

An Analysis of Select Large Nonfinancial Corporations with Total Assets Greater Than \$2.5 Billion, Tax Years 1998-2002

Data Release

Large corporations have a significant impact on the national economy. To get a better understanding of the magnitude of that impact, data were collected on a select group of corporations over a 5-year period, Tax Years 1998 through 2002. The data show that a very small group of corporations holds a large portion of assets, collects a significant amount of receipts from operations and investments, and is responsible for a substantial share of the corporate tax revenues collected by the U.S. Government.

For the sample, a group was first selected consisting of corporations whose end-of-year assets were classified in the highest asset class published by the Statistics of Income Division, those with \$2.5 billion or more in end-of-year total assets. Since the financial structures of financial firms differ considerably from the structures of nonfinancial firms, focus shifted solely to nonfinancial corporations, those directly involved in the production and trade of goods, as well as providing services. Additionally, in order to select the very largest corporations, the yearly sample median for total receipts was determined. Returns with reported total receipts lower than the median were excluded. All money amounts were computed in current dollars.

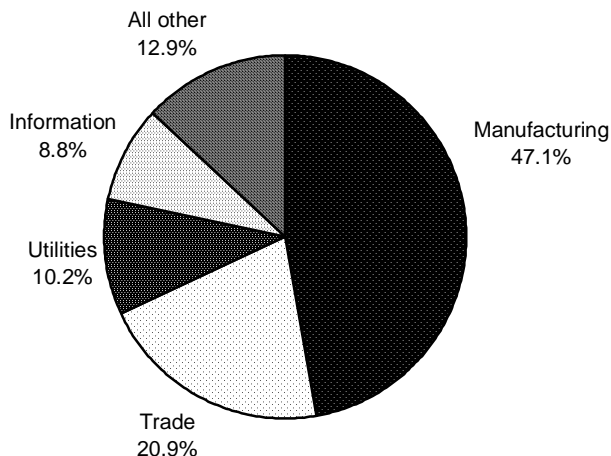
The number of returns meeting these qualifications ranged from a low of 324 in Tax Year 1998 to a high of 382 in Tax Year 2000, representing less than 0.01 percent of all returns filed (Table 1). Over the 5-year period, the sample included a total of 518 corporations. Of these, there are 229 corporations present in the sample in all 5 years, while 86 corporations appear only once in the data. The majority of the corporations included in this sample are consolidated returns [1].

A significant number of these large nonfinancial corporations were classified in the manufacturing sector [2]. On average, 171 of these corporations were manufacturers, representing 47.1 percent of large nonfinancial returns (Figure A). This is in marked contrast to the number of manufacturers as a percentage of all corporations. In Tax Year 2002, corporations classified in the manufacturing sector

This data release was prepared by Heather R. Duffy, an economist with the Corporation Returns Analysis Section, under the direction of Marty Harris, Chief.

Figure A

Average Distribution of Selected Large Nonfinancial Corporation Returns, by Industrial Sector, Tax Years 1998-2002



NOTE: Detail does not add to 100 percent because of rounding.

represented just 5.3 percent of all returns [3]. The next highest number of large nonfinancial corporations was in the wholesale and retail trade sector. Wholesale and retail trade returns accounted for an average of 76, or 20.9 percent, of the large nonfinancial corporations. This is comparable to the percentage for all corporations, where wholesale and retail trade returns amounted to 18.3 percent of all returns in Tax Year 2002.

These large nonfinancial corporations, despite representing such a small percentage of corporate returns, account for an average of 20.5 percent of total assets of all returns, and 54.1 percent of total assets of all nonfinancial returns. The average amount of total assets held by this group of large, nonfinancial corporations has increased from 1998 to 2002 by 32.9 percent. Over the same time period, the average assets for all nonfinancial corporations and all corporations increased by 23.2 percent and 24.3 percent, respectively. More than half of the total assets of large nonfinancial corporations were reported in the manufacturing sector.

This select group of corporations accounted for an average of 29.0 percent of total receipts of all corporations. Overall, corporations reported in-

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creases in total receipts through Tax Year 2000, but receipts declined for 2001 and continued declining for 2002. Large nonfinancial corporations did not show declines in total receipts until Tax Year 2002. The decreases in total receipts for Tax Year 2002 were driven by a large decline in the amount of receipts reported in the Utilities sector.

Large nonfinancial corporations accounted for an increasing share of capital gain net income, with a slight decline in share for 2002. The amounts reported for this group of corporations fluctuated greatly, with a low of \$24.6 billion for 2002 and a high of \$68.6 billion for 2000. By the end of the period, Tax Year 2002, large nonfinancial corporations accounted for 27.1 percent of capital gain net income for all corporations.

By far, the largest deduction item for large nonfinancial corporations was cost of goods sold. Throughout the period, cost of goods sold consistently accounted for more than 60 percent of total deductions. Most of the deductions for cost of goods sold reported by large nonfinancial corporations were in the manufacturing and trade sectors.

Pretax corporate profits, shown in the tables as net income (less deficit), increased steadily from 1998 through 2000 before experiencing a decline for 2001 that continued for 2002 (Figure B). During the analysis period, large nonfinancial corporations accounted for an average of 31.6 percent of pretax profits for all corporations. Large nonfinancial corporations reported sharper declines than corporations as a whole. This group of corporations reported an average decline in pretax corporate profits of 53.2 percent from Tax Year 2000 to Tax Year 2002. Average pretax profits for all corporations fell 41.8 percent for the same period. Large nonfinancial corporations accounted for approximately half of the total decrease in pretax profits for all returns. The number of large nonfinancial corporations reporting positive pretax profits decreased starting for Tax Year 2001 and continued to decline for 2002. The number of large nonfinancial corporations reporting a deficit, or negative pretax profits, held steady for 1998 and 1999, and has increased for every other tax year in the period.

Large nonfinancial corporations were responsible for widely varying proportions of net operating loss deductions of all corporations, ranging from 11.6 percent for 1998 to 47.7 percent for 2000. In gen-

eral, net operating loss (NOL) deductions, as defined in these statistics, include a portion of net losses from prior-year returns (excluding those of S corporations whose deficits were allocated to their shareholders for the year in which they occurred) [4]. Therefore, since NOL deductions can only be taken against positive net income, the higher amounts were taken in years when net income was higher and could offset prior-year losses.

Income subject to tax for large nonfinancial corporations grew from Tax Year 1998 through Tax Year 2000, before showing significant declines starting in Tax Year 2001, following the pattern of all corporations. These large nonfinancial corporations were responsible for a relatively stable percentage of income subject to tax for all corporations, averaging 39.7 percent during the period, ranging from a low of \$223.4 billion for 2002 to a high of \$326.1 billion for 2000.

Large nonfinancial corporations reported the majority of total tax credits for all corporations. On average, these corporations claimed 62.2 percent of credits claimed by all corporations. The majority of these tax credits were reported by large nonfinancial corporations in the manufacturing sector, which accounted for an average of 81.7 percent of credits for large nonfinancial returns and 50.9 percent of all returns. The foreign tax credit is responsible for an average of 83.4 percent of credits claimed by large nonfinancial corporations during the period, and these corporations claimed an average of 67.9 percent of the total foreign tax credit for all corporations.

Income tax after credits is the amount paid to the United States Government. The amount of income tax paid by large nonfinancial corporations was consistent with amounts reported for income subject to tax, rising in the beginning of the analysis period and then dropping off starting in Tax Year 2001. On average, large nonfinancial corporations were responsible for slightly more than one-third of income tax after credits reported by all corporations. These large nonfinancial returns also accounted for a large portion of alternative minimum tax (AMT) reported by all corporations. These corporations were liable for an average of 34.2 percent of the AMT paid by all corporations. For each tax year of the period, a higher percentage of large nonfinancial corporations with net income had tax liability when compared with all corporations. On average, 64.5 percent of all nonfinancial corporations with net income (excluding

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passthrough entities) had income tax liability, while 97.3 percent of large nonfinancial corporations with net income reported a tax liability [5].

Data Sources and Limitations

Estimates for Tax Years 1998-2002 are based on samples of corporation income tax returns with accounting periods ending July of one year through June of the following year. For example, Tax Year 2002 includes accounting periods of July 2002 through June 2003. A stratified probability sample was used to produce the statistics. Returns in the sample group of large nonfinancial corporations were sampled at a 100-percent rate, and the coefficient of variation is zero.

Footnotes

- [1] Since financial returns were excluded from this analysis, corporations filing forms 1120-L, 1120-PC, 1120-REIT, and 1120-RIC were not included. Some corporations filing Forms 1120-L and/or 1120-PC were included if they were filed as part of a consolidation under section 1504(C) of the Internal Revenue Code, with a nonfinancial parent company. Corporations filing Forms 1120A and 1120F did not meet the financial requirements.
- [2] The primary business activity of large nonfinancial corporations is based on the business activity that produces the largest amount of total receipts.

- [3] Detail for individual years is available in Statistics of Income, *Corporation Source Book*, Publication 1053.
- [4] The Job Creation and Worker Assistance Act of 2002 allowed net operating losses for taxable years ending 2001 and 2002 to be carried back to reduce any taxes paid for 5 years previous to the loss. The act also allowed net operating losses arising in or carried forward to taxable years ending in 2001 and 2002 to offset 100 percent (from 90 percent) of a taxpayer's Alternative Minimum Taxable Income (AMTI). For other tax years, net operating losses could have been carried back to reduce any taxes paid in the 2 years previous to the loss year, and any remaining amounts could be carried forward 20 years to reduce income subject to tax. The statistics for net operating losses represent only amounts carried forward from prior years and applied to reduce taxable income of the current year.
- [5] Passthrough entities are regulated investment companies (filing Form 1120-RIC), real estate investment trusts (filing Form 1120-REIT), and S corporations (filing Form 1120-S). These corporations pass through allocated profits and losses to their shareholders and, in general, pay no Federal income tax directly.

SOURCE: IRS, Statistics of Income Bulletin, Fall 2005, Publication 1136. (Rev. 12-05.)

An Analysis of Select Large Nonfinancial Corporations with Total Assets Greater Than \$2.5 Billion, Tax Years 1998-2002

Table 1.--Returns of Selected Large Nonfinancial Corporations, All Nonfinancial Corporations, and All Active Corporations

[All money amounts, except cutoff for total receipts, are in thousands of dollars]

Tax year	Number of returns			Cutoff for total receipts (whole dollars)
	Large nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations	
	(1)	(2)	(3)	(4)
1998.....	324	4,848,888	0.007	4,230,360,014
1999.....	357	4,935,904	0.007	3,886,246,623
2000.....	382	5,045,274	0.008	3,811,223,967
2001.....	378	5,135,591	0.007	3,714,904,956
2002.....	374	5,266,607	0.007	3,753,286,197

Tax year	Total receipts			Large nonfinancial corporations' percentage of all corporations
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	
	(5)	(6)	(7)	(8)
1998.....	4,529,682,603	14,415,444,839	17,323,955,004	26.15
1999.....	5,105,499,450	15,365,722,693	18,892,385,693	27.02
2000.....	6,203,408,405	16,996,815,123	20,605,808,070	30.11
2001.....	6,282,385,334	16,863,123,503	20,272,957,624	30.99
2002.....	5,985,006,877	16,454,054,972	19,749,426,052	30.30

Tax year	Total assets			Large nonfinancial corporations' percentage of all corporations
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	
	(9)	(10)	(11)	(12)
1998.....	6,882,142,090	14,006,184,599	37,347,352,986	18.43
1999.....	8,124,470,809	15,703,522,075	41,464,152,853	19.59
2000.....	10,118,010,564	18,296,791,781	47,026,871,874	21.52
2001.....	10,580,897,992	18,708,674,012	49,154,424,202	21.53
2002.....	10,558,161,593	18,737,190,229	50,413,501,942	20.94

Tax year	Total liabilities (net of shareholders' equity) ¹			Large nonfinancial corporations' percentage of all corporations
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	
	(13)	(14)	(15)	(16)
1998.....	4,542,414,628	9,210,910,454	24,239,077,750	18.74
1999.....	5,261,945,274	10,218,236,603	26,101,291,858	20.16
2000.....	6,482,716,148	11,694,435,745	29,678,221,505	21.84
2001.....	6,629,650,225	12,039,360,036	31,539,681,028	21.02
2002.....	6,811,717,801	12,097,431,742	32,868,392,767	20.72

Tax year	Net worth			Large nonfinancial corporations' percentage of all corporations
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	
	(17)	(18)	(19)	(20)
1998.....	2,339,727,462	4,795,274,145	13,108,275,236	17.85
1999.....	2,862,525,535	5,485,285,472	15,362,860,995	18.63
2000.....	3,635,294,416	6,602,356,036	17,348,650,369	20.95
2001.....	3,951,247,767	6,669,313,976	17,614,743,174	22.43
2002.....	3,746,443,792	6,639,758,487	17,545,109,175	21.35

Footnotes at end of table.

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Table 1.--Returns of Selected Large Nonfinancial Corporations, All Nonfinancial Corporations, and All Active Corporations--Continued

[All money amounts, except cutoff for total receipts, are in thousands of dollars]

Tax year	Capital gain net income			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(21)	(22)	(23)	(24)
1998.....	28,337,713	74,521,490	162,315,026	17.46
1999.....	58,802,604	108,543,527	241,433,552	24.36
2000.....	68,555,289	126,027,819	258,761,885	26.49
2001.....	44,098,769	83,645,388	138,213,791	31.91
2002.....	24,591,127	55,874,061	90,921,898	27.05

Tax year	Net income			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(25)	(26)	(27)	(28)
1998.....	258,401,575	712,042,651	1,091,150,050	23.68
1999.....	309,601,910	772,353,145	1,229,295,910	25.19
2000.....	365,018,798	830,154,139	1,336,619,605	27.31
2001.....	279,468,373	694,349,600	1,112,480,550	25.12
2002.....	245,575,051	654,087,870	1,053,126,217	23.32

Tax year	Deficit			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(29)	(30)	(31)	(32)
1998.....	17,697,071	215,724,374	252,926,459	7.00
1999.....	18,972,361	262,163,427	300,340,383	6.32
2000.....	28,673,632	359,854,446	409,094,087	7.01
2001.....	82,571,919	442,084,606	508,857,198	16.23
2002.....	91,299,014	422,016,344	489,469,659	18.65

Tax year	Net income (less deficit)			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(33)	(34)	(35)	(36)
1998.....	240,704,504	496,318,277	838,223,591	28.72
1999.....	290,629,548	510,189,718	928,955,527	31.29
2000.....	336,345,166	470,299,693	927,525,517	36.26
2001.....	196,896,454	252,264,994	603,623,352	32.62
2002.....	154,276,037	232,071,526	563,656,558	27.37

Tax year	Net operating loss deduction			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(37)	(38)	(39)	(40)
1998.....	6,117,024	45,669,249	52,678,450	11.61
1999.....	16,803,796	54,676,740	64,928,288	25.88
2000.....	36,831,313	67,682,764	77,196,579	47.71
2001.....	12,436,099	51,182,418	60,514,064	20.55
2002.....	17,870,100	55,705,437	65,800,288	27.16

Footnotes at end of table.

An Analysis of Select Large Nonfinancial Corporations with Total Assets Greater Than \$2.5 Billion, Tax Years 1998-2002

Table 1.--Returns of Selected Large Nonfinancial Corporations, All Nonfinancial Corporations, and All Active Corporations--Continued

[All money amounts, except cutoff for total receipts, are in thousands of dollars]

Tax year	Income subject to tax			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(41)	(42)	(43)	(44)
1998.....	243,231,919	493,301,149	663,385,528	36.67
1999.....	276,948,095	522,459,892	693,735,694	39.92
2000.....	326,113,443	560,847,824	760,404,334	42.89
2001.....	260,233,608	444,358,053	635,257,416	40.97
2002.....	223,424,659	396,640,718	600,553,516	37.20

Tax year	Total credits			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(45)	(46)	(47)	(48)
1998.....	29,828,822	42,344,248	49,854,525	59.83
1999.....	28,932,752	39,927,204	48,959,947	59.09
2000.....	40,271,597	50,513,072	62,238,012	64.71
2001.....	34,772,991	44,004,525	54,162,256	64.20
2002.....	35,069,871	44,772,229	56,078,260	62.54

Tax year	Alternative minimum tax			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(49)	(50)	(51)	(52)
1998.....	886,552	2,630,592	3,324,799	26.66
1999.....	840,484	2,293,979	3,051,869	27.54
2000.....	1,789,874	3,065,477	3,874,845	46.19
2001.....	416,780	1,056,652	1,800,595	23.15
2002.....	1,055,116	1,563,730	2,532,224	41.67

Tax year	Income tax after credits ²			
	Large nonfinancial corporations	All nonfinancial corporations	All corporations	Large nonfinancial corporations' percentage of all corporations
	(53)	(54)	(55)	(56)
1998.....	56,053,182	129,126,841	181,545,146	30.88
1999.....	68,743,899	141,608,231	193,027,641	35.61
2000.....	75,571,371	145,358,784	204,043,788	37.04
2001.....	56,541,836	109,265,893	166,711,988	33.92
2002.....	44,121,763	92,606,819	153,612,870	28.72

¹ Total liabilities (net of shareholders' equity) is calculated by subtracting net worth from total assets.

² Income tax after credits includes amounts paid for alternative minimum tax.

NOTES: Active corporations are those that reported any income or deduction items. Selected large nonfinancial corporations are those with \$2.5 billion or more in year-end total assets and with total receipts equal to or greater than the dollar amounts shown in column 4 (i.e., the median value for total receipts of the nonfinancial corporations with at least \$2.5 billion of assets).