

Foreign Controlled Domestic Corporations, Tax Year 2018



Foreign Controlled Domestic Corporations (FCDCs) are U.S. corporations that have a single foreign entity that owns, directly or indirectly, at least 50 percent of the total voting power of all classes of the corporation's stock entitled to vote or the total value of all classes of the corporation's stock. These corporations file tax returns primarily on Form 1120, *U.S. Corporation Income Tax Return*. Answers to Question 7 on Schedule K of that tax form are used to identify the FCDCs. A small number of FCDCs file tax returns on Forms 1120-L (life insurance companies), 1120-PC (property and casualty insurance companies), 1120-REIT (real estate investment trusts), or 1120-RIC (regulated investment companies). FCDCs cannot file Forms 1120-F (foreign corporations with U.S. effectively connected income of a trade or business) or 1120S (electing S corporations).

Data for Tax Year 2018 are based on returns with accounting periods that ended between July 2018 and June 2019. The data are for returns of "active" corporations, i.e., those that reported any income or deductions. The data are estimates based on a probability sample stratified by form type, size of total assets, and size of "proceeds" (a measure of income). For 2018, there were nearly 15,000 unaudited tax returns selected from 130,000 returns of active domestic corporations controlled by a foreign entity.

Foreign-Controlled Domestic Corporations (FCDCs) as a Percentage of All Corporations: Selected Items for Tax Year 2018

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

Item	All corporation returns	Forms 1120S	All other corporation forms			
			Total	FCDCs		
				Total	FCDCs as a percentage of all corporation returns	FCDCs as a percentage of all non-Forms 1120S
(1)	(2)	(3)	(4)	(5)	(6)	
Number of returns, total	6,442,134	4,874,996	1,567,138	129,612	2.0	8.3
Number with net income [1]	4,017,829	3,232,450	785,379	52,599	1.3	6.7
Total assets	108,504,835	4,504,690	104,000,145	14,994,224	13.8	14.4
Total receipts	35,179,610	8,388,959	26,790,651	6,405,042	18.2	23.9
Net income (less deficit) [1]	3,391,380	488,812	2,902,568	240,033	7.1	8.3
Net income [1]	3,953,987	596,405	3,357,582	370,461	9.4	11.0
Deficit [1]	-562,606	-107,593	-455,013	-130,427	23.2	28.7
Income subject to tax	1,956,679	N/A	N/A	246,990	12.6	N/A
Total income tax after credits	244,687	145	244,542	37,559	15.3	15.4

N/A—Not available.

[1] For Forms 1120S, net income or loss from a trade or business.

SOURCE: IRS, Statistics of Income Division, Foreign-Controlled Domestic Corporations Study, January 2022.

FCDC Highlights for Tax Year 2018

- The nearly 130,000 FCDC returns reported \$15.0 trillion of assets and \$6.4 trillion of receipts. FCDCs comprised just 2.0 percent of all corporate returns, but accounted for 13.8 percent of the total corporate assets and 18.2 percent of all corporate receipts.
- Some 52,600 FCDCs reported amounts of net income (profits), totaling \$370 billion. Conversely, 77,000 FCDCs reported losses totaling \$130 billion.
- The profitable companies reported \$247.0 billion of taxable income (after statutory special deductions) and \$37.6 billion of total income tax after credits.
- Manufacturers accounted for the most receipts, \$2.9 trillion. Wholesalers produced \$1.5 trillion of receipts.
- FCDCs with Japanese owners accounted for the most receipts, \$1.0 trillion. FCDCs with owners from the Netherlands and the United Kingdom each produced \$0.9 trillion of receipts.
- Older companies (those with dates of incorporation before 2016) accounted for 71.4 percent of all FCDC returns and 95.6 percent of all FCDC receipts.



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