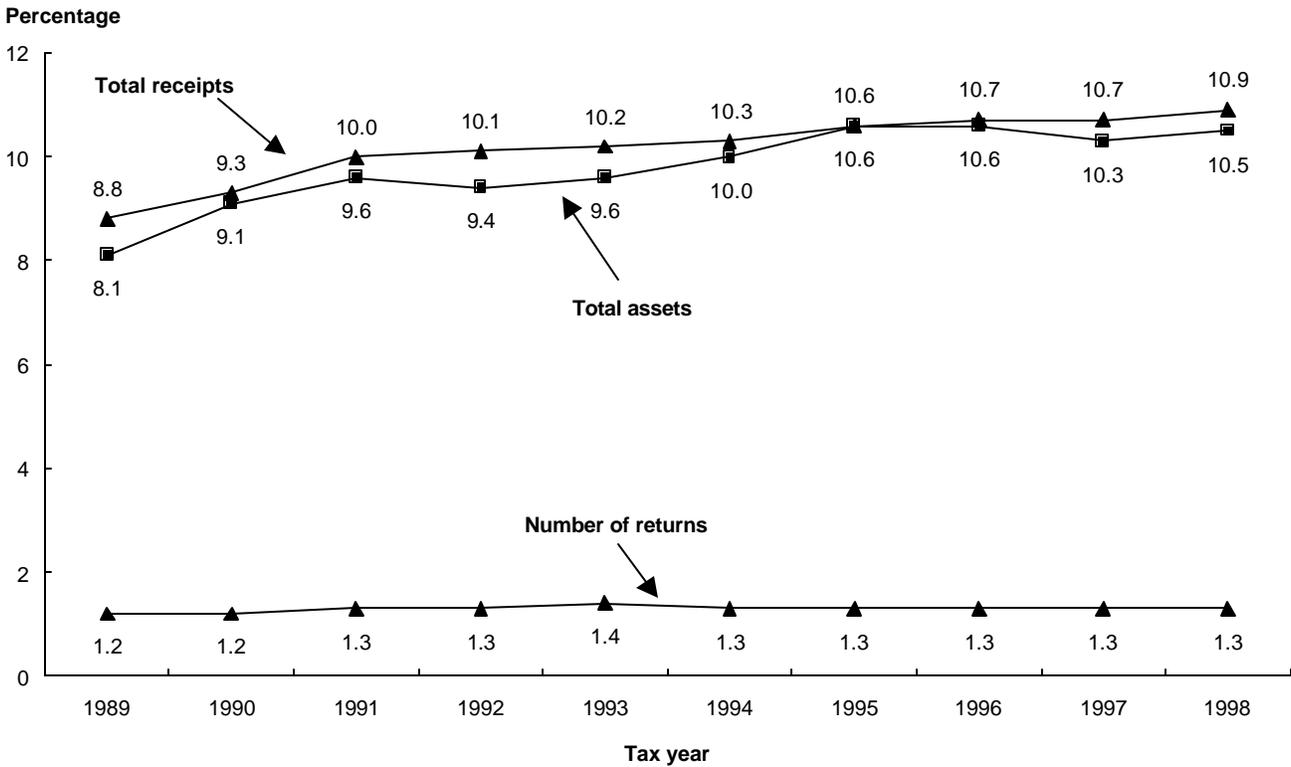
Industry Characteristics

For 1998, foreign-controlled domestic corporations were involved in every type of industrial activity, but, based on number of returns, 86.2 percent were concentrated in four industrial divisions: (1) distribu-

Foreign-Controlled Domestic Corporations, 1998

Figure A

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations, Tax Years 1989-1998



tion and transportation of goods (20,825 returns); (2) finance, insurance, real estate, and rental and leasing (14,883 returns); (3) goods production (8,788 returns); and (4) professional and business services (8,644 returns). See Figure B. (The Data Sources and Limitations section discusses how returns were classified by industry.)

Based on assets, two industrial divisions dominated the total for 1998. Finance, insurance, real estate, and rental and leasing, and goods production accounted for \$1.6 trillion and \$1.2 trillion of total assets, respectively, for a combined 71.7 percent of the \$3.9 trillion of assets for all FCDC's. Two additional divisions, distribution and transportation of goods, and professional and business services, each accounted for 9.8 percent of the total assets. Thus, companies in these four industrial divisions reported 91.2 percent of the total FCDC assets.

Alternatively, on the basis of total receipts, goods production and distribution and transportation of

goods were the two primary industrial categories of FCDC's for 1998. Corporations classified in the goods production industrial division reported \$0.9 trillion of receipts, while companies in the distribution and transportation of goods division reported \$0.6 trillion. These two divisions accounted for 77.4 percent of the \$1.9 trillion of total receipts reported for all FCDC's. (This percentage was substantially higher than the comparable one of 63.2 percent for all corporations that filed U.S. corporation income tax returns.) An additional division, finance, insurance, real estate, and rental and leasing, accounted for 12.6 percent of the total FCDC receipts. Thus, these three industrial divisions produced 90.0 percent of total FCDC receipts.

Companies classified in different industries often have different financial characteristics. For instance, the comparative levels of total assets and total receipts of companies primarily engaged in wholesale trade activities differ significantly from those prima-

Foreign-Controlled Domestic Corporations, 1998

Figure B

Foreign-Controlled Domestic Corporations: Selected Items and Percentages, by North American Industry Classification System Industrial Divisions, Tax Year 1998

[Money amounts are in millions of dollars]

Industrial division	Returns		Total assets		Total receipts	
	Number	Percentage of total	Amount	Percentage of total	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)
All industries.....	61,658	100.00	3,917,687	100.00	1,890,493	100.00
Raw materials and energy production.....	1,956	3.17	107,093	2.73	32,178	1.70
Goods production.....	8,788	14.25	1,243,540	31.74	858,753	45.42
Distribution and transportation of goods.....	20,825	33.78	382,569	9.77	604,056	31.95
Information.....	1,918	3.11	178,705	4.56	54,404	2.88
Finance, insurance, real estate, and rental and leasing.....	14,883	24.14	1,564,445	39.93	238,807	12.63
Professional and business services.....	8,644	14.02	382,908	9.77	68,729	3.64
Education, health, and social assistance.....	940	1.52	14,602	0.37	8,702	0.46
Leisure, accommodation, and food services.....	2,457	3.98	35,340	0.90	17,811	0.94
Other services.....	999	1.62	8,482	0.22	7,052	0.37
Not allocable.....	250	0.41	--	--	--	--

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

rily engaged in credit intermediation (e.g., savings institutions, commercial banks, and credit unions). FCDC wholesalers produced large amounts of receipts with relatively small amounts of assets (as of the end of their accounting periods), resulting in \$1.60 of receipts for each dollar of assets for 1998. By comparison, credit intermediation companies reported large amounts of assets, but relatively small amounts of receipts. These FCDC's produced only \$.09 of receipts for each dollar of assets. See Table 2.

While foreign-controlled domestic corporations accounted for slightly more than one-tenth of the \$17.3 trillion of total receipts reported by all corporations filing U.S. income tax returns for 1998, these companies played disproportionately larger roles in certain industries. For instance, FCDC's produced very substantial parts of the total receipts reported for wholesale trade (22.9 percent), mining (19.5 percent), and manufacturing (16.8 percent). Conversely, FCDC involvement in a number of other industries was relatively low and accounted for a small percent of the receipts for all companies classified in the following industries: utilities (0.8 percent); health care and social assistance (2.1 percent); agriculture, forestry, fishing and hunting (2.4 percent); arts, entertainment, and recreation (2.5 percent); and construction (2.7 percent). See Figure C.

Statistics classified by industry do have certain limitations, which are discussed more thoroughly in the Data Sources and Limitations section, below. However, a brief point should be made here. FCDC's accounted for 22.9 percent and 16.8 percent of the receipts of all companies classified as wholesalers and manufacturers, respectively. However, these percentages may overstate the FCDC portion of wholesaling, and understate the FCDC portion of manufacturing. This is because certain U.S. companies (not foreign-controlled) and their subsidiaries may have been involved in both manufacturing and wholesaling of products and reported tax information for these activities on a single (consolidated) income tax return, which was statistically classified under the one industry of its principal business activity, that being manufacturing, rather than trade. Conversely, many domestic companies controlled by foreign corporations acted as wholesalers in the United States for products manufactured overseas by their parent, or other related, companies. These domestic companies would have been classified in the wholesale trade industrial grouping.

Country Characteristics

Persons resident in any country throughout the world can control U.S. corporations. However, for 1998,

Foreign-Controlled Domestic Corporations, 1998

Figure C

Foreign-Controlled Domestic Corporations as a Percentage of All Corporations: Total Receipts, by North American Industry Classification System Industrial Sectors, Tax Year 1998

[Money amounts are in millions of dollars]

Industrial sector	Total receipts		
	All corporations	Foreign-controlled domestic corporations	Percentage
	(1)	(2)	(3)
All industries.....	17,323,955	1,890,493	10.91
Raw materials and energy production.....	717,500	32,178	4.48
Agriculture, forestry, fishing and hunting.....	110,589	2,666	2.41
Mining.....	131,072	25,527	19.48
Utilities.....	475,839	3,985	0.84
Goods production.....	5,843,120	858,753	14.70
Construction.....	875,357	23,627	2.70
Manufacturing.....	4,967,763	835,126	16.81
Distribution and transportation of goods.....	5,115,031	604,056	11.81
Wholesale and retail trade.....	4,626,957	578,780	12.51
Wholesale trade.....	2,141,293	489,290	22.85
Retail trade.....	2,482,118	89,431	3.60
Wholesale and retail trade not allocable.....	3,546	59	1.66
Transportation and warehousing.....	488,074	25,276	5.18
Information.....	759,064	54,404	7.17
Finance, insurance, real estate, and rental and leasing.....	2,563,457	238,807	9.32
Finance and insurance.....	2,357,692	217,921	9.24
Real estate and rental and leasing.....	205,765	20,886	10.15
Professional and business services.....	1,391,740	68,729	4.94
Professional, scientific, and technical services.....	563,743	23,385	4.15
Management of companies (holding companies).....	550,818	29,776	5.41
Administrative and support and waste management and remediation services.....	277,178	15,569	5.62
Education, health, and social assistance.....	398,377	8,702	2.18
Educational services.....	25,845	906	3.51
Health care and social assistance.....	372,532	7,796	2.09
Leisure, accommodation, and food services.....	384,801	17,811	4.63
Arts, entertainment, and recreation.....	67,273	1,703	2.53
Accommodation and food services.....	317,528	16,108	5.07
Other services.....	148,370	7,052	4.75
Not allocable.....	2,495	--	--

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

owners from 20 countries controlled 70.6 percent of the 61,658 domestic corporations classified as 50-percent-or-more controlled by a foreign person. The 43,556 corporations controlled by persons resident in the 20 countries shown in Table 3 accounted for nearly all of the total FCDC financial items shown in that table, with the smallest percentage being 93.4 percent of total receipts.

The countries represent the geographic location of the foreign owner's place of residence in the case of individuals; and place of incorporation, organization, creation, or administration in the case of corporations or other entities. 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

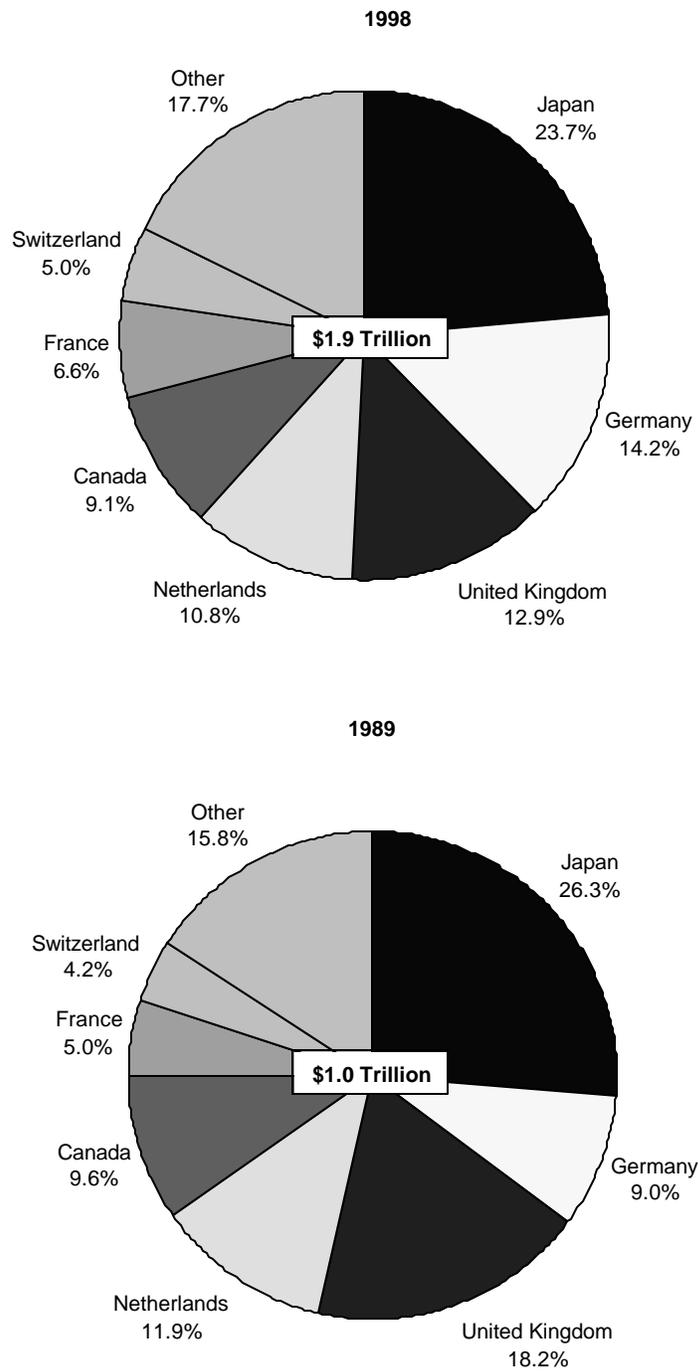
not necessarily reflect the country of the ultimate owner. No data on the extent of this potential limitation are available.

Domestic corporations controlled by Japanese persons reported total receipts of \$448 billion for 1998, an amount substantially larger than that for any other country. These receipts represented 23.7 percent of the total for all FCDC's. Companies controlled by Japanese persons also accounted for the largest amount of receipts for each of the years in the 1989-1997 period (see Figure D). For 1998, domestic corporations with owners resident in Germany (\$268 billion), the United Kingdom (\$244 billion), and the Netherlands (\$204 billion) also accounted for significant amounts of receipts. The most noteworthy change between 1997 and 1998

Foreign-Controlled Domestic Corporations, 1998

Figure D

Foreign-Controlled Domestic Corporations: Total Receipts for Selected Countries of Foreign Owners, Tax Years 1989 and 1998



Foreign-Controlled Domestic Corporations, 1998

was the large increase in receipts by German-owned domestic corporations, rising from \$174 billion. During the same period, the receipts of corporations with owners resident in Japan and the United Kingdom actually declined by slight amounts, from \$458 billion and \$248 billion, respectively.

Domestic corporations controlled by persons resident in the Netherlands accounted for \$631 billion of assets, the largest portion held by any country. Japanese- and U.K.-controlled corporations also held substantial amounts of assets for 1998, with \$556 billion and \$543 billion, respectively. During the 1997 and 1998 period, the assets of corporations controlled by persons resident in the Netherlands increased from \$427 billion, while the assets of Japanese-controlled corporations decreased from \$614 billion.

Although, for 1998, Japanese-controlled domestic corporations accounted for the largest part of the receipts reported for all FCDC's, while corporations controlled by persons resident in the Netherlands accounted for the largest part of the FCDC assets, neither country was responsible for the largest number of returns filed for FCDC's. Canadian-controlled domestic corporations filed the most returns, 9,862; Japanese-controlled domestic corporations were second with 6,431; and U.K.-controlled domestic corporations were third with 5,155. There were 1,945 Netherlands-controlled domestic corporations.

For 1998, Japanese-controlled domestic corporations reported the largest amounts of U.S. taxable income (\$12.9 billion) and U.S. tax liabilities (\$4.2 billion). U.K.-controlled corporations, with \$11.3 billion of taxable income and \$3.1 billion of tax liabilities, followed these amounts. The levels of receipts that the taxable income and tax liabilities resulted from were very different between the Japanese-controlled corporations and the U.K.-controlled corporations. For the Japanese-controlled corporations, taxable income and tax liabilities were 2.9 percent and 0.9 percent, respectively, of the \$448 billion of receipts. By comparison, for the U.K.-controlled corporations, taxable income and tax liabilities were 4.6 percent and 1.3 percent, respectively, of the \$244 billion of receipts. There are many factors that may have caused the resulting difference in these percentages. Differences in industrial distributions (previously discussed) and age distributions (discussed next) are among the factors.

Age Characteristics

Table 3 presents FCDC data by the age of the corporations. "New" corporations are those with years of incorporation of 1996 and after reported on their income tax returns [9]. "Old" corporations are those incorporated in 1995 and before, or with unknown (i.e., unreported) dates of incorporation.

The year of incorporation may be somewhat unreliable as an indicator of the true age of corporations. For example, a consolidated return may include companies that fall into both the new and old categories. However, the return (including all of the financial information contained in it) was classified into just one of the categories based on the year of incorporation of the parent company. Another limitation is the case of a reorganization of an old corporation and, as a result, it becoming a new corporation and reporting a recent year of incorporation. Here, a new corporation is not necessarily the same as a new business. A third limitation is that the year of incorporation is difficult to verify during statistical processing because there are no other items to which it can be compared on a tax return form, and recourse to other sources is not always practical. Thus, it is subject to greater levels of taxpayer reporting and data entry errors. Despite these limitations, it is believed that an analysis of the data by age of the corporations is meaningful. Further, there is no known bias in the accuracy of the year of incorporation between FCDC's and other domestic corporations.

Nearly three-fourths of the foreign-controlled domestic corporations were incorporated prior to 1996, i.e., considered to be "old" corporations. These corporations tended to be larger than the "new" corporations, accounting for 87.2 percent of the FCDC assets and 87.4 percent of the receipts. Similarly, they reported 87.2 percent of the U.S. taxable income and 88.6 percent of the U.S. tax liabilities of all FCDC's.

Receipts, Deductions, and Profits

A domestic corporation, whether controlled by a foreign person or not, could have business activities in foreign countries, as well as in the United States. The estimates shown in this article include business activities in the United States, as well as certain foreign activities as reported on tax returns of domestic corporations. Whether from domestic or foreign sources, income includes receipts from sales

Foreign-Controlled Domestic Corporations, 1998

and operations, as well as investment income. However, foreign-source income is reported differently, depending on whether it is earned through a branch or through a foreign subsidiary of a domestic corporation. "Total receipts" shown in this article include the receipts of foreign branch operations of U.S. companies. Also included in these receipts are dividends remitted to U.S. corporations by their foreign subsidiaries. However, for the statistics, two items of constructive taxable income from related foreign corporations (i.e., includable income from Controlled Foreign Corporations and foreign dividend "gross-up") are not included in "total receipts," nor are they included in the statistics for "total receipts less total deductions." These two items are, however, reflected in the data for "net income (less deficit)" [10]. (See the Explanation of Selected Terms section.)

The receipts and deductions shown in this article for foreign-controlled domestic corporations do not include amounts generated by their foreign parent companies. However, FCDC's could have had business transactions with their foreign parent companies (as well as with other related foreign persons), and FCDC receipts and deductions stemming from these transactions are included in the statistics [11].

An FCDC that transacts business with a related foreign (or domestic) person must determine "transfer prices" for those transactions. These transactions may affect either the income or the deductions of the FCDC, such as the sale and purchase of tangible goods, fees for services, interest payments on debts, leasing expenses, and royalties. How transfer prices are determined may affect the amount of net income or deficit reported on the U.S. income tax return of an FCDC. Section 482 of the Internal Revenue Code, and the related regulations, provide guidance in determining transfer prices. In general, the objective is to use "arm's length prices."

Over 87.9 percent of the \$1.9 trillion of total receipts reported by domestic corporations controlled by a foreign person consisted of "business receipts" (i.e., receipts from sales and operations). Taxable interest accounted for another 6.8 percent of the total receipts. These same companies reported \$1.9 trillion of total deductions. Cost of goods sold was 63.6 percent of that total, while interest paid accounted for an additional 7.0 percent. (See the

Explanation of Selected Terms section.)

It is noteworthy to look at the "gross profit" of FCDC's. Gross profit is the difference between business receipts and cost of goods sold. The manufacturing and wholesale trade industrial sectors accounted for most of the reported amounts of business receipts and cost of goods sold, but manufacturers reported substantially higher gross profits than did wholesalers. For every dollar of business receipts, manufacturers reported \$.71 of cost of goods sold. By comparison, wholesalers reported \$.83 of cost of goods sold for each dollar of business receipts.

Total receipts less total deductions for FCDC's equaled \$39.4 billion for 1998. This is somewhat different from the \$40.6 billion of net income (less deficit) reported by these companies. Total receipts less total deductions include all of the income "actually" (as opposed to "constructively") received by corporations and reported on tax returns. Unlike net income (less deficit), total receipts less total deductions include nontaxable interest on State and local

Government obligations and exclude the two items of constructive taxable income from related foreign corporations previously mentioned. For 1998, FCDC's received \$0.8 billion of tax-exempt interest on State and local Government obligations and reported \$2.0 billion of constructive taxable income.

For 1998, FCDC's reported \$75.4 billion of net income (before statutory special deductions) and \$59.4 billion of taxable income.

The previous paragraph discussed the difference, for statistical purposes, between "total receipts less total deductions" and net income (less deficit). It is also important to make a distinction between (positive) net income and taxable income (i.e., "income subject to tax" shown in the statistics). Because certain statutory special deductions, including the "net operating loss" deduction, were available to most companies in computing their taxable incomes, the statistics for net income are generally larger than the amounts shown for taxable income. For 1998, FCDC's reported \$75.4 billion of net income and \$59.4 billion of taxable income.

Foreign-Controlled Domestic Corporations, 1998

Net income (less deficit) for foreign-controlled domestic corporations was \$40.6 billion for 1998, down substantially from the \$52.4 billion for 1997. Net income (less deficit) reported on all corporation income tax returns also decreased between 1997 and 1998, from \$915.4 billion to \$838.2 billion. Thus, while the profits of all corporations fell 8.4 percent, the profits of FCDC's decreased by the larger level of 22.4 percent.

The \$40.6 billion of total FCDC net income (less deficit) was the result of 29,172 corporations reporting \$75.4 billion of (positive) net income and 32,486 companies reporting \$34.8 billion of deficits [12]. Thus, less than one out of every two (47.3 percent) domestic corporations with foreign owners reported a (positive) net income for 1998. In comparison, 56.9 percent of all corporations filing U.S. income tax returns for the same year reported a (positive) net income.

The percentage of companies reporting (positive) net income varied among the different industrial groups. FCDC's classified in depository credit intermediation (69.8 percent), insurance carriers (60.0 percent), and manufacturing (54.3 percent) reported relatively high frequencies of profits. On the opposite end, FCDC's classified in health care and social assistance (17.7 percent), utilities (18.6 percent), and construction (28.2 percent) reported low frequencies of profits.

More than one of every two FCDC's reported a deficit for 1998. Collectively, these companies show \$34.8 billion in deficits, a significant increase over the \$27.0 billion reported for the previous year. 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). When a company "carried back" a deficit to a previous tax year, it could file either Form 1120X, *Amended U.S. Corporation Income Tax Return*, or Form 1139, *Corporation Application for Tentative Refund*. Data from these forms are not included in the statistics. Net operating losses "carried forward" to Tax Year 1998 from prior years are included in the statistics and further discussed in the next section.

Taxes

For 1998, foreign-controlled domestic corporations reported \$59.4 billion of "income subject to tax" (for

purposes of the statistics, this is the base on which the income tax was computed), resulting in \$20.6 billion of income tax. The \$21.3 billion of total income tax before credits reported by FCDC's consisted of the income tax, the alternative minimum tax, and certain other taxes. The alternative minimum tax was \$0.7 billion, and the remaining taxes comprised a very small part of the total.

The difference between the \$75.4 billion of (positive) net income and \$59.4 billion of income subject to tax was, for the most part, the result of statutory special deductions [13]. These deductions were allowed for most corporations in computing their taxable income and include the deduction for "net operating losses" (NOL's) from prior years. For 1998, the net operating loss deduction was \$12.8 billion and accounted for 76.5 percent of the \$16.7 billion of total statutory special deductions. FCDC's reduced their 1998 net income by 16.9 percent using NOL's carried over from prior years. (NOL's carried back to Tax Year 1998 from 1999 and beyond are not included in the statistics shown in this article.)

Tax credits totaling \$3.0 billion reduced the U.S. income tax liability of foreign-controlled domestic corporations to \$18.3 billion for 1998. The largest credits claimed were \$1.7 billion of foreign tax credits, \$0.7 billion of prior-year minimum tax credits, \$0.5 billion of general business credits, and \$0.1 billion of U.S. possessions tax credits. Other credits included the nonconventional source fuel credit and the qualified electric vehicle credit. The \$18.3 billion of total U.S. income tax after credits represent the tax liability as originally reported by taxpayers. However, it does not include any changes made by taxpayers through amended returns or by IRS as a result of examination or enforcement activities.

The percentage of FCDC's reporting tax liabilities (i.e., total income tax after credits) for 1998 was 33.4 percent, down somewhat from the 34.3 percent reported for the previous year. The percentages of FCDC's that had U.S. income tax liabilities varied considerably among countries, industries, and age groups. For 1998, of the 20 countries shown in Table 3, Australia (12.1 percent), Panama (16.7 percent), and the Leeward Islands (19.2 percent) had the lowest percentages of companies with U.S. income tax liabilities, while Switzerland (54.2 percent), Finland (46.9 percent), and Canada (42.9 percent) had the highest percentages. Among industries, 19.6

Foreign-Controlled Domestic Corporations, 1998

percent of utilities reported U.S. income tax liabilities, while the percentage was 46.8 for manufacturers. By age classification, 29.0 percent of the “new” FCDC’s reported U.S. income tax liabilities, while 34.9 percent of the “old” companies reported tax liabilities.

The “Largest” Foreign-Controlled Domestic Corporations

The “largest” companies accounted for the majority of the key FCDC financial items. For purposes of this article, the largest companies were those with at least \$250 million of total assets, or \$50 million of business receipts, or both. (Within the finance and insurance, and management of companies (holding companies) sectors, total receipts were used in place of business receipts for selecting the largest companies. Total receipts include both business receipts (i.e., gross receipts from sales and operations) plus investment income.) Both size of assets and size of receipts were used to select the largest companies in order to obtain maximum coverage of the various industrial groupings [14].

As previously discussed, certain industries have different characteristics from other industries. For instance, companies classified in wholesale trade generally report large amounts of receipts compared to their end-of-year assets. By comparison, credit intermediation corporations generally report large amounts of assets compared to their receipts. If either assets or receipts were used exclusively to select the largest companies, then the largest companies in one of these industrial groups would have been undercovered in comparison to the other group.

Table 4 shows data for the largest FCDC’s by selected industries. This table also contains data for “other large domestic corporations.” These other large domestic corporations were not foreign-controlled or owned (i.e., they were either owned by domestic persons, or no separate foreign person owned 25 percent or more of the corporation). This definition of “other large domestic corporations” is used throughout this article, including the data shown in Figure E and Tables 4 and 5.

Data for domestic corporations that filed Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S Corporations) are excluded from Table 4. While corporations filing these income tax returns report

their incomes, they generally have little or no tax liability. Through separate special provisions of the Internal Revenue Code applicable to each of these types of corporations, the income of these corporations is generally taxed at the shareholder level. The Explanation of Selected Terms section discusses in greater detail the nature of real estate investment trusts (REIT’s), regulated investment companies (RIC’s), and S corporations [15].

Table 4 shows that there were 16,742 large domestic corporations for 1998. Of this total, foreign persons controlled 17.7 percent. (This percentage is far larger than the 1.3 percent of all returns that FCDC’s accounted for, regardless of size.) FCDC’s accounted for 30.1 percent of the large wholesalers, 24.9 percent of the large manufacturers, but just 13.9 percent of the large finance, insurance, real estate, and rental and leasing companies.

Data shown in Table 4 are the focus of this section of the article, which covers the largest FCDC’s in comparison to other large domestic corporations. In addition to presenting data by selected industries, Table 4 also presents data by age of both the FCDC’s and the other domestic corporations. Regarding the age of corporations, two categories are used: “new” and “old.” Each company included in the study was placed into one of these categories based on the year of incorporation reported on the income tax return.

For 1998, the largest companies reported 94.2 percent of the total assets, 91.9 percent of the total receipts, 87.8 percent of the taxable income, and 87.1 percent of the total income tax after credits, of all the FCDC’s. While accounting for most of these key financial items, these 2,956 companies comprised just 4.8 percent of the number of income tax returns filed by FCDC’s.

Table 4 shows that there were 13,786 large domestic corporations that did not have controlling foreign owners for 1998. Like the FCDC’s, these large companies accounted for a very small percentage of the total number of income tax returns filed by domes-

For 1998, the 2,956 largest companies reported 91.9 percent of the total receipts, but comprised just 4.8 percent of the number of returns filed by FCDC’s.

Foreign-Controlled Domestic Corporations, 1998

tic corporations without foreign owners, while they did comprise a significant portion of the key financial items (total assets, total receipts, etc.) of this group of returns.

The largest companies generally report greater profits than do the smaller companies. For 1998, the largest FCDC's reported a combined profit of \$42.5 billion, while the smaller FCDC's reported a combined loss of \$1.9 billion. Later in this article, the profitability of the largest FCDC's is compared to that of the largest domestically-controlled corporations. This comparison includes industry and age characteristics of the corporations.

Industry Characteristics

The industrial makeups of the largest companies are somewhat different between domestic corporations that are foreign-controlled and those that are not. For 1998, as an example, 40.3 percent of the largest FCDC's were classified as manufacturers, while 26.0 percent of the largest domestic companies that were not foreign-controlled were classified in the same industrial sector. Conversely, 13.9 percent of the largest domestic companies that were not foreign-controlled were retailers, while only 4.2 percent of the largest FCDC's were similarly classified.

Table 4 presents selected items and percentages for the largest domestic corporations, both foreign- and domestically-controlled. In comparing the percentages between the two groups of returns, this article focuses on specific industries shown in the table, rather than on the data for all industries. By doing so, the effect of different financial characteristics in different industries is minimized.

In five of the six industrial divisions shown in Table 4, the percentage of returns reporting (positive) net income was less for the largest FCDC's than for the domestically-controlled large companies. The differences were relatively small for goods production (71.1 percent versus 75.3 percent) and for finance, insurance, real estate, and rental and leasing (72.0 percent versus 77.4 percent). (See column 43 of the table.) There were larger differences in raw materials and energy production (57.1 percent versus 67.2 percent), distribution and transportation of goods (70.9 percent versus 80.2 percent), and professional and business services (69.7 percent versus 86.4 percent). This last division included holding companies, in which the difference was 75.0 percent for

FCDC's compared to 96.7 percent for domestically-controlled companies. Information was the only industrial division shown in the table for which large FCDC's reported a higher percentage of profitable companies (59.4 percent) than did the domestically-controlled companies (54.6 percent).

Another key ratio is net income (less deficit) to total receipts (column 57 of Table 4). Once again, for five of the six industrial divisions shown in this table, domestically-controlled companies had higher percentages than did their foreign-controlled counterparts. The differences were most significant for the information division (6.0 percent for domestically-controlled companies compared to -0.6 percent for FCDC's), followed by raw materials and energy production (5.9 percent versus 2.6 percent); goods production (6.0 percent versus 2.8 percent); finance, insurance, real estate, and rental and leasing (5.4 percent versus 3.2 percent); and distribution and transportation of goods (2.6 percent versus 1.2 percent). Professional and business services was the only division in which FCDC's had a higher percentage than did the domestically-controlled companies, 8.8 percent versus 7.8 percent.

Because the finance, insurance, real estate, and rental and leasing industrial division includes a diverse group of business activities and corporations, this article will now take a closer look at the ratios of net income (less deficit) to total receipts for both domestically-controlled companies and FCDC's. First, the finance, insurance, real estate, and rental and leasing division generally includes two types of corporations which are taxed under special provisions of the Internal Revenue Code: regulated investment companies (RIC's) and real estate investment trusts (REIT's). RIC's are typically mutual funds, while REIT's invest in real estate and mortgages. In general, companies electing to qualify under either of these provisions must meet certain requirements, including those related to distributions of income to shareholders. Such income is then taxed at the shareholder level. Thus, the tax liability of RIC's and REIT's is typically low. RIC's and REIT's played a much larger role for domestically-controlled corporations than for FCDC's. RIC's and REIT's have been excluded from the data shown in Table 4.

Looking at the ratios of net income (less deficit) to total receipts for each of the four industrial subgroups of finance, insurance, real estate, and rental

Foreign-Controlled Domestic Corporations, 1998

and leasing shown in Table 4, the profitability of FCDC's was similar to other domestic corporations for credit intermediation companies and insurance carriers. Much larger differences in profitability occurred in the other two subgroups. Other domestic corporations surpassed FCDC's for securities, commodity contracts, and other financial investments and related activities, 8.0 percent compared to -1.7 percent. On the other hand, FCDC's surpassed other domestic corporations for real estate companies, 20.0 percent versus -0.4 percent.

An item that may reflect the profitability of both the largest FCDC's and other large domestic corporations is retained earnings. Columns 12-14 of Table 4 show total, appropriated, and unappropriated retained earnings, respectively, of the corporations.

The industrial makeup of large FCDC's is somewhat different from that of other large domestic corporations.

The amounts were reported in the end-of-year balance sheets of the corporations' books of account. They represent earnings and profits of the corporations retained from normal and discontinued operations of previous years, as well as from "ex-

traordinary" gains and losses, and from prior-period adjustments. Also included are various adjustments to stockholders' equity, such as foreign currency transition adjustments. The amounts are also after reductions for dividends and distributions made to stockholders. (For a more extensive discussion of retained earnings, see *Statistics of Income—1998, Corporation Income Tax Returns* [16].) For 1998, the largest FCDC's reported \$48.0 billion of retained earnings (only 1.3 percent of their total assets), while other large domestic corporations reported \$2,282.0 billion of retained earnings (9.7 percent of their total assets). It should be noted that retained earnings are components of net worth and thus affect the ratio of net income (less deficit) to net worth, which is shown in column 56 of Table 4.

The ratio of taxable income (i.e., "income subject to tax") to total receipts is shown in column 61 of Table 4. FCDC's generally had lower ratios than those of the other domestic corporations, and the ratios varied among the different industries. The

differences in the ratios were greatest in the information industrial division (1.8 percent for FCDC's and 9.0 percent for other domestic corporations), followed by goods production (3.2 percent and 6.1 percent, respectively); raw materials and energy production (5.3 percent and 7.4 percent, respectively); distribution and transportation of goods (1.7 percent and 2.9 percent, respectively); finance, insurance, real estate, and rental and leasing (4.4 percent and 5.6 percent, respectively); and professional and business services (7.7 percent and 8.1 percent, respectively).

Table 4 also includes the ratio of total income tax after credits to total receipts (column 64). The total income tax after credits reported by both domestically-controlled companies (\$141.4 billion) and by FCDC's (\$15.9 billion) represents the tax liability of these companies as reported on their originally-filed U.S. income tax returns. However, it does not take into account either of the following changes: (1) amended returns filed by the corporations, or (2) adjustments made by IRS as a result of examination or enforcement activities. Among other reasons, corporations could file amended returns to use carryback provisions for net operating losses and unused foreign tax and general business credits.

In using total income tax after credits as a percentage of total receipts, it should also be noted that a small portion of total income tax after credits (for example, the tax recapture of prior-year investment credits) does not relate to the current-year total receipts reported by corporations. However, this is not considered to be a major limitation in using the percentage because the regular income tax and the alternative minimum tax represented 99 percent or more of the total income tax for both domestically-controlled companies and FCDC's [17].

Before looking at total income tax after credits for different industries, it is useful to examine the amount of tax liability as a percentage of the total receipts for all large domestic corporations. Figure E presents such data classified by 11 size categories of this percentage. For 1998, large FCDC's reported \$15.9 billion of total income tax after credits, 0.9 percent of their total receipts. Column 3 of Figure E shows more specifically that well over one-fourth of these companies had no tax liability, that well over one-half had tax liabilities of less than 0.5 percent of

Foreign-Controlled Domestic Corporations, 1998

their receipts, that nearly three-fourths had tax liabilities of less than 1.5 percent of their receipts, and that 92 percent had tax liabilities of less than 4 percent of their receipts. Only 86 of the 2,956 companies (2.9 percent) reported tax liabilities of 7.5 percent or more of their receipts. By comparison, large domestic corporations not foreign-controlled reported \$141.4 billion of total income tax after credits, 1.5 percent of their total receipts. The cumulative percentages for

these domestic corporations shown in column 3 of Figure E are lower than those for FCDC's through size categories, including tax liabilities of 7.5 percent of receipts. For example, 23.1 percent of the domestically-controlled corporations and 28.9 percent of the FCDC's had zero tax liabilities. There were 592 domestic corporations not foreign-controlled that reported tax liabilities of 7.5 percent or more of their receipts, 4.3 percent of the 13,786 corporations.

Figure E

"Large" Domestic Corporations: Selected Items, by Control Status and Percentage of Total Income Tax After Credits Divided by Total Receipts, Tax Year 1998

[Money amounts are in millions of dollars]

Control status and percentage of total income tax after credits divided by total receipts	Returns			Total assets	Total receipts	Net income (less deficit)	Total income tax after credits
	Number	Percentage of total	Cumulative percentage				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
"Large" foreign-controlled domestic corporations, total.....	2,956	--	--	3,689,343	1,737,303	42,501	15,921
Percentage of total income tax after credits divided by total receipts:							
Zero ¹	855	28.9	28.9	959,887	383,122	-18,681	--
Greater than zero and under 0.5 percent.....	850	28.8	57.7	1,097,301	609,358	8,345	1,077
0.5 percent under 1.0 percent.....	299	10.1	67.8	413,902	256,099	8,680	1,861
1.0 percent under 1.5 percent.....	201	6.8	74.6	237,137	166,594	7,140	2,075
1.5 percent under 2.0 percent.....	173	5.9	80.5	309,280	79,335	5,081	1,349
2.0 percent under 3.0 percent.....	217	7.3	87.8	254,783	124,083	10,585	3,074
3.0 percent under 4.0 percent.....	123	4.2	92.0	120,726	45,022	5,041	1,513
4.0 percent under 5.0 percent.....	68	2.3	94.3	65,047	27,224	3,885	1,205
5.0 percent under 7.5 percent.....	83	2.8	97.1	162,570	30,049	6,189	1,867
7.5 percent under 10.0 percent.....	35	1.2	98.3	28,341	8,421	2,392	719
10.0 percent or more.....	51	1.7	100.0	40,368	7,997	3,844	1,181
"Large" domestic corporations not foreign controlled, total.....	13,786	--	--	23,591,624	9,371,403	479,084	141,437
Percentage of total income tax after credits divided by total receipts:							
Zero ¹	3,180	23.1	23.1	2,084,779	1,173,550	-79,109	--
Greater than zero and under 0.5 percent.....	3,582	26.0	49.1	5,074,216	2,592,834	60,175	4,619
0.5 percent under 1.0 percent.....	1,501	10.9	60.0	4,611,014	1,445,426	54,841	10,608
1.0 percent under 1.5 percent.....	1,044	7.6	67.6	1,047,070	749,655	39,708	9,292
1.5 percent under 2.0 percent.....	707	5.1	72.7	2,529,979	979,284	63,064	16,868
2.0 percent under 3.0 percent.....	1,019	7.4	80.1	2,790,650	931,902	94,326	23,198
3.0 percent under 4.0 percent.....	703	5.1	85.2	1,777,873	578,306	63,514	19,837
4.0 percent under 5.0 percent.....	514	3.7	88.9	1,387,095	394,753	57,268	17,719
5.0 percent under 7.5 percent.....	943	6.8	95.7	1,649,679	372,768	69,237	22,407
7.5 percent under 10.0 percent.....	355	2.6	98.3	370,682	95,111	27,915	8,130
10.0 percent or more.....	237	1.7	100.0	268,588	57,813	28,146	8,759

¹ Includes returns with zero total receipts.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts are used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data excludes Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). Detail may not add to totals because of rounding.

Foreign-Controlled Domestic Corporations, 1998

For all of the six industrial divisions shown in Table 4, domestically-controlled corporations have a higher percentage of total income tax after credits divided by total receipts than that for FCDC's. The greatest difference was in the information division, in which FCDC's reported taxes that amounted to 0.6 percent of their receipts, while domestically-controlled corporations reported 2.9 percent. In raw materials and energy production, the percentages were 1.4 (for FCDC's) and 2.2 (for domestically-controlled corporations); in distribution and transportation of goods, 0.5 percent and 0.9 percent, respectively; in goods production, 0.9 percent and 1.2 percent, respectively; in finance, insurance, real estate, and rental and leasing, 1.5 percent and 1.8 percent, respectively; and in professional and business services, 2.3 percent and 2.4 percent, respectively.

Domestically-controlled corporations claimed relatively more credits than did FCDC's. Thus, tax credits were factors that caused the percentages of total income tax after credits divided by total receipts for FCDC's to become more similar to those of the domestically-controlled corporations. For 1998, large FCDC's claimed \$2.9 billion of credits, equaling 15.2 percent of their income tax liabilities before credits. Other large domestic corporations claimed \$45.6 billion of credits during the same period, equaling 24.4 percent of their income tax liabilities before credits. The largest credit claimed by each group of corporations was the foreign tax credit, \$1.7 billion by large FCDC's and \$35.2 billion by other large domestic corporations.

The differences in financial characteristics of different industries once again become evident when reviewing the percentages shown in Table 4. For instance, when the percentage of net income (less deficit) divided by total receipts (column 57) is used, credit intermediation companies have a substantially higher percentage (10.7 percent for the largest FCDC's) than do wholesalers (1.2 percent). However, when total assets are used as the denominator in place of total receipts (column 55), the difference is reversed (the largest FCDC's in credit intermediation have a 1.0 percentage and those in wholesale trade have a 1.9 percentage). Because the distribution of industrial activities based on principal businesses is not the same for the largest FCDC's as it is for domestically-controlled companies, this, again,

illustrates the importance of comparing domestically-controlled companies to FCDC's on an industrial basis.

Age Characteristics

Table 4 presents data for both the largest FCDC's and other large domestic corporations by the age of the corporations. "New" corporations are those with years of incorporation of 1996 and after reported on their income tax returns. "Old" corporations are those incorporated in 1995 and before, or with unknown (i.e., unreported) dates of incorporation.

Looking at the age characteristics of both the largest FCDC's and other large domestic corporations provides some additional information on the attributes of FCDC's. First, for 1998, most of the largest corporations were old corporations. For the FCDC's, 2,611 of the 2,956 largest corporations were old corporations (88.3 percent). The other large domestic corporations were very similar to FCDC's in this respect, with 89.9 percent classified as old corporations (i.e., 12,391 out of 13,786).

In general, new domestically-controlled corporations reported lower profits than did their older counterparts. Startup costs of new businesses may be one reason for the lower profits. These new corporations reported amounts of net income (less deficit) equal to 3.4 percent of their total receipts for 1998, while the percentage was 5.2 for the older corporations. However, this type of significant difference did not occur for the FCDC's. While the new FCDC's reported amounts of net income (less deficit) equal to 2.4 percent of their total receipts, the percentage was nearly the same at 2.5 percent for the older FCDC's.

In addition to comparing FCDC's to other domestic corporations on the bases of industry and size, this article uses the same age groupings for the comparisons. There are selected industries shown in Table 5 by which large FCDC's can be compared to other large domestic corporations on the basis of age. In most of the industry and age combinations, the profit ratios of net income (less deficit) to total receipts were lower for FCDC's than they were for other domestic corporations. The exceptions to this generality were some industries in which the "new"

For 1998, "old" corporations accounted for 88.3 percent of the largest FCDC's.

Foreign-Controlled Domestic Corporations, 1998

FCDC's had higher profit ratios than those of the other domestic corporations (shown as "ODC's" in the table) in the same age classification. Also, for three industries, "old" FCDC's reported higher profit ratios than those of the "old" ODC's: credit intermediation, real estate, and holding companies.

Table 5 shows a second percentage, that of total income tax after credits divided by total receipts. While FCDC's again show lower percentages than the other domestic corporations in most of the industry/age categories, the differences are less than those calculated using net income (less deficit) as the numerator [18]. The industries in which the "old" FCDC's reported percentages that were higher than those of the "old" ODC's were: transportation equipment manufacturing, credit intermediation, insurance carriers, real estate, and holding companies.

Country Characteristics

The country information discussed in this section is based on the location of the owner's country of residence, incorporation, organization, creation, or administration, as reported on the U.S. income tax returns of the foreign-controlled domestic corporations. (See the Data Sources and Limitations section of this article for a brief discussion of the possible limitations of the data classified on a country basis.)

The owners of over 63 percent of the 2,956 large FCDC's resided in just five countries: Japan (711 FCDC's), the United Kingdom (337), Canada (331), Germany (277), and the Netherlands (219). Japanese persons controlled 24 percent of these large domestic corporations. Other countries with persons who controlled significant numbers of FCDC's were France (182) and Switzerland (120).

The five countries listed in the above paragraph accounted for over 69 percent of the \$3.7 trillion of assets for all of the large FCDC's. Domestic corporations controlled by persons from the Netherlands reported the largest assets (\$0.6 trillion), followed by the United Kingdom (\$0.5 trillion), Japan (\$0.5 trillion), Canada (\$0.5 trillion), and Germany (\$0.4 trillion). France (\$0.4 trillion) and Switzerland (\$0.3 trillion) also accounted for significant amounts of assets.

The same five countries discussed above accounted for nearly 72 percent of the \$1.7 trillion of receipts for all of the large FCDC's. Domestic corporations controlled by persons from Japan reported the largest receipts (\$0.4 trillion), followed by

Germany (\$0.3 trillion), the United Kingdom (\$0.2 trillion), the Netherlands (\$0.2 trillion), and Canada (\$0.2 trillion). France (\$0.1 trillion) and Switzerland (\$0.1 trillion) also accounted for significant amounts of receipts.

Summary

Direct foreign investment and activity in the United States through FCDC's continued to grow for 1998. FCDC's reported \$1.9 trillion of total receipts for 1998, an increase of \$109.1 billion over the 1997 level. While total receipts reported on all U.S. corporation income tax returns increased by 4.3 percent over the previous year, receipts of domestic corporations controlled by foreign persons increased by 6.1 percent. As a result, the share of total corporate receipts accounted for by FCDC's rose to 10.9 percent.

Two industrial groupings (manufacturing and wholesale trade) generated 70 percent of the total receipts of all FCDC's. Manufacturers produced \$835 billion of receipts, while wholesalers accounted for an additional \$489 billion. From a country perspective, domestic corporations controlled by persons in Japan reported total receipts of \$448 billion, 23.7 percent of the FCDC total. In addition, Germany, the United Kingdom, the Netherlands, and Canada accounted for 14.2, 12.9, 10.8, and 9.1 percents, respectively, of the total.

The collective net income (less deficit) reported by foreign-controlled domestic corporations fell to \$40.6 billion, a 22.4-percent decline from the \$52.4 billion for 1997. Total income tax after credits moved in the same direction as did profits, decreasing from \$19.7 billion for 1997 to \$18.3 billion for 1998. This was a decline of 7.4 percent.

Of the 61,658 foreign-controlled domestic corporations, the 2,956 "largest" companies accounted for most of the total amounts of key financial items (e.g., 94.2 percent of the total assets, 91.9 percent of the total receipts, 87.8 percent of the taxable income, and 87.1 percent of the total income tax after credits). In comparing these large companies to large domestically-controlled companies on the bases of age and industry, the ratio related to profitability, i.e., net income (less deficit) compared to total receipts, was smaller for the FCDC's in most cases. While this article has been able to compare the profits of FCDC's to other domestic corporations on the same

Foreign-Controlled Domestic Corporations, 1998

bases of size, industry, and age, additional research is needed to explain the remaining differences in the profitability of the two groups of companies with different owners [19].

When calculating the percentage of total income tax after credits to total receipts, for 1998, large FCDC's generally had percentages that were smaller than those of other large domestic corporations within the same age and industrial groups. This calculation takes into account only the U.S. tax liabilities of the corporations. Additional data would be required to examine the worldwide tax liabilities of the corporations, which is beyond the scope of this article.

Explanation of Selected Terms

The following are brief explanations of some of the terms used in this article. For more extensive definitions, see *Statistics of Income—1998, Corporation Income Tax Returns*.

Alternative Minimum Tax.—This tax was designed to ensure that a taxpayer with substantial economic income would not avoid significant tax liability through a legitimate use of exclusions, deductions, and credits. It is included in the statistics shown for both total income tax before (and after) credits.

Business Receipts.—These receipts were, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances. Some corporations reported sales and excise taxes as part of their gross receipts from sales (and deducted these taxes as part of “cost of goods sold” or as “taxes paid”); others reported their receipts after adjustment for these taxes. Business receipts include rents reported as the principal business income by real estate operators and certain manufacturing, public utility, trade, and service corporations. Business receipts include such banking items as fees, commissions, trust department earnings, and service charges. Interest, the principal operating income of banking and savings institutions, was excluded from business receipts, but included in the separate statistics for “interest received.” Also, premium income of most insurance companies was included in business receipts.

Constructive Ownership Rules.—The constructive ownership rules of Internal Revenue Code section 318 apply in determining if a U.S. corporation is foreign-owned. However, if a corporation is owned

by two or more “unrelated” foreign persons, neither of which owned 50 percent or more of the corporation, then that corporation was excluded from the FCDC statistics even though, together, these persons may have met the 50-percent-or-more ownership criterion. See also Foreign Person, defined below.

Constructive Taxable Income from Related Foreign Corporations.—This item represented the sum of includable income from Controlled Foreign Corporations and foreign dividend gross-up. Includable income is deemed distributions, and represents the income of foreign corporations that is taxable to the U.S. parent corporation, regardless of whether or not it is actually received. Foreign dividend gross-up is an amount of income, taxable to the U.S. parent, that equals the foreign tax deemed paid based upon both foreign dividends received and includable income from foreign corporations.

Cost of Goods Sold.—This item generally consisted of the direct costs incurred by corporations in producing goods or providing services. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and certain overhead expenses, such as rent, utilities, supplies, maintenance, and repairs. For statistical processing purposes, however, certain items (such as advertising, amortization, bad debts, compensation of officers, depletion, depreciation, interest paid, sales and excise taxes, and contributions to charitable organizations, employee benefit programs, and pension plans) reported by taxpayers in cost of goods sold schedules were transferred to their respective and separate deduction categories.

Current and Noncurrent Assets.—In this article, current assets include cash, notes and accounts receivable (less the allowance for bad debts), inventories, investments in Government obligations, tax-exempt securities, and other current assets, such as short-term prepaid expenses. Noncurrent assets include loans to stockholders, mortgage and real estate loans, other investments, depreciable assets (less accumulated depreciation), depletable assets (less accumulated depletion), land, intangible assets (less accumulated amortization), and other assets, including those not identified on the tax return as either current or long-term.

Current and Noncurrent Liabilities.—In this article, current liabilities include accounts payable; mortgages, notes, and bonds payable in less than one

Foreign-Controlled Domestic Corporations, 1998

year; and other current liabilities, such as accrued expenses. Noncurrent liabilities include loans from stockholders; mortgages, notes, and bonds payable in 1 year or more; and other liabilities, including those not identified on the tax return as either current or long-term.

Foreign Person.—A foreign person (or entity) includes: (1) a foreign citizen or nonresident alien, (2) an individual who is a citizen of a U.S. possession (but who is not a U.S. citizen or resident), (3) a foreign corporation, (4) a foreign partnership, (5) a foreign estate or trust within the meaning of Internal Revenue Code (IRC) section 7701(a)(31), and (5) a foreign government (or one of its agencies or instrumentalities) to the extent that it is engaged in the conduct of a commercial activity as described in IRC section 892.

Income Subject to Tax.—For most corporations, income subject to tax, i.e., taxable income, was defined by Internal Revenue Code section 63 and consisted of (positive) net income minus certain statutory special deductions. There were special provisions in the Code for determining the taxable income of S corporations, life and nonlife insurance companies, regulated investment companies, and real estate investment trusts. On Form 1120, this item was reported on page 1, line 30.

Net Income (or Deficit).—This is the difference between taxable receipts and the ordinary and necessary business deductions allowed by the Internal Revenue Code. In this article, for a group of returns, this item may be referred to as either “profits” (i.e., net income exceeds deficits) or “losses” (deficits exceed net income). It reflects not only actual receipts, but “constructive” receipts as well (i.e., includable income from Controlled Foreign Corporations and the foreign dividend “gross-up”). Tax-exempt interest on State and local Government obligations is excluded from this item, but is included in “total receipts.” Because certain statutory special deductions, including the net operating loss deduction, were allowed most corporations in computing their “taxable income” (or “income subject to tax”), the statistics for (positive) net income are generally larger than the amounts shown for (U.S.) “income subject to tax” (i.e., the base on which the income tax was computed). See also the discussion of the Net Operating Loss Deduction, shown below. On Form 1120, this item was reported on page 1, line 28.

Net Operating Loss Deduction (NOLD).—For tax years beginning after August 5, 1997, a statutory “net operating loss” (NOL) for a given tax year could be carried back, in general, 2 years 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 and offset against income for a period not exceeding 20 years. (For tax years beginning before August 6, 1997, NOL’s could be carried back 3 years, but forward for only 15 years.) The amount of the deduction included in the statistics, however, consists only of losses from prior years carried forward and actually used to reduce taxable income for the current (1998) tax year. Losses incurred after the 1998 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 1998 deduction was based include: (1) the excess of ordinary and necessary business expenses over income for previous loss years, and (2) statutory special deductions claimed for 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).

Net Worth.—This item represented the stockholders’ equity in the corporation, i.e., total assets less the claims of creditors. It is the net result of adding capital stock, paid-in or capital surplus, appropriated retained earnings, and unappropriated retained earnings, and then subtracting the cost of treasury stock. Treasury stock is common or preferred stock originally issued by the corporation which has been reacquired and held at the end of the accounting period by the issuing corporation. This item also included “adjustments to shareholders’ equity.” These adjustments could be either positive or negative, and included unrealized gains and losses on securities held “available for sale.”

Number of Returns.—The data contained in this article are based on the number of returns filed for Tax Year 1998. For expedient reasons, the number of returns is sometimes referred to in this article as the number of corporations. However, the actual number of corporations may be larger than the number of returns because most domestic corporations could elect to file consolidated income tax returns. These returns were filed by common parent corporations and contained combined financial data of two or more affiliated domestic corporations meeting certain

Foreign-Controlled Domestic Corporations, 1998

stock ownership requirements. Each consolidated return was treated for statistical purposes as a single unit. The number of returns shown in this article represents returns of "active" corporations, i.e., those which reported any income or deduction items.

While any corporation in existence during any portion of the taxable year was required to file an income tax return (even though it may have been inactive, not having any income or deductions), the great majority of returns filed with the Internal Revenue Service were for active corporations. Part-year returns, those filed for accounting periods of less than 12 months, were included in the number of returns and other data shown in this article. Continuing corporations changing their accounting periods, new corporations in existence less than 12 months, merging corporations, and liquidating corporations filed such returns. To avoid double counting, data from the balance sheets of part-year returns were not included in the statistics, except for those from initial returns of newly incorporated businesses.

Real Estate Investment Trusts.—Domestic corporations, trusts, and associations that meet certain ownership, purpose, income, and diversification requirements may elect to be taxed as a real estate investment trust (REIT). REIT's generally invest in real estate and mortgages. A beneficial ownership of the trust is established through transferable shares or transferable certificates of beneficial interest.

Among the income requirements, at least 95 percent of the total gross income of a REIT must come from dividends; interest; rents from real property; gains from the sale of stock, securities, and real property; abatements and refunds of taxes on real property; income and gains from foreclosure property; amounts received or accrued for entering into agreements to make loans secured by mortgages or to purchase or lease real property; etc. Additionally, at least 75 percent of total gross income must be derived from rents from real property; interest on mortgages on real property; gains from sales of real property and mortgages; dividends and gains from the sale of transferable shares in other REIT's; abatements and refunds of taxes on real property; income and gains from foreclosure property; amounts received or accrued for entering into agreements concerning real property; etc. The tax liability of REIT's is generally very low. This is because through a statutory special deduction for dividends paid, REIT's are not taxed on

amounts distributed to shareholders. In general, REIT's must distribute to their shareholders at least 95 percent of their taxable incomes. Such distributions are taxed to the shareholders (i.e., beneficiaries).

Regulated Investment Companies.—A regulated investment company (RIC) is a domestic corporation registered with the Securities and Exchange Commission as a management company, business development company, unit investment trust, common trust fund, or a similar fund. Typically, it is a mutual fund. A RIC must meet certain Internal Revenue Code requirements, including deriving at least 90 percent of its gross income from dividends, interest, payments related to securities loans, and gains from the sale of stock or securities, foreign currencies, or other income related to its business of investing in such stock, securities, or currencies. The tax liability of RIC's is generally very low. This is because through a statutory special deduction for dividends paid, RIC's are not taxed on amounts distributed to shareholders. In general, RIC's must distribute to their shareholders at least 90 percent of their taxable incomes. Such distributions are taxed at the shareholder level.

S Corporations.—An S corporation is a corporation that has elected S corporation status and whose shareholders have agreed to that election. The number of shareholders of an S corporation is limited. Shareholders must be U.S. citizens or residents. Additionally, shareholders must be individuals, estates, or trusts. Other corporations, for instance, cannot be shareholders of S corporations. An S corporation must be a domestic corporation, with only one class of stock, and not a member of an affiliated group eligible for inclusion in a consolidated return. An S corporation is mostly an income-reporting, but not taxpaying, entity. There is, in general, no corporate-level tax; instead, income is taxed to the shareholders immediately, whether or not actually distributed. Each shareholder's share of the net income from the corporation's ordinary trade or business activities, plus the income and expenses from the corporation's passive activities and portfolio investments, is passed through pro-rata on a per-share, daily basis.

Statutory Special Deductions.—This item was the sum of: (1) deductions for net operating losses of prior years, (2) intercorporate dividends received

Foreign-Controlled Domestic Corporations, 1998

deductions, (3) deductions for dividends paid on certain preferred stock of public utilities, (4) deductions for dividends paid by regulated investment companies and real estate investment trusts, (5) Internal Revenue Code section 857(b)(2)(E) deductions reported by real estate investment trusts, and (6) Code section 806(a) small life insurance company deductions. Since these deductions were allowed by law in addition to ordinary and necessary business deductions, they are shown in the statistics as deductions from net income. In general, (positive) net income less statutory special deductions equals income subject to tax. However, there are exceptions to this generality, for S corporations, insurance companies, RIC's, and REIT's.

Total Assets.—This item represented those assets reported in the end-of-year balance sheets of the corporations' books of account. Total assets were net amounts after reduction by accumulated depreciation, accumulated amortization, accumulated depletion, and the allowance for bad debts.

Total Income Tax Before and After Credits.—For 1998, total income tax of FCDC's was primarily comprised of the income tax imposed on corporate income subject to tax (96.9 percent of the total tax) and the alternative minimum tax (3.1 percent). A small number of corporation income tax returns without net income reported amounts of income tax. The income tax, in these cases, resulted from special provisions of the Internal Revenue Code applicable to life insurance operations. These provisions applied to FCDC's with life insurance operations. Additionally, some taxes included in total income tax were not imposed directly on a corporation's income subject to tax, such as the recapture tax on investment credits. Thus, a small number of corporations without net income and income tax reported such taxes on their income tax returns. These taxes were included in the statistics for total income tax. Also included in total income tax were the taxes on undistributed net capital gains of regulated investment companies. For 1998, the credits used to reduce the total income tax of FCDC's primarily included the foreign tax credit (57.5 percent of the \$3.0 billion of total credits), the prior-year minimum tax credit (22.3 percent), the general business credit (16.0 percent), and the U.S. possessions tax credit (3.6 percent). The statistics shown for this item may differ somewhat from the actual income tax collected and the final income tax

liability of corporations for Tax Year 1998. Adjustments could be made to income tax returns after they were filed, which could affect the final tax liability. Such adjustments are not reflected in the statistics. Adjustments could result from tax examination and enforcement activities by IRS, or the use of carryback provisions for net operating losses and unused foreign tax and general business credits by taxpayers.

Total Receipts.—This item includes all of the income actually (as opposed to constructively) received by a corporation and reported on its income tax return. It includes gross taxable receipts, before the deduction of cost of goods sold and ordinary and necessary business expenses. It also includes tax-exempt interest received on State and local Government obligations. A domestic corporation (i.e., one incorporated in the United States), whether controlled by a foreign person or not, could have business activities in a foreign country, as well as in the United States. Thus, total receipts may include those from foreign branch operations of the U.S. company. Also, the total receipts of a domestic corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries. This term, however, excludes certain taxable income from related foreign corporations that is only constructively received by the domestic corporation. Also, the statistics for this term exclude long-term capital gains of regulated investment companies, as well as both short-term and long-term capital gains of S corporations.

Total Receipts Less Total Deductions.—This item differs from the "net income (less deficit)" shown in the statistics in that it includes nontaxable interest received on State and local Government obligations, and excludes constructive taxable income from related foreign corporations.

Data Sources and Limitations

Time Period Covered

Most of the data in this article relate to Tax Year 1998, defined to cover returns with accounting periods that ended between July 1998 and June 1999. The sampling frame for the 1998 statistics consisted, in general, of tax returns with these accounting periods which posted to the IRS Business Master File between July 1998 and June 2000. Corporation

Foreign-Controlled Domestic Corporations, 1998

returns were usually required to be filed within 2 1/2 months after the close of the accounting period. However, most corporations could receive filing extensions of 6 months. As a result of the 12-month span for ending accounting periods, the statistics shown in this article include income received or expenses incurred during a 23-month span. For Tax Year 1998, that span was from August 1997 through June 1999. Nevertheless, most of the income and expense data are, in fact, associated with Calendar Year 1998.

Sample

This article presents statistical estimates based on a stratified sample of approximately 9,970 unaudited tax returns selected from over 61,600 returns of active domestic corporations controlled by a foreign person filed for Tax Year 1998. The statistics for FCDC's are based on samples of corporation income tax returns filed primarily on Form 1120, *U.S. Corporation Income Tax Return*. In addition, the statistics for all FCDC's include data from the small numbers of other domestic corporation income tax returns filed on Forms 1120L, *U.S. Life Insurance Company Income Tax Return*; 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*; 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*; and 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*. As previously mentioned, FCDC's could not file Forms 1120-A, 1120-F, and 1120S. The statistics for the largest FCDC's shown in Figure E and in Tables 4 and 5 exclude Forms 1120-RIC and 1120-REIT.

Form 1120 sampled returns were stratified based on the size of total assets and the size of "proceeds" (which was used as a measure of income and 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, 1120-RIC, 1120-REIT, and 1120-PC were sampled based solely on the size of total assets.

For 1998, the sampling rates for Forms 1120 alone (the overwhelming majority of the returns included in the sample) ranged from less than 1 percent to 100 percent. In general, Form 1120 returns with assets of \$50 million or more, or with "proceeds" of \$10 million or more, were selected for the Statistics of Income study at the 100-percent

rate. For additional information on the sampling rates, see *Statistics of Income—1998, 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. Figure F shows CV's for selected financial data of selected industrial groups. For a general discussion of CV's, see the Appendix located near the back of this issue of the *Statistics of Income Bulletin*.

Nonsampling Limitations

Nonsampling errors can be categorized as coverage errors, nonresponse errors, processing errors, or response errors. These errors can be the result of the inability to obtain information about all returns in the sample, differing interpretations of tax concepts or instructions by the taxpayer, inability of a corporation to provide accurate information at the time of filing (data are collected before auditing), inability to obtain all tax schedules and attachments, errors in recording or coding the data, errors in collecting or cleaning the data, errors made in estimating for missing data, and failure to represent all population units.

Returns were selected for this study based on taxpayers' responses to two questions that appeared on the various types of Form 1120. The first question asked whether any "foreign person" owned, directly or indirectly, 25 percent or more of the filing corporation's voting stock, or the total value of all the corporation's stock, at any time during the tax year. If this question was answered "yes," then a second question asked for the percentage owned [20]. If the first question was answered "yes," and the second question was answered with a percentage between 50 and 100, then the return was included in the FCDC statistics [21, 22]. Taxpayers sometimes incorrectly answered these questions, or did not answer them at all [23]. However, prior to tabulation, corporations with large amounts of assets or receipts, and with changes in foreign ownership status between 1997 and 1998, were researched, and the answers to the questions were verified. These large corporations had a dominating effect on the estimates for balance sheet, income statement, and tax items.

Foreign-Controlled Domestic Corporations, 1998

Figure F

Foreign-Controlled Domestic Corporations: Coefficients of Variation for Selected Items, by Selected North American Industry Classification System Divisions, Tax Year 1998

Selected items	All industries	Goods production	Distribution and transportation of goods	Finance, insurance, real estate, and rental and leasing	Professional and business services
	Coefficients of variation (percentages)				
	(1)	(2)	(3)	(4)	(5)
Number of returns.....	4.04	8.03	7.30	7.37	12.15
Total assets.....	0.04	0.06	0.24	0.06	0.12
Total receipts.....	0.15	0.13	0.40	0.19	1.19
Net income.....	0.23	0.24	0.78	0.50	1.02
Deficit.....	0.57	0.85	1.59	0.99	2.66
Income subject to tax.....	0.24	0.26	0.82	0.49	1.17
Total income tax after credits.....	0.26	0.29	0.83	0.48	1.28

Each return used for the statistics had an industry code reported, or was assigned one during administrative or statistical processing. For 1998, the North American Industry Classification System (NAICS) was used for the first time. NAICS codes were used as classifiers of the returns. The industry code represented the principal business activity (i.e., the activity which accounted for the largest portion of the 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 that conducted different business activities. To the extent that some consolidated (and non-consolidated) returns covered corporations that were engaged in many types of business activities, the data in this article are not entirely related to the industrial activities 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, those FCDC's that were primarily U.S. distributors of products made in foreign countries by their parent or other related companies were classified as wholesalers. However, other domestic corporations that were also distributors and that were included in consolidated returns covering both 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 pro-

cessing which identified the owner's country. For individuals, it was the owner's country of residence. For all others, it was the country in which 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 may not be entirely related to the foreign country under which they are shown.

Notes and References

- [1] For 1997 data covering FCDC's, see Hobbs, James R., "Foreign-Controlled Domestic Corporations, 1997," *Statistics of Income Bulletin*, Summer 2000, Volume 20, Number 1. In addition, FCDC data for Tax Years 1991-1997 are included on the IRS Internet site at: www.irs.gov/tax_stats/soi/int_fd.html.
- [2] Total corporate data referenced throughout this article come from: (1) *Statistics of Income Bulletin*, Winter 2000-2001, Volume 20, Number 3; (2) *Statistics of Income—Corporation Income Tax Returns*, selected years; (3) *Source Book of Statistics of Income—Corporation Income Tax Returns*, selected years; and (4) unpublished Statistics of Income tabulations.
- [3] Direct investment is different from portfolio investment in that the latter exerts no control

Foreign-Controlled Domestic Corporations, 1998

over the management of the enterprise, except to the extent, for example, of rights to vote periodically in stockholder meetings of the corporation. The portfolio investor has a minimal interest in a company, and is primarily seeking dividend payments, an increase in the value of the shares of stock, or both.

- [4] 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.”
- [5] There are separate tabulations covering foreign-controlled domestic corporations and branch operations of foreign corporations with income “effectively connected” with a U.S. trade or business in *Statistics of Income—1998, Corporation Income Tax Returns*.
- [6] As a result of the Statistics of Income (SOI) sampling process, data shown in this article for “all corporations” exclude certain out-of-scope returns, such as returns for homeowners’ associations (Form 1120-H) and certain political organizations (Form 1120-POL). For a more complete listing of the returns excluded from the SOI corporation sample, see the Description of the Sample and Limitations of the Data section of *Statistics of Income—1998, Corporation Income Tax Returns*. On the other hand, in addition to legally defined corporations, the Internal Revenue Code recognizes many types of businesses as corporations, including joint stock companies and unincorporated associations (e.g., certain partnerships, savings and loan associations, and mutual savings banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, limited liability of owners, and transferability of shares of capital ownership.
- [7] For additional information on foreign investment in the United States, see *Survey of Current Business* reports, produced by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA periodically produces several articles related to this subject, including: (a) “U.S. Affiliates of Foreign Companies:

Operations in 1998,” August 2000; (b) “Foreign Direct Investment in the United States: New Investment in 1999,” June 2000; and (c) “An Examination of the Low Rates of Return of Foreign-Owned U.S. Companies,” March 2000. In addition to the printed versions of these articles, electronic versions can be obtained from the Internet at: www.bea.doc.gov. The data in these reports may not be directly comparable to the information shown in this article because of definitional differences, such as those relating to time periods covered and levels of foreign ownership.

- [8] The 15.5-percent increase between 1997 and 1998 in the assets of domestic corporations controlled by foreign persons, as well as the 13.1-percent increase for all corporations, may overstate the actual “growth in investment.” Assets are generally reported at book value on tax returns (i.e., at the value at the time of acquisition). The book value of newly-acquired assets is generally greater than the book value of similar assets they replaced. Therefore, new corporations may tend to have a greater percentage of new assets with greater book values. To the extent that new corporations comprised a different portion of FCDC’s than they did for other companies, the comparability of 15.5 percent to 13.1 percent (above) may be limited.
- [9] Dates of incorporation are reported, for example, on Form 1120, page 1, question C.
- [10] In general, the computation of net income (less deficit) can be shown as follows:

Begin With: Total Receipts

(Includes Business Receipts)

Less: Total Deductions

(Includes Cost of Goods Sold)

Equals: Total Receipts Less Total Deductions

Plus: Constructive Taxable Income from Related Foreign Corporations

(Includes Includable Income from Controlled Foreign Corporations and Foreign Dividend Gross-Up)

Less: Tax-exempt Interest on State and Local Government Obligations

Equals: Net Income (Less Deficit)

Foreign-Controlled Domestic Corporations, 1998

[11] For the most recent detailed information on transactions between “foreign-owned domestic corporations” and their related foreign persons, see Seiders, Michael G. and Duffy, Heather R., “Transactions Between Large Foreign-Owned Domestic Corporations and Related Foreign Persons, 1996,” *Statistics of Income Bulletin*, Fall 1999, Volume 19, Number 2. Unfortunately, the data contained in that article are not completely comparable to the data contained in this article. The articles cover different time periods. Also, the statistics contained in the above-mentioned article are for U.S. corporations that were owned (25 percent or more) by a foreign person. By contrast, the foreign ownership level used for the FCDC statistics shown in this article was 50 percent or more. Additionally, returns included in the “foreign-owned” study showed total receipts of \$500 million or more and reported transactions with related foreign persons on Form 5472, *Information Return of a 25-Percent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business*. Neither of these conditions was a requirement for inclusion in the FCDC study.

[12] The 32,486 companies reporting a deficit may include a small number of “break-even” companies, i.e., those whose receipts and deductions were equal.

[13] There were certain exceptions to the relationship of net income minus statutory special deductions equaling income subject to tax. In some cases, the statutory special deductions for dividends received and for dividends paid on certain preferred stock of public utilities exceeded net income. Also, the tax bases of life insurance companies, regulated investment companies, and real estate investment trusts were not defined as net income less statutory special deductions.

[14] Most, if not all, of the largest FCDC's and other domestic corporations were selected for this study at the 100-percent sampling rate. Therefore, sampling error is not considered to be a major concern for the large-corporation data. A

complete discussion on sampling rates is presented in *Statistics of Income—1998, Corporation Income Tax Returns*.

[15] Shown below are data for all REIT's, RIC's, and S corporations filed by foreign-controlled domestic corporations (FCDC's) and by other domestic corporations (ODC's). Money amounts are in millions of dollars.

Type of corporation and item	FCDC's	ODC's
Real Estate Investment Trusts:		
Number of returns	29	903
Total assets	11,341	468,681
Total receipts	1,065	40,571
Net income (less deficit)	404	22,880
Income subject to tax	*	2
Total income tax after credits	*	5
Regulated Investment Companies:		
Number of returns	86	9,811
Total assets	8,961	5,863,186
Total receipts	251	224,436
Net income (less deficit)	194	157,640
Income subject to tax	—	10
Total income tax after credits	—	2
S corporations:		
Number of returns	—	2,588,088
Total assets	—	1,455,483
Total receipts	—	3,061,133
Net income (less deficit)	—	124,859
Income subject to tax	—	1,115
Total income tax after credits	—	479
* Less than \$500,000.		

[16] The expected date of publication for *Statistics of Income—1998, Corporation Income Tax Returns*, IRS Publication 16, is September 2001.

[17] One focus of this article is U.S. total income tax after credits. The reader might chose to focus instead on total worldwide taxes, which may be approximated by adding the foreign tax credits claimed by corporations to the U.S. tax liabilities (i.e., total income tax after credits) of these corporations. Using this procedure, the foreign tax credit approximates the foreign tax liabilities of the corporations. Table 4 shows amounts of foreign tax credits in addition to U.S. total income tax after credits.

Foreign-Controlled Domestic Corporations, 1998

[18] The narrowing of the differences between the two types of corporations by replacing “net income (less deficit)” with “total income tax after credits” as the numerator in the calculation may reflect the following: (1) the elimination of deficits, (2) the amount of statutory special deductions, and (3) the amounts of credits claimed against taxes. Each of these items is shown in Table 4.

[19] See Grubert, Harry, “Another Look at the Low Taxable Income of Foreign-Controlled Companies in the United States,” U.S. Department of the Treasury, Office of Tax Analysis, Paper 74, 1997; Mataloni, Raymond J., Jr., “An Examination of the Low Rates of Return of Foreign-Owned U.S. Companies,” U.S. Department of Commerce, Bureau of Economic Analysis, *Survey of Current Business*, March 2000; and “Tax Administration: Foreign- and U.S.-Controlled Corporations That Did Not Pay U.S. Income Taxes, 1989-95,” U.S. General Accounting Office, GAO/GGD-99-39, March 1999.

[20] On Form 1120, Page 3, Schedule K, the actual questions were: “(10) At any time during the tax year, did one foreign person own, directly or indirectly, at least 25 percent of: (a) the total voting power of all classes of stock of the corporation entitled to vote, or (b) the total value of all classes of stock of the corporation?” and “(10a) If “yes,” enter percentage owned.”

There was an additional question used for the country distribution of these statistics, which was: “(10b) If “yes,” enter owner’s country.”

[21] Returns for this study may exclude certain domestic companies that are effectively controlled by foreign persons, such as public companies in which “control” may be exercised with as little as 10 percent to 20 percent of the stock holdings.

[22] Statistics of Income also compiles data on domestic corporations with 25-percent to 49-percent foreign ownership. If a company was classified as an FCDC based on 50-percent or more foreign stock ownership, then it was not included in the 25-percent to 49-percent foreign ownership category, even if it had an unrelated foreign owner with 25-percent to 49-percent stock ownership. For 1998, there were only 5,251 returns that indicated a level of foreign ownership between 25 percent and 49 percent. These companies reported \$230.9 billion of assets, \$115.2 billion of receipts, \$3.4 billion of taxable income, and \$1.0 billion of total income tax after credits. All of these amounts were small in comparison to data for the FCDC’s.

[23] The FCDC statistics include data from returns in which the first question (see footnote 20) was answered “yes,” and the second question covering percentage owned was not answered.

SOURCE: IRS Statistics of Income Bulletin, Summer 2001, Publication 1136 (Rev. 08-2001.)

Foreign-Controlled Domestic Corporations, 1998

Table 1.--Foreign-Controlled Domestic Corporations: Selected Items for Selected Tax Years 1971-1998

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

Item	1971	1983	1990	1995	1997	1998
	(1)	(2)	(3)	(4)	(5)	(6)
ALL CORPORATIONS						
Number of returns, total.....	1,733,332	2,999,071	3,716,650	4,474,167	4,710,083	4,848,888
Number with net income.....	1,063,940	1,676,288	1,910,670	2,455,492	2,647,474	2,760,814
Total assets.....	2,889,221	10,201,084	18,190,058	26,013,689	33,029,652	37,347,353
Total receipts.....	1,906,008	7,135,494	11,409,520	14,539,050	16,609,707	17,323,955
Business receipts.....	1,763,760	6,334,603	9,860,442	12,785,798	14,460,929	15,010,265
Interest received ¹	65,596	496,648	942,238	993,173	1,140,011	1,276,769
Total deductions.....	1,824,063	6,945,457	11,032,575	13,821,278	15,704,242	16,489,425
Cost of goods sold.....	1,241,282	4,308,239	6,610,770	8,206,073	9,114,246	9,362,392
Interest paid.....	64,697	475,060	825,372	744,765	866,474	966,659
Total receipts less total deductions.....	81,945	190,037	376,945	717,773	905,465	834,530
Net income (less deficit).....	79,700	188,314	370,633	714,193	915,397	838,224
Net income.....	96,688	296,932	552,527	880,653	1,117,825	1,091,150
Deficit.....	16,988	108,618	181,894	166,460	202,429	252,926
Income subject to tax.....	83,165	218,686	366,353	564,733	683,793	663,386
Total income tax before credits.....	37,510	92,219	128,186	198,787	239,394	231,400
Regular and alternative tax.....	37,143	90,462	119,434	193,564	235,325	228,022
Total income tax after credits.....	30,220	51,862	96,403	156,393	184,176	181,545
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
Number of returns, total.....	5,154	33,622	44,113	60,157	61,621	61,658
Number with net income.....	2,575	13,648	17,360	26,397	29,504	29,172
Total assets.....	36,674	530,334	1,652,255	2,762,747	3,392,051	3,917,687
Total receipts.....	39,181	389,909	1,060,295	1,536,705	1,781,382	1,890,493
Business receipts.....	38,043	359,793	950,083	1,372,489	1,582,576	1,662,560
Interest received ¹	420	17,590	67,315	96,269	114,610	129,040
Total deductions.....	38,050	387,981	1,056,921	1,499,219	1,730,418	1,851,059
Cost of goods sold.....	28,804	271,373	709,052	1,000,691	1,119,276	1,177,416
Interest paid.....	733	22,255	77,562	92,417	112,219	128,845
Total receipts less total deductions.....	1,132	1,928	3,374	37,486	50,964	39,434
Net income (less deficit).....	1,111	1,849	3,966	38,455	52,365	40,615
Net income.....	1,496	12,448	29,410	64,339	79,352	75,409
Deficit.....	384	10,599	25,444	25,884	26,987	34,794
Income subject to tax.....	1,344	10,707	23,704	43,111	61,798	59,352
Total income tax before credits.....	650	4,849	8,719	15,834	22,492	21,262
Regular and alternative tax.....	631	4,790	8,008	14,956	21,589	20,599
Total income tax after credits.....	610	3,419	7,438	13,157	19,730	18,273

¹ Excludes interest received on State and local Government obligations.

NOTES: Detail may not add to totals because of rounding. All amounts are in current dollars. Tax law and tax form changes affect the year-to-year comparability of the data; see Statistics of Income--Corporation Income Tax Returns, selected years, for discussions of changes affecting the comparability of the data over time.

Foreign-Controlled Domestic Corporations, 1998

Table 2.--Foreign-Controlled Domestic Corporations: Selected Items, by North American Industry Classification System Major Industries

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

Major industry	Number of returns	Total assets	Net worth	Total receipts	Net income (less deficit)	Income subject to tax	Total income tax	
							Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All industries.....	61,658	3,917,687	969,724	1,890,493	40,615	59,352	21,262	18,273
Raw materials and energy production.....	1,956	107,093	60,077	32,178	276	1,649	621	429
Agriculture, forestry, fishing and hunting.....	1,297	5,224	2,025	2,666	-97	65	23	17
Agricultural production.....	918	4,600	1,940	2,051	-100	56	19	13
Forestry and logging.....	314	235	106	116	3	6	2	2
Support activities and fishing, hunting, and trapping.....	65	389	-22	499	--	3	2	2
Mining.....	557	88,309	48,383	25,527	-251	1,088	421	272
Utilities.....	102	13,560	9,669	3,985	624	496	177	140
Goods production.....	8,788	1,243,540	460,687	858,753	21,623	27,759	9,982	8,161
Construction.....	2,165	31,165	8,957	23,627	-65	572	203	185
Building, developing, and general contracting.....	1,604	22,059	7,007	14,387	-309	257	91	86
Heavy construction.....	68	3,077	892	4,381	100	167	58	52
Special trade contractors.....	493	6,029	1,058	4,859	144	149	53	48
Manufacturing.....	6,622	1,212,376	451,730	835,126	21,688	27,186	9,779	7,976
Food manufacturing.....	606	72,399	22,692	53,207	1,162	1,350	491	319
Beverage and tobacco product manufacturing.....	89	169,063	75,907	23,491	772	624	220	171
Textile mills and textile product mills.....	216	5,886	2,159	5,936	301	338	120	118
Apparel manufacturing.....	342	1,419	296	2,030	-64	20	7	6
Leather and allied product manufacturing.....	9	1,072	244	2,100	133	87	30	30
Wood product manufacturing.....	286	2,491	1,208	3,600	54	116	40	37
Paper manufacturing.....	203	19,289	5,687	19,439	50	379	173	158
Printing and related support activities.....	156	8,300	2,723	7,536	436	580	203	202
Petroleum and coal products manufacturing.....	23	192,324	91,103	77,509	1,074	1,275	467	154
Chemical manufacturing.....	474	224,020	77,011	149,384	6,291	6,774	2,410	2,045
Plastics and rubber products manufacturing.....	329	24,253	7,364	26,944	782	846	309	241
Nonmetallic mineral product manufacturing.....	174	40,999	16,128	30,004	1,780	1,590	589	534
Primary metal manufacturing.....	147	20,881	6,611	27,371	491	848	314	269
Fabricated metal product manufacturing.....	888	62,962	32,891	33,895	1,538	1,613	565	535
Machinery manufacturing.....	663	41,428	13,271	44,997	1,586	1,690	600	559
Computer and electronic product manufacturing.....	801	90,200	28,176	87,225	-1,097	2,023	742	670
Electrical equipment, appliance, and component manufacturing.....	212	14,045	5,326	18,897	498	691	241	217
Transportation equipment manufacturing.....	343	188,570	53,711	195,662	5,365	5,305	1,892	1,459
Furniture and related product manufacturing.....	113	1,912	483	3,110	177	196	69	26
Miscellaneous manufacturing.....	548	30,865	8,736	22,789	358	842	297	226
Distribution and transportation of goods.....	20,825	382,569	87,166	604,056	6,522	10,714	3,819	3,509
Wholesale and retail trade.....	19,233	357,040	78,383	578,780	6,017	10,074	3,587	3,288
Wholesale trade.....	15,094	305,400	63,887	489,290	5,556	8,129	2,904	2,653
Wholesale trade, durable goods.....	9,430	252,057	51,633	378,611	4,671	6,349	2,279	2,102
Wholesale trade, nondurable goods.....	5,664	53,343	12,254	110,679	885	1,780	625	551
Retail trade.....	4,113	51,575	14,478	89,431	461	1,942	682	635
Motor vehicle dealers and parts dealers.....	102	2,629	599	5,500	131	124	43	43
Furniture and home furnishings stores.....	33	1,475	358	1,990	51	68	24	24
Electronics and appliance stores.....	841	2,418	27	5,718	-341	85	29	27
Building material and garden equipment and supplies dealers.....	720	2,649	1,496	3,955	221	239	83	65
Food, beverage and liquor stores.....	152	23,535	6,543	50,525	536	720	257	246
Health and personal care stores.....	106	2,208	366	3,844	146	156	54	53
Gasoline stations.....	331	152	28	349	6	--	--	--
Clothing and clothing accessories stores.....	453	8,249	2,815	10,412	150	433	152	138
Sporting goods, hobby, book, and music stores.....	198	304	151	759	-11	11	3	3
General merchandise stores.....	505	1,046	385	1,212	-40	23	8	7
Miscellaneous store retailers.....	296	4,949	1,508	2,115	-202	53	18	17
Nonstore retailers.....	376	1,961	202	3,052	-185	31	11	11
Wholesale and retail trade not allocable.....	26	65	18	59	--	2	1	1

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 2.--Foreign-Controlled Domestic Corporations: Selected Items, by North American Industry Classification System Major Industries--Continued

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

Major industry	Number of returns	Total assets	Net worth	Total receipts	Net income (less deficit)	Income subject to tax	Total income tax	
							Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Distribution and transportation of goods--continued								
Transportation and warehousing.....	1,592	25,529	8,783	25,276	504	640	232	222
Air, rail, and water transportation.....	530	11,497	4,533	8,603	137	124	48	48
Truck transportation.....	56	1,872	484	2,321	60	59	21	20
Transit and ground passenger transportation.....	16	4,873	1,469	4,310	-39	37	13	12
Pipeline transportation.....	10	1,364	682	260	86	114	40	36
Other transportation and support activities.....	922	4,840	1,259	8,578	211	264	92	88
Warehousing and storage.....	57	1,083	356	1,205	49	43	17	17
Information.....	1,918	178,705	62,037	54,404	-1,160	1,096	404	356
Publishing industries.....	204	62,338	15,638	24,943	-267	553	208	186
Motion picture and sound recording industries.....	748	104,023	43,830	20,651	-117	284	105	81
Broadcasting and telecommunications.....	662	10,485	2,544	6,620	-775	149	53	52
Information services and data processing services.....	304	1,859	26	2,189	--	109	38	36
Finance, insurance, real estate, and rental and leasing.....	14,883	1,564,445	215,462	238,807	8,514	11,719	4,174	3,873
Finance and insurance.....	3,586	1,472,419	187,043	217,921	7,142	10,046	3,533	3,264
Credit intermediation.....	278	206,502	19,156	19,430	2,059	1,615	567	545
Securities, commodity contracts, and other financial investments and related activities.....	2,387	696,631	31,274	70,081	-846	2,362	829	709
Insurance carriers and related activities.....	420	543,253	120,885	126,573	5,267	6,006	2,115	1,989
Other financial vehicles and other investment companies.....	500	26,033	15,729	1,837	662	64	22	22
Real estate and rental and leasing.....	11,296	92,026	28,418	20,886	1,372	1,672	641	608
Real estate.....	10,879	63,488	22,587	11,383	1,338	1,521	539	513
Rental and leasing services.....	413	28,458	5,822	9,416	32	142	99	92
Lessors of nonfinancial intangible assets (except copyrighted works).....	4	80	10	88	1	9	3	3
Professional and business services.....	8,644	382,908	65,501	68,729	4,340	5,445	1,907	1,627
Professional, scientific, and technical services.....	4,661	25,810	9,024	23,385	36	823	281	237
Management of companies (holding companies).....	2,260	341,632	53,274	29,776	3,854	4,175	1,468	1,243
Administrative and support and waste management and remediation services.....	1,723	15,466	3,202	15,569	451	447	158	147
Administrative and support services.....	1,665	13,961	2,611	14,666	421	401	141	130
Waste management and remediation services.....	58	1,505	591	903	30	45	17	17
Education, health, and social assistance.....	940	14,602	4,388	8,702	-9	270	95	89
Educational services.....	568	1,141	455	906	11	16	6	3
Health care and social assistance.....	372	13,461	3,933	7,796	-20	254	89	85
Offices of health practitioners and outpatient care centers.....	275	10,852	3,516	4,705	-60	25	9	8
Miscellaneous health care and social assistance.....	60	597	65	765	-31	25	8	7
Hospitals, nursing, and residential care facilities.....	36	2,012	352	2,326	71	204	71	70
Leisure, accommodation, and food services.....	2,457	35,340	12,849	17,811	169	310	126	100
Arts, entertainment, and recreation.....	910	3,595	443	1,703	-104	53	18	18
Other arts, entertainment, and recreation.....	742	1,001	-145	1,062	-17	45	15	15
Amusement, gambling, and recreation industries.....	168	2,594	589	641	-86	8	3	3
Accommodation and food services.....	1,547	31,745	12,405	16,108	273	257	108	82
Accommodation.....	673	27,013	11,451	9,947	329	216	94	69
Food services and drinking places.....	874	4,732	954	6,161	-56	40	14	13
Other services.....	999	8,482	1,558	7,052	340	391	134	130
Repair and maintenance.....	117	1,458	372	2,679	72	83	28	26
Personal and laundry services.....	882	7,024	1,186	4,373	269	308	106	104
Not allocable.....	250	--	--	--	-1	--	--	--

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

Foreign-Controlled Domestic Corporations, 1998

Table 3.--Foreign-Controlled Domestic Corporations: Selected Items, by Country and Age of Corporations

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

Country of owner and age of corporation	Number of returns	Total assets	Net worth	Total receipts	Net income (less deficit)	Income subject to tax	Total income tax	
							Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All countries 1.....	61,658	3,917,687	969,724	1,890,493	40,615	59,352	21,262	18,273
Old corporations.....	45,570	3,417,294	812,426	1,652,256	37,338	51,757	18,550	16,182
New corporations.....	16,088	500,393	157,298	238,238	3,277	7,596	2,713	2,091
Australia.....	794	154,023	66,791	29,137	233	634	223	153
Old corporations.....	256	141,270	62,023	26,163	481	556	196	127
New corporations.....	538	12,753	4,767	2,975	-249	78	27	27
Belgium.....	379	29,295	7,919	23,306	1,210	1,390	498	281
Old corporations.....	230	20,646	5,117	22,316	1,195	1,220	439	222
New corporations.....	148	8,649	2,802	990	15	171	59	59
Bermuda.....	310	51,571	29,330	14,550	-51	517	183	174
Old corporations.....	272	18,303	3,502	10,109	10	318	113	106
New corporations.....	38	33,268	25,828	4,441	-61	198	69	68
Canada.....	9,862	494,605	151,335	171,838	3,539	5,083	1,852	1,657
Old corporations.....	8,023	401,441	132,867	140,167	4,010	4,656	1,701	1,508
New corporations.....	1,839	93,163	18,468	31,672	-470	426	152	149
Finland.....	96	10,991	2,433	12,510	388	413	147	140
Old corporations.....	82	10,921	2,419	12,326	392	413	147	140
New corporations.....	14	70	14	184	-4	--	--	--
France.....	1,792	373,352	61,345	124,131	3,355	4,189	1,492	1,279
Old corporations.....	1,554	361,383	54,772	118,097	3,115	3,998	1,425	1,213
New corporations.....	238	11,969	6,573	6,034	240	190	67	65
Germany.....	4,360	462,150	113,764	267,759	5,655	6,807	2,445	2,016
Old corporations.....	2,958	446,087	110,444	259,261	5,714	6,670	2,397	1,973
New corporations.....	1,402	16,063	3,321	8,498	-59	137	48	44
Italy.....	900	10,642	2,769	10,305	135	429	152	143
Old corporations.....	814	9,112	2,427	8,691	111	407	142	133
New corporations.....	86	1,530	342	1,614	24	23	10	10
Japan.....	6,431	556,144	120,340	448,242	6,733	12,866	4,586	4,214
Old corporations.....	5,295	470,825	100,149	393,197	4,988	10,502	3,758	3,490
New corporations.....	1,136	85,319	20,191	55,045	1,745	2,364	828	724
Leeward Islands.....	1,991	14,645	3,859	10,386	281	532	186	176
Old corporations.....	1,078	11,489	2,877	9,278	323	451	158	150
New corporations.....	913	3,155	983	1,108	-42	81	28	27
Luxembourg.....	320	17,679	5,044	14,175	525	703	245	223
Old corporations.....	252	13,309	3,757	12,961	405	557	194	172
New corporations.....	68	4,370	1,286	1,214	121	147	51	51
Mexico.....	1,849	11,174	3,154	9,688	74	332	115	108
Old corporations.....	1,483	9,191	2,433	8,266	154	291	101	95
New corporations.....	365	1,983	721	1,423	-79	41	14	14
Netherlands.....	1,945	630,734	172,685	204,251	5,124	5,823	2,100	1,960
Old corporations.....	1,706	582,583	154,082	176,414	5,020	5,513	1,981	1,856
New corporations.....	240	48,151	18,603	27,837	105	310	119	104
Netherlands Antilles.....	697	13,790	3,657	8,973	196	399	140	105
Old corporations.....	692	13,746	3,644	8,959	196	399	140	105
New corporations.....	5	44	13	15	-1	--	--	--
Panama.....	1,386	8,842	354	3,944	167	172	59	49
Old corporations.....	921	8,603	312	3,929	167	172	59	49
New corporations.....	465	238	42	15	--	1	--	--

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 3.--Foreign-Controlled Domestic Corporations: Selected Items, by Country and Age of Corporations--Continued

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

Country of owner and age of corporation	Number of returns	Total assets	Net worth	Total receipts	Net income (less deficit)	Income subject to tax	Total income tax	
							Before credits	After credits
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
South Korea, Republic of.....	468	17,522	133	25,652	-279	121	48	48
Old corporations.....	346	16,610	-135	25,216	-223	115	46	46
New corporations.....	122	912	268	437	-56	6	2	2
Sweden.....	353	35,811	8,059	34,924	682	835	312	249
Old corporations.....	285	19,456	4,558	19,815	397	592	211	164
New corporations.....	67	16,356	3,501	15,109	286	243	101	85
Switzerland.....	1,804	293,715	36,028	94,746	3,485	3,396	1,222	1,082
Old corporations.....	1,572	287,008	34,937	91,030	3,383	3,274	1,178	1,040
New corporations.....	232	6,707	1,091	3,716	101	122	43	42
Taiwan.....	2,664	11,822	2,687	12,551	-140	250	89	71
Old corporations.....	1,604	8,985	1,997	9,626	-127	199	72	54
New corporations.....	1,060	2,837	690	2,925	-13	52	17	17
United Kingdom.....	5,155	543,363	136,807	244,172	8,822	11,262	4,005	3,134
Old corporations.....	3,512	414,603	96,627	193,361	6,794	8,630	3,060	2,613
New corporations.....	1,642	128,761	40,180	50,811	2,028	2,631	945	521

¹ Includes countries not specifically shown in the table.

NOTES: "New" corporations were those with dates of incorporation between 1996 and 1999; "old" corporations were those with dates of incorporation prior to 1996, or with unknown dates of incorporation. Detail may not add to totals because of rounding.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Number of returns			Assets			
	Total	With net income	With total income tax after credits	Total	Current	Noncurrent	
						Total	Loans to stockholders
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All corporations.....	2,956	2,078	2,101	3,689,343	1,707,982	1,981,360	24,770
By age of corporations:							
Old corporations.....	2,611	1,863	1,879	3,238,021	1,513,111	1,724,910	23,754
New corporations.....	346	214	221	451,322	194,872	256,450	1,016
By selected industries: ¹							
Raw materials and energy production.....	77	44	46	97,500	22,181	75,319	273
Goods production.....	1,255	892	916	1,196,038	440,174	755,864	2,783
Manufacturing.....	1,191	854	877	1,173,348	428,929	744,419	2,572
Food manufacturing.....	102	74	73	70,358	15,479	54,879	148
Beverage and tobacco product manufacturing.....	16	15	13	168,156	75,275	92,881	--
Petroleum and coal products manufacturing.....	16	15	15	192,166	65,957	126,209	--
Chemical manufacturing.....	165	123	133	219,771	64,248	155,523	102
Fabricated metal product manufacturing.....	87	66	69	59,278	14,260	45,018	460
Computer and electronic product manufacturing.....	111	56	56	86,286	36,998	49,288	753
Transportation equipment manufacturing.....	150	109	112	185,353	79,980	105,373	31
Distribution and transportation of goods.....	959	680	681	341,519	185,194	156,324	811
Wholesale trade.....	771	554	558	274,002	162,644	111,358	514
Wholesale trade, durable goods.....	532	386	386	229,905	140,098	89,807	129
Wholesale trade, nondurable goods.....	239	168	172	44,097	22,546	21,551	384
Retail trade.....	124	80	77	45,873	17,595	28,278	30
Information.....	69	41	43	173,445	29,118	144,327	784
Finance, insurance, real estate, and rental and leasing.....	328	236	236	1,478,983	772,024	706,959	10,984
Credit intermediation.....	86	72	71	196,686	137,098	59,588	5,244
Securities, commodity contracts, and other financial investments and related activities.....	89	55	56	684,807	515,882	168,925	4,671
Insurance carriers and related activities.....	86	66	66	540,332	97,644	442,688	788
Real estate.....	38	24	23	25,544	5,688	19,856	28
Professional and business services.....	188	131	126	355,788	248,598	107,190	7,138
Management of companies (holding companies).....	72	54	52	326,651	237,947	88,704	7,111
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED							
All corporations.....	13,786	10,518	10,606	23,591,624	9,470,774	14,120,851	57,179
By age of corporations:							
Old corporations.....	12,391	9,644	9,706	22,472,826	9,139,720	13,333,106	54,312
New corporations.....	1,395	874	900	1,118,799	331,054	787,745	2,867
By selected industries: ¹							
Raw materials and energy production.....	460	309	316	1,225,731	210,405	1,015,326	648
Goods production.....	4,172	3,142	3,176	4,771,713	1,736,582	3,035,131	39,563
Manufacturing.....	3,586	2,651	2,673	4,695,204	1,692,264	3,002,941	39,342
Food manufacturing.....	367	274	261	176,080	56,259	119,821	666
Beverage and tobacco product manufacturing.....	86	66	67	330,781	79,427	251,354	183
Petroleum and coal products manufacturing.....	58	44	43	557,310	125,143	432,168	5,778
Chemical manufacturing.....	287	216	220	674,529	177,293	497,236	25,315
Fabricated metal product manufacturing.....	318	245	254	91,641	29,471	62,171	808
Computer and electronic product manufacturing.....	453	301	302	469,023	215,905	253,118	1,823
Transportation equipment manufacturing.....	231	166	172	919,258	407,340	511,918	2,711
Distribution and transportation of goods.....	4,078	3,270	3,244	1,312,780	539,267	773,513	3,718
Wholesale trade.....	1,792	1,467	1,447	339,587	178,374	161,213	1,811
Wholesale trade, durable goods.....	876	719	710	128,680	80,272	48,408	315
Wholesale trade, nondurable goods.....	916	748	738	210,906	98,101	112,805	1,496
Retail trade.....	1,921	1,532	1,521	613,786	295,723	318,064	1,342
Information.....	559	305	320	1,379,570	294,371	1,085,199	1,851
Finance, insurance, real estate, and rental and leasing.....	2,035	1,575	1,612	9,100,616	3,225,186	5,875,431	7,783
Credit intermediation.....	796	698	701	2,567,096	726,798	1,840,298	3,566
Securities, commodity contracts, and other financial investments and related activities.....	202	151	150	2,306,790	1,439,457	867,332	795
Insurance carriers and related activities.....	845	612	636	4,074,749	1,032,103	3,042,646	3,381
Real estate.....	69	49	48	26,466	4,627	21,838	21
Professional and business services.....	1,764	1,524	1,528	5,460,754	3,397,715	2,063,038	2,647
Management of companies (holding companies).....	930	899	902	5,200,753	3,299,917	1,900,837	2,539

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Liabilities			Net worth			
	Current	Noncurrent		Total	Retained earnings		
		Total	Loans from stockholders		Total	Appropriated	Unappropriated
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All corporations.....	1,742,810	1,047,846	67,168	898,686	47,986	6,701	41,286
By age of corporations:							
Old corporations.....	1,544,169	933,229	55,069	760,624	55,002	6,510	48,491
New corporations.....	198,642	114,618	12,099	138,062	-7,015	190	-7,206
By selected industries: ¹							
Raw materials and energy production.....	14,931	25,698	1,094	56,871	-9,548	23	-9,572
Goods production.....	434,433	314,794	32,691	446,811	13,616	505	13,110
Manufacturing.....	424,849	309,133	32,125	439,366	20,041	505	19,535
Food manufacturing.....	21,851	26,626	1,911	21,881	-977	--	-977
Beverage and tobacco product manufacturing.....	74,565	18,175	400	75,415	312	--	312
Petroleum and coal products manufacturing.....	78,503	22,641	601	91,022	20,277	--	20,277
Chemical manufacturing.....	63,402	81,054	12,131	75,315	-3,577	350	-3,928
Fabricated metal product manufacturing.....	10,025	17,709	1,693	31,544	-3,774	9	-3,783
Computer and electronic product manufacturing.....	32,664	25,761	3,490	27,861	-3,941	48	-3,988
Transportation equipment manufacturing.....	81,888	51,034	883	52,431	17,064	--	17,064
Distribution and transportation of goods.....	162,574	98,282	7,527	80,663	-2,862	8	-2,869
Wholesale trade.....	144,776	69,690	6,882	59,536	-2,910	6	-2,915
Wholesale trade, durable goods.....	126,070	56,280	5,998	47,555	-2,331	1	-2,332
Wholesale trade, nondurable goods.....	18,706	13,410	884	11,981	-579	4	-583
Retail trade.....	12,278	20,115	436	13,480	212	2	209
Information.....	26,747	84,422	8,432	62,275	-3,953	2	-3,956
Finance, insurance, real estate, and rental and leasing.....	844,724	454,061	13,505	180,198	49,504	5,994	43,509
Credit intermediation.....	136,656	42,603	2,297	17,427	3,403	81	3,322
Securities, commodity contracts, and other financial investments and related activities.....	599,834	59,041	5,458	25,932	-2,647	1	-2,648
Insurance carriers and related activities.....	93,596	326,716	3,312	120,019	51,796	5,913	45,884
Real estate.....	4,739	10,008	1,520	10,796	-2,460	--	-2,460
Professional and business services.....	252,270	47,285	602	56,233	4,793	167	4,627
Management of companies (holding companies).....	240,091	39,256	434	47,304	11,649	120	11,530
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED							
All corporations.....	10,924,686	7,455,293	72,611	5,211,646	2,282,030	92,754	2,189,276
By age of corporations:							
Old corporations.....	10,499,057	7,091,519	70,670	4,882,250	2,224,838	91,712	2,133,126
New corporations.....	425,629	363,773	1,942	329,396	57,192	1,042	56,150
By selected industries: ¹							
Raw materials and energy production.....	219,258	569,900	982	436,573	117,273	4,403	112,869
Goods production.....	1,616,326	1,610,649	36,611	1,544,739	789,330	3,460	785,870
Manufacturing.....	1,586,893	1,589,773	36,191	1,518,538	776,454	3,383	773,071
Food manufacturing.....	51,526	58,802	250	65,752	38,576	87	38,489
Beverage and tobacco product manufacturing.....	77,027	115,558	11,695	138,197	67,279	--	67,279
Petroleum and coal products manufacturing.....	99,892	212,365	4,609	245,054	132,895	79	132,816
Chemical manufacturing.....	201,142	245,814	6,123	227,574	137,907	846	137,061
Fabricated metal product manufacturing.....	18,627	33,736	701	39,279	25,767	26	25,741
Computer and electronic product manufacturing.....	146,801	130,891	2,857	191,331	77,382	1,426	75,956
Transportation equipment manufacturing.....	398,224	326,164	3,005	194,870	56,041	276	55,766
Distribution and transportation of goods.....	419,411	413,812	7,081	479,558	222,568	707	221,862
Wholesale trade.....	122,777	95,536	2,753	121,274	60,911	256	60,655
Wholesale trade, durable goods.....	49,014	34,748	668	44,918	22,601	23	22,578
Wholesale trade, nondurable goods.....	73,763	60,788	2,085	76,355	38,310	233	38,077
Retail trade.....	220,957	162,305	3,889	230,524	116,209	156	116,053
Information.....	262,897	576,471	6,210	540,202	85,763	657	85,105
Finance, insurance, real estate, and rental and leasing.....	4,417,997	3,376,871	16,770	1,305,749	757,069	81,542	675,527
Credit intermediation.....	1,612,215	712,920	927	241,962	114,494	2,729	111,765
Securities, commodity contracts, and other financial investments and related activities.....	1,767,013	322,779	10,906	216,998	141,984	1,665	140,319
Insurance carriers and related activities.....	974,653	2,287,089	4,401	813,007	491,471	77,103	414,368
Real estate.....	4,871	12,275	152	9,319	1,753	19	1,734
Professional and business services.....	3,925,418	763,758	3,878	771,578	287,079	1,772	285,307
Management of companies (holding companies).....	3,848,866	691,265	3,418	660,622	265,959	1,656	264,302

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Receipts					Dividends received from:	
	Total	Business receipts	Interest ²	Rents	Royalties	Domestic corporations	Foreign corporations
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All corporations.....	1,737,303	1,525,838	125,041	6,742	7,910	3,189	3,758
By age of corporations:							
Old corporations.....	1,522,128	1,333,635	112,349	6,032	7,195	2,373	2,924
New corporations.....	215,175	192,204	12,692	710	715	816	833
By selected industries: ¹							
Raw materials and energy production.....	28,950	25,491	1,200	39	118	5	106
Goods production.....	813,945	765,275	15,962	2,334	4,612	828	2,853
Manufacturing.....	794,035	746,662	15,562	2,180	4,574	819	2,844
Food manufacturing.....	51,055	46,240	1,437	100	763	3	177
Beverage and tobacco product manufacturing.....	22,965	19,605	416	25	928	23	141
Petroleum and coal products manufacturing.....	77,349	72,338	1,793	212	104	452	484
Chemical manufacturing.....	146,026	134,654	3,686	184	1,805	153	453
Fabricated metal product manufacturing.....	29,425	28,444	557	21	36	5	33
Computer and electronic product manufacturing.....	83,000	79,361	913	122	325	34	478
Transportation equipment manufacturing.....	192,813	181,340	4,243	1,306	74	110	725
Distribution and transportation of goods.....	537,720	517,589	6,143	1,364	1,172	97	304
Wholesale trade.....	434,584	418,756	5,002	846	876	69	286
Wholesale trade, durable goods.....	342,091	329,207	3,900	746	596	64	130
Wholesale trade, nondurable goods.....	92,494	89,549	1,102	100	280	5	156
Retail trade.....	81,222	78,269	525	376	248	23	16
Information.....	50,029	42,336	5,040	103	1,074	21	104
Finance, insurance, real estate, and rental and leasing.....	225,207	121,763	75,523	2,256	161	1,471	82
Credit intermediation.....	18,228	4,719	11,273	459	1	437	4
Securities, commodity contracts, and other financial investments and related activities.....	67,403	20,015	43,491	180	154	265	37
Insurance carriers and related activities.....	125,465	88,196	18,114	1,212	--	765	26
Real estate.....	5,122	2,778	549	398	--	--	--
Professional and business services.....	55,098	30,050	20,490	537	121	751	280
Management of companies (holding companies).....	28,167	4,733	20,020	492	51	729	235
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED							
All corporations.....	9,371,403	7,820,666	840,308	71,931	82,341	14,808	44,722
By age of corporations:							
Old corporations.....	8,815,392	7,314,814	813,056	70,429	79,229	14,343	42,873
New corporations.....	556,011	505,853	27,252	1,502	3,112	465	1,849
By selected industries: ¹							
Raw materials and energy production.....	541,021	509,773	9,823	2,821	538	382	1,579
Goods production.....	3,337,817	3,022,776	91,393	22,987	60,836	3,028	35,060
Manufacturing.....	3,221,289	2,910,443	90,453	22,541	60,773	3,009	35,014
Food manufacturing.....	239,099	229,997	2,016	378	1,811	74	1,882
Beverage and tobacco product manufacturing.....	158,383	140,177	3,496	1,826	3,347	251	2,539
Petroleum and coal products manufacturing.....	348,522	312,258	12,070	1,793	1,018	457	4,882
Chemical manufacturing.....	403,153	352,160	9,567	387	11,704	1,207	8,011
Fabricated metal product manufacturing.....	86,436	81,805	1,419	163	678	46	970
Computer and electronic product manufacturing.....	477,797	426,322	7,784	1,927	27,618	106	5,103
Transportation equipment manufacturing.....	547,928	487,505	22,259	13,847	6,492	111	3,070
Distribution and transportation of goods.....	2,157,360	2,086,249	18,554	5,637	5,500	427	2,043
Wholesale trade.....	686,952	668,393	3,846	1,154	1,682	167	1,323
Wholesale trade, durable goods.....	244,079	238,813	1,058	312	233	14	143
Wholesale trade, nondurable goods.....	442,873	429,580	2,788	842	1,449	153	1,180
Retail trade.....	1,179,909	1,139,975	10,480	2,762	3,654	155	637
Information.....	600,954	524,169	19,814	4,802	7,487	643	2,507
Finance, insurance, real estate, and rental and leasing.....	1,702,517	1,088,954	386,312	13,383	559	8,745	1,073
Credit intermediation.....	247,542	62,354	153,358	4,248	32	591	101
Securities, commodity contracts, and other financial investments and related activities.....	203,639	93,130	87,309	746	38	779	272
Insurance carriers and related activities.....	1,191,289	881,909	141,893	7,963	255	7,339	696
Real estate.....	9,603	7,159	486	156	72	16	--
Professional and business services.....	736,451	317,492	309,458	20,526	4,312	1,486	2,071
Management of companies (holding companies).....	481,502	79,014	305,236	20,150	356	1,422	1,392

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Deductions						
	Total	Cost of goods sold	Compensation of officers	Salaries and wages	Interest paid	Taxes paid	Depreciation
	(22)	(23)	(24)	(25)	(26)	(27)	(28)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All corporations.....	1,695,900	1,086,389	8,502	107,646	123,137	21,404	65,474
By age of corporations:							
Old corporations.....	1,485,332	952,681	7,543	91,413	107,691	18,779	54,687
New corporations.....	210,568	133,707	958	16,233	15,447	2,626	10,788
By selected industries: ¹							
Raw materials and energy production.....	28,230	15,770	102	1,497	1,692	794	2,007
Goods production.....	792,333	548,409	3,073	43,098	30,980	10,026	34,190
Manufacturing.....	772,680	532,461	2,909	42,252	30,619	9,829	33,884
Food manufacturing.....	49,985	32,297	143	2,466	2,784	625	1,231
Beverage and tobacco product manufacturing.....	22,270	10,021	115	1,542	1,071	359	1,421
Petroleum and coal products manufacturing.....	76,492	59,296	61	1,355	3,271	540	1,866
Chemical manufacturing.....	139,900	75,853	592	12,910	7,941	2,045	6,429
Fabricated metal product manufacturing.....	28,021	20,117	154	1,745	1,230	540	912
Computer and electronic product manufacturing.....	83,413	57,553	333	7,592	2,166	998	3,408
Transportation equipment manufacturing.....	187,684	144,307	531	4,171	6,006	1,800	11,387
Distribution and transportation of goods.....	531,496	411,765	1,502	26,380	12,002	4,844	18,469
Wholesale trade.....	429,517	347,683	1,111	14,783	9,327	3,081	15,884
Wholesale trade, durable goods.....	337,858	270,499	812	11,665	7,351	2,212	14,838
Wholesale trade, nondurable goods.....	91,660	77,185	299	3,118	1,976	869	1,046
Retail trade.....	80,492	55,125	291	8,117	1,785	1,241	1,722
Information.....	50,406	17,468	396	5,932	7,041	763	2,680
Finance, insurance, real estate, and rental and leasing.....	217,516	70,016	2,446	18,589	55,643	2,614	5,701
Credit intermediation.....	16,249	667	283	1,989	8,567	252	1,203
Securities, commodity contracts, and other financial investments and related activities.....	68,561	2,057	1,754	7,981	41,535	502	782
Insurance carriers and related activities.....	119,733	65,668	305	7,422	2,508	1,496	351
Real estate.....	4,095	501	70	597	809	279	353
Professional and business services.....	50,293	13,471	855	7,727	14,135	1,182	1,702
Management of companies (holding companies).....	24,027	189	566	2,798	13,227	373	1,079
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED							
All corporations.....	8,922,418	4,788,109	57,933	879,164	681,710	195,302	356,932
By age of corporations:							
Old corporations.....	8,384,282	4,495,536	54,777	819,284	649,332	182,173	335,661
New corporations.....	538,137	292,573	3,156	59,880	32,379	13,129	21,271
By selected industries: ¹							
Raw materials and energy production.....	510,689	311,803	1,920	18,630	33,263	21,690	34,158
Goods production.....	3,173,924	2,047,557	15,588	223,900	130,094	69,906	138,120
Manufacturing.....	3,061,423	1,957,223	14,482	218,839	128,565	68,413	136,829
Food manufacturing.....	229,487	163,048	920	12,408	5,411	2,518	5,313
Beverage and tobacco product manufacturing.....	145,681	63,015	565	11,847	8,000	11,189	5,800
Petroleum and coal products manufacturing.....	333,039	235,424	438	12,265	14,267	18,350	12,066
Chemical manufacturing.....	367,394	204,908	2,220	33,861	16,315	6,508	13,639
Fabricated metal product manufacturing.....	80,785	55,131	655	5,162	2,544	1,602	3,097
Computer and electronic product manufacturing.....	456,751	280,722	2,254	50,614	10,220	5,902	20,019
Transportation equipment manufacturing.....	533,407	370,055	1,360	24,544	22,380	6,870	34,052
Distribution and transportation of goods.....	2,103,006	1,444,535	7,652	224,936	36,749	35,673	49,836
Wholesale trade.....	675,508	559,021	2,778	37,210	9,848	6,256	10,001
Wholesale trade, durable goods.....	238,948	191,465	1,365	16,447	3,574	2,374	5,347
Wholesale trade, nondurable goods.....	436,560	367,556	1,413	20,763	6,275	3,882	4,654
Retail trade.....	1,147,784	816,038	3,643	125,157	17,647	18,431	21,168
Information.....	566,798	129,447	5,917	99,031	41,954	17,646	54,660
Finance, insurance, real estate, and rental and leasing.....	1,602,140	658,369	11,028	137,086	222,372	23,630	30,392
Credit intermediation.....	225,790	18,921	1,946	20,570	116,080	2,948	7,189
Securities, commodity contracts, and other financial investments and related activities.....	188,100	8,719	5,158	35,608	77,452	3,204	2,829
Insurance carriers and related activities.....	1,129,000	615,969	3,415	73,474	22,871	16,032	8,721
Real estate.....	9,637	2,191	192	1,876	795	294	320
Professional and business services.....	677,630	103,674	13,370	108,717	204,123	16,045	39,221
Management of companies (holding companies).....	432,829	3,302	9,680	54,695	197,994	8,144	32,097

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Total receipts less total deductions	Constructive taxable income from related foreign corporations	Net income (less deficit)	Net income	Deficit	Statutory special deductions	
						Total	Net operating loss deduction
	(29)	(30)	(31)	(32)	(33)	(34)	(35)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All corporations.....	41,403	1,855	42,501	64,123	21,622	12,649	9,472
By age of corporations:							
Old corporations.....	36,796	1,324	37,379	55,647	18,268	10,802	8,362
New corporations.....	4,607	531	5,122	8,477	3,355	1,847	1,110
By selected industries: ¹							
Raw materials and energy production.....	720	37	757	1,890	1,133	376	274
Goods production.....	21,612	1,242	22,829	30,811	7,982	5,515	4,098
Manufacturing.....	21,354	1,237	22,566	30,262	7,695	5,326	3,917
Food manufacturing.....	1,070	104	1,174	1,483	310	179	169
Beverage and tobacco product manufacturing.....	696	55	751	778	28	292	177
Petroleum and coal products manufacturing.....	857	201	1,058	1,428	370	465	108
Chemical manufacturing.....	6,126	265	6,383	7,340	957	762	443
Fabricated metal product manufacturing.....	1,404	17	1,420	1,561	141	143	131
Computer and electronic product manufacturing.....	-414	48	-372	2,604	2,976	774	612
Transportation equipment manufacturing.....	5,129	301	5,425	5,962	536	758	530
Distribution and transportation of goods.....	6,223	167	6,387	11,004	4,618	2,140	1,973
Wholesale trade.....	5,067	143	5,207	8,373	3,165	1,721	1,578
Wholesale trade, durable goods.....	4,233	94	4,326	6,624	2,298	1,353	1,272
Wholesale trade, nondurable goods.....	834	49	881	1,748	867	367	306
Retail trade.....	729	16	745	1,999	1,254	245	224
Information.....	-377	111	-291	1,357	1,648	468	452
Finance, insurance, real estate, and rental and leasing.....	7,690	58	7,214	12,312	5,097	2,404	1,578
Credit intermediation.....	1,979	6	1,950	2,068	118	594	245
Securities, commodity contracts, and other financial investments and related activities.....	-1,158	32	-1,155	2,257	3,412	440	255
Insurance carriers and related activities.....	5,732	15	5,291	6,504	1,213	640	351
Real estate.....	1,027	--	1,026	1,239	213	586	586
Professional and business services.....	4,806	208	4,844	5,599	754	1,374	737
Management of companies (holding companies).....	4,140	142	4,113	4,491	378	926	313
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED							
All corporations.....	448,985	49,907	479,084	567,377	88,293	39,850	20,553
By age of corporations:							
Old corporations.....	431,110	48,480	460,095	537,471	77,376	37,901	19,265
New corporations.....	17,875	1,427	18,989	29,906	10,917	1,949	1,288
By selected industries: ¹							
Raw materials and energy production.....	30,331	1,573	31,761	41,496	9,735	1,600	1,218
Goods production.....	163,893	36,902	199,031	221,539	22,508	18,546	7,719
Manufacturing.....	159,866	36,866	194,999	217,017	22,019	18,020	7,207
Food manufacturing.....	9,612	1,440	11,016	11,889	873	618	271
Beverage and tobacco product manufacturing.....	12,702	2,991	15,687	16,011	324	595	16
Petroleum and coal products manufacturing.....	15,483	3,845	19,288	20,242	954	527	50
Chemical manufacturing.....	35,759	8,789	44,495	46,473	1,978	4,129	1,307
Fabricated metal product manufacturing.....	5,651	596	6,234	6,755	521	522	352
Computer and electronic product manufacturing.....	21,047	6,851	27,501	34,986	7,485	3,217	1,087
Transportation equipment manufacturing.....	14,522	4,926	19,274	20,697	1,424	1,814	840
Distribution and transportation of goods.....	54,354	1,980	56,000	67,335	11,334	4,194	3,614
Wholesale trade.....	11,443	1,088	12,385	15,489	3,105	1,085	766
Wholesale trade, durable goods.....	5,131	104	5,202	6,919	1,716	326	229
Wholesale trade, nondurable goods.....	6,313	985	7,183	8,571	1,388	758	536
Retail trade.....	32,126	496	32,472	37,940	5,468	1,181	1,030
Information.....	34,156	2,458	35,880	57,422	21,542	3,284	2,085
Finance, insurance, real estate, and rental and leasing.....	100,377	4,468	92,064	103,048	10,984	7,799	3,253
Credit intermediation.....	21,752	371	20,430	23,580	3,150	1,796	1,381
Securities, commodity contracts, and other financial investments and related activities.....	15,539	1,789	16,302	16,491	190	718	217
Insurance carriers and related activities.....	62,289	2,291	54,535	60,755	6,220	4,950	1,351
Real estate.....	-34	11	-35	715	749	141	129
Professional and business services.....	58,820	2,198	57,072	62,989	5,917	3,115	1,417
Management of companies (holding companies).....	48,673	1,594	46,626	48,241	1,615	1,754	392

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Income subject to tax	Income tax before credits			Credits		Total income tax after credits
		Total	Income tax	Alternative minimum tax	Total	Foreign tax credit	
	(36)	(37)	(38)	(39)	(40)	(41)	(42)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS							
All corporations.....	52,103	18,777	18,182	586	2,856	1,654	15,921
By age of corporations:							
Old corporations.....	45,431	16,373	15,850	515	2,241	1,233	14,132
New corporations.....	6,673	2,404	2,332	71	615	421	1,789
By selected industries: ¹							
Raw materials and energy production.....	1,538	579	538	41	185	113	394
Goods production.....	25,820	9,310	9,009	299	1,787	1,049	7,523
Manufacturing.....	25,453	9,177	8,881	295	1,772	1,037	7,405
Food manufacturing.....	1,310	477	457	19	172	118	305
Beverage and tobacco product manufacturing.....	572	202	200	2	48	44	153
Petroleum and coal products manufacturing.....	1,258	461	440	21	313	253	148
Chemical manufacturing.....	6,615	2,354	2,312	42	360	147	1,994
Fabricated metal product manufacturing.....	1,419	499	495	4	27	11	472
Computer and electronic product manufacturing.....	1,894	697	662	35	70	23	627
Transportation equipment manufacturing.....	5,218	1,860	1,817	42	431	297	1,429
Distribution and transportation of goods.....	8,874	3,205	3,089	115	291	117	2,914
Wholesale trade.....	6,659	2,417	2,317	100	241	90	2,176
Wholesale trade, durable goods.....	5,276	1,922	1,837	85	172	45	1,750
Wholesale trade, nondurable goods.....	1,383	496	480	15	70	45	426
Retail trade.....	1,756	620	613	7	46	25	574
Information.....	892	334	311	23	45	38	289
Finance, insurance, real estate, and rental and leasing.....	9,965	3,570	3,484	80	279	148	3,291
Credit intermediation.....	1,475	518	515	3	21	6	497
Securities, commodity contracts, and other financial investments and related activities.....	1,837	648	641	1	111	107	537
Insurance carriers and related activities.....	5,900	2,079	2,064	14	126	35	1,953
Real estate.....	653	238	228	10	15	--	223
Professional and business services.....	4,232	1,491	1,479	12	237	165	1,254
Management of companies (holding companies).....	3,572	1,257	1,249	7	188	131	1,069
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED							
All corporations.....	529,030	187,083	184,882	2,318	45,646	35,239	141,437
By age of corporations:							
Old corporations.....	501,020	177,179	175,097	2,201	44,087	33,965	133,092
New corporations.....	28,010	9,904	9,785	117	1,559	1,274	8,345
By selected industries: ¹							
Raw materials and energy production.....	39,926	14,115	13,964	149	2,123	948	11,992
Goods production.....	203,590	71,927	71,164	880	31,189	25,658	40,738
Manufacturing.....	199,594	70,483	69,777	829	31,118	25,623	39,365
Food manufacturing.....	11,281	3,980	3,942	38	1,174	1,051	2,806
Beverage and tobacco product manufacturing.....	15,417	5,397	5,395	18	2,142	1,947	3,256
Petroleum and coal products manufacturing.....	19,755	6,915	6,913	9	4,528	4,015	2,387
Chemical manufacturing.....	42,389	14,931	14,825	106	7,504	5,347	7,427
Fabricated metal product manufacturing.....	6,245	2,206	2,177	30	603	578	1,602
Computer and electronic product manufacturing.....	32,036	11,363	11,203	158	5,624	4,813	5,739
Transportation equipment manufacturing.....	18,945	6,814	6,626	171	3,158	2,612	3,656
Distribution and transportation of goods.....	63,224	22,392	22,059	347	2,093	1,017	20,300
Wholesale trade.....	14,469	5,102	5,030	80	650	462	4,453
Wholesale trade, durable goods.....	6,605	2,299	2,292	11	65	46	2,234
Wholesale trade, nondurable goods.....	7,864	2,804	2,738	69	584	416	2,219
Retail trade.....	36,795	12,904	12,852	63	724	414	12,180
Information.....	54,308	19,156	18,980	179	1,977	1,560	17,179
Finance, insurance, real estate, and rental and leasing.....	95,805	33,977	33,534	436	4,029	2,892	29,948
Credit intermediation.....	21,787	7,735	7,664	67	527	197	7,208
Securities, commodity contracts, and other financial investments and related activities.....	15,763	5,530	5,511	19	1,453	1,268	4,077
Insurance carriers and related activities.....	56,361	20,009	19,703	304	2,001	1,423	18,008
Real estate.....	578	206	201	5	21	5	185
Professional and business services.....	59,931	21,165	20,904	256	3,543	2,681	17,622
Management of companies (holding companies).....	46,525	16,440	16,227	208	2,753	2,201	13,687

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Percentages					Total liabilities divided by net worth
	Number of returns with net income	Number of returns with total income tax after credits	Current liabilities	Noncurrent liabilities	Net worth	
	Divided by total number of returns		Divided by total assets			
	(43)	(44)	(45)	(46)	(47)	
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All corporations.....	70.30	71.08	47.24	28.40	24.36	310.53
By age of corporations:						
Old corporations.....	71.35	71.96	47.69	28.82	23.49	325.71
New corporations.....	61.85	63.87	44.01	25.40	30.59	226.90
By selected industries: ¹						
Raw materials and energy production.....	57.14	59.74	15.31	26.36	58.33	71.44
Goods production.....	71.08	72.99	36.32	26.32	37.36	167.68
Manufacturing.....	71.70	73.64	36.21	26.35	37.45	167.05
Food manufacturing.....	72.55	71.57	31.06	37.84	31.10	221.55
Beverage and tobacco product manufacturing.....	93.75	81.25	44.34	10.81	44.85	122.97
Petroleum and coal products manufacturing.....	93.75	93.75	40.85	11.78	47.37	111.12
Chemical manufacturing.....	74.55	80.61	28.85	36.88	34.27	191.80
Fabricated metal product manufacturing.....	75.86	79.31	16.91	29.87	53.21	87.92
Computer and electronic product manufacturing.....	50.45	50.45	37.86	29.86	32.29	209.70
Transportation equipment manufacturing.....	72.67	74.67	44.18	27.53	28.29	253.52
Distribution and transportation of goods.....	70.91	71.01	47.60	28.78	23.62	323.39
Wholesale trade.....	71.85	72.37	52.84	25.43	21.73	360.23
Wholesale trade, durable goods.....	72.56	72.56	54.84	24.48	20.68	383.45
Wholesale trade, nondurable goods.....	70.29	71.97	42.42	30.41	27.17	268.06
Retail trade.....	64.52	62.10	26.77	43.85	29.39	240.30
Information.....	59.42	62.32	15.42	48.67	35.90	178.51
Finance, insurance, real estate, and rental and leasing.....	71.95	71.95	57.12	30.70	12.18	720.75
Credit intermediation.....	83.72	82.56	69.48	21.66	8.86	1,028.63
Securities, commodity contracts, and other financial investments and related activities.....	61.80	62.92	87.59	8.62	3.79	2,540.78
Insurance carriers and related activities.....	76.74	76.74	17.32	60.47	22.21	350.20
Real estate.....	63.16	60.53	18.55	39.18	42.26	136.60
Professional and business services.....	69.68	67.02	70.90	13.29	15.81	532.70
Management of companies (holding companies).....	75.00	72.22	73.50	12.02	14.48	590.54
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED						
All corporations.....	76.29	76.93	46.31	31.60	22.09	352.67
By age of corporations:						
Old corporations.....	77.83	78.33	46.72	31.56	21.73	360.30
New corporations.....	62.65	64.52	38.04	32.51	29.44	239.65
By selected industries: ¹						
Raw materials and energy production.....	67.17	68.70	17.89	46.49	35.62	180.76
Goods production.....	75.31	76.13	33.87	33.75	32.37	208.90
Manufacturing.....	73.93	74.54	33.80	33.86	32.34	209.19
Food manufacturing.....	74.66	71.12	29.26	33.40	37.34	167.79
Beverage and tobacco product manufacturing.....	76.74	77.91	23.29	34.93	41.78	139.36
Petroleum and coal products manufacturing.....	75.86	74.14	17.92	38.11	43.97	127.42
Chemical manufacturing.....	75.26	76.66	29.82	36.44	33.74	196.40
Fabricated metal product manufacturing.....	77.04	79.87	20.33	36.81	42.86	133.31
Computer and electronic product manufacturing.....	66.45	66.67	31.30	27.91	40.79	145.14
Transportation equipment manufacturing.....	71.86	74.46	43.32	35.48	21.20	371.73
Distribution and transportation of goods.....	80.19	79.55	31.95	31.52	36.53	173.75
Wholesale trade.....	81.86	80.75	36.15	28.13	35.71	180.02
Wholesale trade, durable goods.....	82.08	81.05	38.09	27.00	34.91	186.48
Wholesale trade, nondurable goods.....	81.66	80.57	34.97	28.82	36.20	176.22
Retail trade.....	79.75	79.18	36.00	26.44	37.56	166.26
Information.....	54.56	57.25	19.06	41.79	39.16	155.38
Finance, insurance, real estate, and rental and leasing.....	77.40	79.21	48.55	37.11	14.35	596.97
Credit intermediation.....	87.69	88.07	62.80	27.77	9.43	960.95
Securities, commodity contracts, and other financial investments and related activities.....	74.75	74.26	76.60	13.99	9.41	963.05
Insurance carriers and related activities.....	72.43	75.27	23.92	56.13	19.95	401.19
Real estate.....	71.01	69.57	18.40	46.38	35.21	183.99
Professional and business services.....	86.39	86.62	71.88	13.99	14.13	607.74
Management of companies (holding companies).....	96.67	96.99	74.01	13.29	12.70	687.25

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Percentages--Continued					
	Total receipts divided by total assets	Cost of goods sold divided by business receipts	Interest paid divided by total receipts	Total receipts less total deductions divided by		
				Total assets	Net worth	Total receipts
	(49)	(50)	(51)	(52)	(53)	(54)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All corporations.....	47.09	71.20	7.09	1.12	4.61	2.38
By age of corporations:						
Old corporations.....	47.01	71.43	7.08	1.14	4.84	2.42
New corporations.....	47.68	69.57	7.18	1.02	3.34	2.14
By selected industries: ¹						
Raw materials and energy production.....	29.69	61.86	5.84	0.74	1.27	2.49
Goods production.....	68.05	71.66	3.81	1.81	4.84	2.66
Manufacturing.....	67.67	71.31	3.86	1.82	4.86	2.69
Food manufacturing.....	72.56	69.85	5.45	1.52	4.89	2.10
Beverage and tobacco product manufacturing.....	13.66	51.11	4.66	0.41	0.92	3.03
Petroleum and coal products manufacturing.....	40.25	81.97	4.23	0.45	0.94	1.11
Chemical manufacturing.....	66.44	56.33	5.44	2.79	8.13	4.20
Fabricated metal product manufacturing.....	49.64	70.72	4.18	2.37	4.45	4.77
Computer and electronic product manufacturing.....	96.19	72.52	2.61	-0.48	-1.49	-0.50
Transportation equipment manufacturing.....	104.02	79.58	3.11	2.77	9.78	2.66
Distribution and transportation of goods.....	157.45	79.55	2.23	1.82	7.71	1.16
Wholesale trade.....	158.61	83.03	2.15	1.85	8.51	1.17
Wholesale trade, durable goods.....	148.80	82.17	2.15	1.84	8.90	1.24
Wholesale trade, nondurable goods.....	209.75	86.19	2.14	1.89	6.96	0.90
Retail trade.....	177.06	70.43	2.20	1.59	5.41	0.90
Information.....	28.84	41.26	14.07	-0.22	-0.61	-0.75
Finance, insurance, real estate, and rental and leasing.....	15.23	57.50	24.71	0.52	4.27	3.41
Credit intermediation.....	9.27	14.13	47.00	1.01	11.36	10.86
Securities, commodity contracts, and other financial investments and related activities.....	9.84	10.28	61.62	-0.17	-4.47	-1.72
Insurance carriers and related activities.....	23.22	74.46	2.00	1.06	4.78	4.57
Real estate.....	20.05	18.03	15.79	4.02	9.51	20.05
Professional and business services.....	15.49	44.83	25.65	1.35	8.55	8.72
Management of companies (holding companies).....	8.62	3.99	46.96	1.27	8.75	14.70
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED						
All corporations.....	39.72	61.22	7.27	1.90	8.62	4.79
By age of corporations:						
Old corporations.....	39.23	61.46	7.37	1.92	8.83	4.89
New corporations.....	49.70	57.84	5.82	1.60	5.43	3.21
By selected industries: ¹						
Raw materials and energy production.....	44.14	61.17	6.15	2.47	6.95	5.61
Goods production.....	69.95	67.74	3.90	3.43	10.61	4.91
Manufacturing.....	68.61	67.25	3.99	3.40	10.53	4.96
Food manufacturing.....	135.79	70.89	2.26	5.46	14.62	4.02
Beverage and tobacco product manufacturing.....	47.88	44.95	5.05	3.84	9.19	8.02
Petroleum and coal products manufacturing.....	62.54	75.39	4.09	2.78	6.32	4.44
Chemical manufacturing.....	59.77	58.19	4.05	5.30	15.71	8.87
Fabricated metal product manufacturing.....	94.32	67.39	2.94	6.17	14.39	6.54
Computer and electronic product manufacturing.....	101.87	65.85	2.14	4.49	11.00	4.41
Transportation equipment manufacturing.....	59.61	75.91	4.08	1.58	7.45	2.65
Distribution and transportation of goods.....	164.34	69.24	1.70	4.14	11.33	2.52
Wholesale trade.....	202.29	83.64	1.43	3.37	9.44	1.67
Wholesale trade, durable goods.....	189.68	80.17	1.46	3.99	11.42	2.10
Wholesale trade, nondurable goods.....	209.99	85.56	1.42	2.99	8.27	1.43
Retail trade.....	192.23	71.58	1.50	5.23	13.94	2.72
Information.....	43.56	24.70	6.98	2.48	6.32	5.68
Finance, insurance, real estate, and rental and leasing.....	18.71	60.46	13.06	1.10	7.69	5.90
Credit intermediation.....	9.64	30.34	46.89	0.85	8.99	8.79
Securities, commodity contracts, and other financial investments and related activities.....	8.83	9.36	38.03	0.67	7.16	7.63
Insurance carriers and related activities.....	29.24	69.84	1.92	1.53	7.66	5.23
Real estate.....	36.28	30.60	8.28	-0.13	-0.36	-0.35
Professional and business services.....	13.49	32.65	27.72	1.08	7.62	7.99
Management of companies (holding companies).....	9.26	4.18	41.12	0.94	7.37	10.11

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Percentages--Continued			
	Net income (less deficit) divided by			Net operating loss deduction divided by net income
	Total assets	Net worth	Total receipts	
(55)	(56)	(57)	(58)	
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS				
All corporations.....	1.15	4.73	2.45	14.77
By age of corporations:				
Old corporations.....	1.15	4.91	2.46	15.03
New corporations.....	1.13	3.71	2.38	13.09
By selected industries: ¹				
Raw materials and energy production.....	0.78	1.33	2.61	14.50
Goods production.....	1.91	5.11	2.80	13.30
Manufacturing.....	1.92	5.14	2.84	12.94
Food manufacturing.....	1.67	5.37	2.30	11.40
Beverage and tobacco product manufacturing.....	0.45	1.00	3.27	22.75
Petroleum and coal products manufacturing.....	0.55	1.16	1.37	7.56
Chemical manufacturing.....	2.90	8.48	4.37	6.04
Fabricated metal product manufacturing.....	2.40	4.50	4.83	8.39
Computer and electronic product manufacturing.....	-0.43	-1.34	-0.45	23.50
Transportation equipment manufacturing.....	2.93	10.35	2.81	8.89
Distribution and transportation of goods.....	1.87	7.92	1.19	17.93
Wholesale trade.....	1.90	8.75	1.20	18.85
Wholesale trade, durable goods.....	1.88	9.10	1.26	19.20
Wholesale trade, nondurable goods.....	2.00	7.35	0.95	17.51
Retail trade.....	1.62	5.53	0.92	11.21
Information.....	-0.17	-0.47	-0.58	33.31
Finance, insurance, real estate, and rental and leasing.....	0.49	4.00	3.20	12.82
Credit intermediation.....	0.99	11.19	10.70	11.85
Securities, commodity contracts, and other financial investments and related activities.....	-0.17	-4.45	-1.71	11.30
Insurance carriers and related activities.....	0.98	4.41	4.22	5.40
Real estate.....	4.02	9.50	20.03	47.30
Professional and business services.....	1.36	8.61	8.79	13.16
Management of companies (holding companies).....	1.26	8.69	14.60	6.97
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED				
All corporations.....	2.03	9.19	5.11	3.62
By age of corporations:				
Old corporations.....	2.05	9.42	5.22	3.58
New corporations.....	1.70	5.76	3.42	4.31
By selected industries: ¹				
Raw materials and energy production.....	2.59	7.28	5.87	2.94
Goods production.....	4.17	12.88	5.96	3.48
Manufacturing.....	4.15	12.84	6.05	3.32
Food manufacturing.....	6.26	16.75	4.61	2.28
Beverage and tobacco product manufacturing.....	4.74	11.35	9.90	0.10
Petroleum and coal products manufacturing.....	3.46	7.87	5.53	0.25
Chemical manufacturing.....	6.60	19.55	11.04	2.81
Fabricated metal product manufacturing.....	6.80	15.87	7.21	5.21
Computer and electronic product manufacturing.....	5.86	14.37	5.76	3.11
Transportation equipment manufacturing.....	2.10	9.89	3.52	4.06
Distribution and transportation of goods.....	4.27	11.68	2.60	5.37
Wholesale trade.....	3.65	10.21	1.80	4.95
Wholesale trade, durable goods.....	4.04	11.58	2.13	3.31
Wholesale trade, nondurable goods.....	3.41	9.41	1.62	6.25
Retail trade.....	5.29	14.09	2.75	2.71
Information.....	2.60	6.64	5.97	3.63
Finance, insurance, real estate, and rental and leasing.....	1.01	7.05	5.41	3.16
Credit intermediation.....	0.80	8.44	8.25	5.86
Securities, commodity contracts, and other financial investments and related activities.....	0.71	7.51	8.01	1.32
Insurance carriers and related activities.....	1.34	6.71	4.58	2.22
Real estate.....	-0.13	-0.38	-0.36	18.04
Professional and business services.....	1.05	7.40	7.75	2.25
Management of companies (holding companies).....	0.90	7.06	9.68	0.81

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Control status, age, and selected industries	Percentages--Continued					
	Income subject to tax divided by			Total income tax after credits divided by		
	Total assets	Net worth	Total receipts	Total assets	Net worth	Total receipts
	(59)	(60)	(61)	(62)	(63)	(64)
FOREIGN-CONTROLLED DOMESTIC CORPORATIONS						
All corporations.....	1.41	5.80	3.00	0.43	1.77	0.92
By age of corporations:						
Old corporations.....	1.40	5.97	2.98	0.44	1.86	0.93
New corporations.....	1.48	4.83	3.10	0.40	1.30	0.83
By selected industries: ¹						
Raw materials and energy production.....	1.58	2.70	5.31	0.40	0.69	1.36
Goods production.....	2.16	5.78	3.17	0.63	1.68	0.92
Manufacturing.....	2.17	5.79	3.21	0.63	1.69	0.93
Food manufacturing.....	1.86	5.99	2.57	0.43	1.39	0.60
Beverage and tobacco product manufacturing.....	0.34	0.76	2.49	0.09	0.20	0.67
Petroleum and coal products manufacturing.....	0.65	1.38	1.63	0.08	0.16	0.19
Chemical manufacturing.....	3.01	8.78	4.53	0.91	2.65	1.37
Fabricated metal product manufacturing.....	2.39	4.50	4.82	0.80	1.50	1.60
Computer and electronic product manufacturing.....	2.20	6.80	2.28	0.73	2.25	0.76
Transportation equipment manufacturing.....	2.82	9.95	2.71	0.77	2.73	0.74
Distribution and transportation of goods.....	2.60	11.00	1.65	0.85	3.61	0.54
Wholesale trade.....	2.43	11.18	1.53	0.79	3.65	0.50
Wholesale trade, durable goods.....	2.29	11.09	1.54	0.76	3.68	0.51
Wholesale trade, nondurable goods.....	3.14	11.54	1.50	0.97	3.56	0.46
Retail trade.....	3.83	13.03	2.16	1.25	4.26	0.71
Information.....	0.51	1.43	1.78	0.17	0.46	0.58
Finance, insurance, real estate, and rental and leasing.....	0.67	5.53	4.42	0.22	1.83	1.46
Credit intermediation.....	0.75	8.46	8.09	0.25	2.85	2.73
Securities, commodity contracts, and other financial investments and related activities.....	0.27	7.08	2.73	0.08	2.07	0.80
Insurance carriers and related activities.....	1.09	4.92	4.70	0.36	1.63	1.56
Real estate.....	2.56	6.05	12.75	0.87	2.07	4.35
Professional and business services.....	1.19	7.53	7.68	0.35	2.23	2.28
Management of companies (holding companies).....	1.09	7.55	12.68	0.33	2.26	3.80
DOMESTIC CORPORATIONS NOT FOREIGN CONTROLLED						
All corporations.....	2.24	10.15	5.65	0.60	2.71	1.51
By age of corporations:						
Old corporations.....	2.23	10.26	5.68	0.59	2.73	1.51
New corporations.....	2.50	8.50	5.04	0.75	2.53	1.50
By selected industries: ¹						
Raw materials and energy production.....	3.26	9.15	7.38	0.98	2.75	2.22
Goods production.....	4.27	13.18	6.10	0.85	2.64	1.22
Manufacturing.....	4.25	13.14	6.20	0.84	2.59	1.22
Food manufacturing.....	6.41	17.16	4.72	1.59	4.27	1.17
Beverage and tobacco product manufacturing.....	4.66	11.16	9.73	0.98	2.36	2.06
Petroleum and coal products manufacturing.....	3.54	8.06	5.67	0.43	0.97	0.68
Chemical manufacturing.....	6.28	18.63	10.51	1.10	3.26	1.84
Fabricated metal product manufacturing.....	6.81	15.90	7.22	1.75	4.08	1.85
Computer and electronic product manufacturing.....	6.83	16.74	6.70	1.22	3.00	1.20
Transportation equipment manufacturing.....	2.06	9.72	3.46	0.40	1.88	0.67
Distribution and transportation of goods.....	4.82	13.18	2.93	1.55	4.23	0.94
Wholesale trade.....	4.26	11.93	2.11	1.31	3.67	0.65
Wholesale trade, durable goods.....	5.13	14.70	2.71	1.74	4.97	0.92
Wholesale trade, nondurable goods.....	3.73	10.30	1.78	1.05	2.91	0.50
Retail trade.....	5.99	15.96	3.12	1.98	5.28	1.03
Information.....	3.94	10.05	9.04	1.25	3.18	2.86
Finance, insurance, real estate, and rental and leasing.....	1.05	7.34	5.63	0.33	2.29	1.76
Credit intermediation.....	0.85	9.00	8.80	0.28	2.98	2.91
Securities, commodity contracts, and other financial investments and related activities.....	0.68	7.26	7.74	0.18	1.88	2.00
Insurance carriers and related activities.....	1.38	6.93	4.73	0.44	2.21	1.51
Real estate.....	2.18	6.20	6.02	0.70	1.99	1.93
Professional and business services.....	1.10	7.77	8.14	0.32	2.28	2.39
Management of companies (holding companies).....	0.89	7.04	9.66	0.26	2.07	2.84

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 4.--"Large" Foreign-Controlled Domestic Corporations Compared to Other "Large" Domestic Corporations: Selected Items and Percentages, by Age of Corporations and Selected North American Industry Classification System Industries--Continued

[Money amounts are in millions of dollars]

Footnotes

¹ Selected industries shown in this table may include sub-industries that are not specifically listed in the table.

² Excludes interest received on State and local Government obligations, which totaled \$19.8 billion for large domestic corporations not foreign-controlled, and \$0.8 billion for large foreign-controlled domestic corporations.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts were used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data excludes Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). "New" corporations were those with dates of incorporation between 1996 and 1999; "old" corporations were those with dates of incorporation prior to 1996, or with unknown dates of incorporation. Percentages were calculated using rounded data. Detail may not add to totals because of rounding.

Foreign-Controlled Domestic Corporations, 1998

Table 5.--"Large" Domestic Corporations: Selected Percentages, by Control Status, Age of Corporations, and Selected North American Industry Classification System Industries

Selected industries and age of corporations	Net income (less deficit) divided by total receipts			Total income tax after credits divided by total receipts		
	Foreign-controlled domestic corporations	Domestic corporations not foreign controlled	Control group with largest percentage	Foreign-controlled domestic corporations	Domestic corporations not foreign controlled	Control group with largest percentage
	(1)	(2)	(3)	(4)	(5)	(6)
All industries.....	2.45	5.11	ODC	0.92	1.51	ODC
Old corporations.....	2.46	5.22	ODC	0.93	1.51	ODC
New corporations.....	2.38	3.42	ODC	0.83	1.50	ODC
Selected industries: 1						
Raw materials and energy production.....	2.61	5.87	ODC	1.36	2.22	ODC
Old corporations.....	3.67	5.73	ODC	1.41	2.18	ODC
New corporations.....	-4.36	6.96	ODC	1.05	2.51	ODC
Goods production.....	2.80	5.96	ODC	0.92	1.22	ODC
Old corporations.....	2.82	6.07	ODC	0.94	1.23	ODC
New corporations.....	2.66	3.54	ODC	0.80	0.93	ODC
Manufacturing.....	2.84	6.05	ODC	0.93	1.22	ODC
Old corporations.....	2.86	6.17	ODC	0.95	1.24	ODC
New corporations.....	2.70	3.29	ODC	0.80	0.80	SAME
Food manufacturing.....	2.30	4.61	ODC	0.60	1.17	ODC
Old corporations.....	2.35	4.77	ODC	0.59	1.20	ODC
New corporations.....	1.43	0.66	FCDC	0.81	0.57	FCDC
Beverage and tobacco product manufacturing.....	3.27	9.90	ODC	0.67	2.06	ODC
Old corporations.....	3.49	8.81	ODC	0.68	2.04	ODC
New corporations.....	-3.62	23.09	ODC	0.14	2.30	ODC
Petroleum and coal products manufacturing.....	1.37	5.53	ODC	0.19	0.68	ODC
Old corporations.....	1.21	5.53	ODC	0.18	0.68	ODC
New corporations.....	2.17	5.29	ODC	0.25	1.48	ODC
Chemical manufacturing.....	4.37	11.04	ODC	1.37	1.84	ODC
Old corporations.....	4.53	11.25	ODC	1.43	1.87	ODC
New corporations.....	2.13	4.12	ODC	0.52	0.97	ODC
Fabricated metal product manufacturing.....	4.83	7.21	ODC	1.60	1.85	ODC
Old corporations.....	5.07	7.51	ODC	1.68	1.89	ODC
New corporations.....	3.48	1.64	FCDC	1.16	1.16	SAME
Computer and electronic product manufacturing.....	-0.45	5.76	ODC	0.76	1.20	ODC
Old corporations.....	0.45	6.24	ODC	0.82	1.29	ODC
New corporations.....	-9.71	1.11	ODC	0.11	0.30	ODC
Transportation equipment manufacturing.....	2.81	3.52	ODC	0.74	0.67	FCDC
Old corporations.....	2.47	3.55	ODC	0.77	0.67	FCDC
New corporations.....	7.63	1.63	FCDC	0.33	0.74	ODC
Distribution and transportation of goods.....	1.19	2.60	ODC	0.54	0.94	ODC
Old corporations.....	1.07	2.64	ODC	0.52	0.94	ODC
New corporations.....	1.86	2.13	ODC	0.64	0.98	ODC
Wholesale trade.....	1.20	1.80	ODC	0.50	0.65	ODC
Old corporations.....	1.04	1.79	ODC	0.47	0.64	ODC
New corporations.....	2.23	1.94	FCDC	0.71	0.83	ODC
Wholesale trade, durable goods.....	1.26	2.13	ODC	0.51	0.92	ODC
Old corporations.....	1.11	2.18	ODC	0.48	0.93	ODC
New corporations.....	2.15	1.57	FCDC	0.66	0.78	ODC
Wholesale trade, nondurable goods.....	0.95	1.62	ODC	0.46	0.50	ODC
Old corporations.....	0.82	1.59	ODC	0.42	0.48	ODC
New corporations.....	2.93	2.23	FCDC	1.11	0.87	FCDC
Retail trade.....	0.92	2.75	ODC	0.71	1.03	ODC
Old corporations.....	1.00	2.83	ODC	0.84	1.05	ODC
New corporations.....	0.71	1.98	ODC	0.36	0.89	ODC
Information.....	-0.58	5.97	ODC	0.58	2.86	ODC
Old corporations.....	-0.67	6.42	ODC	0.60	2.89	ODC
New corporations.....	-0.18	-3.24	FCDC	0.47	2.25	ODC
Finance, insurance, real estate, and rental and leasing.....	3.20	5.41	ODC	1.46	1.76	ODC
Old corporations.....	3.00	5.41	ODC	1.42	1.74	ODC
New corporations.....	5.92	5.27	FCDC	1.96	2.27	ODC
Credit intermediation.....	10.70	8.25	FCDC	2.73	2.91	ODC
Old corporations.....	9.40	8.16	FCDC	2.90	2.84	FCDC
New corporations.....	16.22	9.56	FCDC	1.99	3.88	ODC

Footnotes at end of table.

Foreign-Controlled Domestic Corporations, 1998

Table 5.--"Large" Domestic Corporations: Selected Percentages, by Control Status, Age of Corporations, and Selected North American Industry Classification System Industries--Continued

Selected industries and age of corporations	Net income (less deficit) divided by total receipts			Total income tax after credits divided by total receipts		
	Foreign-controlled domestic corporations	Domestic corporations not foreign controlled	Control group with largest percentage	Foreign-controlled domestic corporations	Domestic corporations not foreign controlled	Control group with largest percentage
	(1)	(2)	(3)	(4)	(5)	(6)
Finance, insurance, real estate, and rental and leasing--continued						
Securities, commodity contracts, and other financial investments and related activities.....	-1.71	8.01	ODC	0.80	2.00	ODC
Old corporations.....	-2.44	8.00	ODC	0.62	1.98	ODC
New corporations.....	2.55	8.37	ODC	1.82	3.06	ODC
Insurance carriers and related activities.....	4.22	4.58	ODC	1.56	1.51	FCDC
Old corporations.....	4.16	4.60	ODC	1.54	1.52	FCDC
New corporations.....	8.01	3.07	FCDC	2.93	1.23	FCDC
Real estate.....	20.03	-0.36	FCDC	4.35	1.93	FCDC
Old corporations.....	21.23	-3.96	FCDC	4.45	1.68	FCDC
New corporations.....	-37.14	7.78	ODC	0.00	2.48	ODC
Professional and business services.....	8.79	7.75	FCDC	2.28	2.39	ODC
Old corporations.....	9.30	7.63	FCDC	2.35	2.32	FCDC
New corporations.....	5.51	9.99	ODC	1.77	3.78	ODC
Management of companies (holding companies).....	14.60	9.68	FCDC	3.80	2.84	FCDC
Old corporations.....	14.99	9.31	FCDC	3.85	2.71	FCDC
New corporations.....	11.61	24.85	ODC	3.33	8.37	ODC

¹ Selected industries shown in this table may include sub-industries that are not specifically listed in the table.

NOTES: "Large" corporations are those with total assets of \$250,000,000 or more, and/or with business receipts of \$50,000,000 or more (total receipts were used in lieu of business receipts for the finance and insurance, and management of companies sectors). Data excludes Forms 1120-REIT (real estate investment trusts), 1120-RIC (regulated investment companies), and 1120S (S corporations). "New" corporations were those with dates of incorporation between 1996 and 1999; "old" corporations were those with dates of incorporation prior to 1996, or with unknown dates of incorporation. "FCDC" is the abbreviation for foreign-controlled domestic corporations; "ODC" is the abbreviation for domestic corporations that were not foreign controlled. Percentages were calculated using rounded data.