

This report presents statistical estimates based on a stratified sample of approximately 135,000 unaudited returns selected from the nearly 5.4 million active corporate returns filed for Tax Year 2003 (defined to include accounting periods ending July 2003 through June 2004).

The report is divided into 6 sections. Section 1 provides statistics summarizing overall corporate activity for Tax Year 2003. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2002. Section 3 describes in detail the sample of income tax returns upon which the statistics are based, as well as the method of estimation used, the sampling variability of the data, and other limitations.

Section 4 presents basic tables that contain detailed statistics on 2003 assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data. These statistics are presented by industry, asset size, business receipts size, tax form type, accounting period ended, and other selected classifiers. Section 5 contains detailed explanations of the terms used in this report. In most instances, the explanations include definitions of terms used, as well as adjustments made in preparing the statistics and any limitations inherent in the data. Section 6 consists of the key corporation tax return forms.

The industry classification used in this report is based on the North American Industry Classification System (NAICS), which replaced the Standard Industrial Classification (SIC) system used in years prior to 1998. For this Statistics of Income report, the data are listed under 22 industrial sectors, 82 major industries, and 200 minor industries. Table 1 which begins on page 19, presents selected financial data for all minor industries.

Since 2001, corporations classified with assets of \$250 million or more are reported in three separate categories: \$250 million under \$500 million; \$500 million under \$2.5 billion and \$2.5 billion or more. In addition, corporations previously classified in the \$1

under \$100,000; \$100,000 under \$250,000; and \$250,000 under \$500,000 ranges are now grouped under one category, \$1 under \$500,000.

The statistics in this publication present data primarily by major industries, sectors, return types, and specific categories. The statistics in the 2003 *Corporation Source Book of Statistics of Income* differ from this report by providing data by minor industry and size of total assets for balance sheet, income statement, tax, and selected other items.

Overall Corporate Summary

Figure A presents corporation summary statistics for Tax Years 2002 and 2003 for number of returns, total assets, total receipts, net income (less deficit), income subject to tax, total income tax before credits, and total income tax after credits.

The number of active corporate tax returns filed for Tax Year 2003 increased by approximately 2.6 percent for a second year in a row. Starting with Tax Year 2003 corporations that met certain criteria could electronically file their tax return; approximately 43,000 corporate tax filers elected to do so. Total assets reached an all-time high of \$53.6 trillion, an increase of approximately 6.4 percent from Tax Year 2002. This increase was mainly found in the Finance and Insurance sector, which increased from \$21.9 trillion to \$24.3 trillion, an increase of nearly 11 percent; and in the Manufacturing sector, which reported an increase in assets from \$8.2 trillion to \$8.8 trillion, a 7.6 percent gain. The largest decrease in total assets was in the Information sector, which reported a decline in assets from \$3.0 trillion to \$2.7 trillion, a drop of nearly 10.1 percent. Total receipts from operations and investments increased from \$19.7 trillion to \$20.7 trillion, an increase of 4.8 percent. This increase was primarily reflected in business receipts which increased by 5.6 percent from \$17.3 trillion to \$18.3 trillion. Two sectors, Manufacturing and Retail Trade, accounted for 62.8 percent of the increase in total receipts and approximately 58.3 percent of the increase in business receipts. Total receipts for the Manufacturing sector rose from \$5.2 trillion to \$5.6 trillion in 2003, an increase of 7.3 percent; while business receipts rose from \$4.8 trillion to \$5.2 trillion, or 7.7 percent. The Retail Trade sector experienced an increase of nearly 7 percent in total receipts, from \$2.9 trillion to \$3.1 trillion; while business receipts increased from \$2.8 trillion to \$3.0 trillion, an increase of approximately 6.8 percent.

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2003 Corporation Returns- Introduction

Total deductions rose from \$19.2 trillion to \$19.9 trillion, an increase of 3.9 percent. Cost of goods sold, the largest component of total deductions, grew from \$10.6 trillion to \$11.3 trillion in 2003, an increase of 6.7 percent. Corporate pre-tax profits, or net income (less deficit) rose for all companies by 38.4 percent, from \$563.7 billion to \$780.0 billion, reversing a three year trend (Figure B). Pre-tax profits increased from \$258.7 billion to \$455.4 billion or 76.0 percent when excluding pass-through entities. Income subject to tax (the tax base), grew during 2003 from \$600.6 billion to \$699.3 billion, an increase of 16.4 percent. Total income tax before credits increased from \$209.7 billion to \$243.8 billion, an increase of 16.3 percent. Income tax increased 16.5 percent during tax year 2003, from \$207.1 billion to \$241.3 billion. Total income tax

after credits, the amount paid to the U.S. Government, increased by \$23.9 billion from \$153.6 billion to \$177.5 billion.

From the 5.4 million active corporations for Tax Year 2003, approximately 3.4 million were pass-through entities. These pass-through entities include: regulated investment companies (RIC's), real estate investment trust (REIT's) and S corporations [1]. These entities pay little or no Federal income tax at the corporate level. Instead they are required by law to pass any profits or losses to their shareholders, where they are taxed at the individual rate. Pretax profits of pass-through entities, mirrored the increase seen by all corporations rising 6.4 percent or \$19.6 billion during 2003 (Figure C).

Figure A. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Assets Tax Years 2002 and 2003

(All figures are estimates based on samples--money amounts are in thousands of dollars and size of total assets are in whole dollars)

Year and size of total assets	Number of returns	Total assets	Total receipts	Net income (less deficit) [1]	Income subject to tax [2]	Total income tax before credits [3]	Total income tax after credits [4]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2002							
Total.....	5,266,607	50,413,501,942	19,749,426,052	563,656,558	600,553,517	209,691,130	153,612,870
Zero assets.....	589,768	-	281,776,726	-14,548,382	8,045,175	2,567,994	2,310,982
\$1 under \$500,000.....	3,825,530	377,820,614	1,608,972,468	41,734,405	8,071,605	1,488,170	1,453,139
\$500,000 under \$1,000,000.....	344,464	241,844,969	560,261,340	7,029,441	3,745,018	866,634	842,492
\$1,000,000 under \$5,000,000.....	369,682	774,819,400	1,576,839,937	17,801,498	11,749,521	3,490,308	3,377,404
\$5,000,000 under \$10,000,000.....	57,408	400,625,809	794,809,984	8,429,533	6,413,168	2,153,213	2,072,958
\$10,000,000 under \$25,000,000.....	36,819	566,602,509	995,457,502	4,805,044	9,357,856	3,196,467	3,007,177
\$25,000,000 under \$50,000,000.....	13,904	488,146,307	623,629,326	5,527,357	8,640,050	2,969,155	2,773,517
\$50,000,000 under \$100,000,000.....	9,344	662,743,268	578,155,173	5,781,520	10,090,301	3,470,413	3,198,358
\$100,000,000 under \$250,000,000.....	8,595	1,375,040,653	792,357,083	10,110,897	21,072,294	7,357,334	6,523,866
\$250,000,000 under \$500,000,000.....	4,226	1,533,982,557	701,765,257	16,452,094	21,581,483	7,599,490	6,717,384
\$500,000,000 under \$2,500,000,000.....	4,958	5,812,702,679	2,382,382,008	83,007,982	86,938,117	30,756,990	25,657,174
\$2,500,000,000 or more.....	1,909	38,179,173,178	8,853,019,246	377,525,169	404,848,929	143,774,963	95,678,419
2003							
Total.....	5,401,237	53,644,784,683	20,689,574,291	779,988,635	699,336,915	243,822,946	177,517,404
Zero assets.....	624,831	-	300,726,539	-7,979,840	7,476,075	2,267,366	1,987,447
\$1 under \$500,000.....	3,919,683	381,822,206	1,697,464,066	51,152,674	8,158,942	1,467,798	1,435,410
\$500,000 under \$1,000,000.....	342,834	239,855,647	569,189,486	10,034,210	3,541,277	810,658	784,941
\$1,000,000 under \$5,000,000.....	373,594	787,028,937	1,583,428,099	21,795,732	10,482,370	3,081,358	2,994,245
\$5,000,000 under \$10,000,000.....	58,714	406,240,732	826,753,046	8,633,188	6,239,638	2,120,100	2,044,527
\$10,000,000 under \$25,000,000.....	37,740	580,132,432	1,047,236,202	12,546,263	9,033,720	3,106,784	2,940,646
\$25,000,000 under \$50,000,000.....	14,086	494,318,716	656,355,817	9,320,845	8,208,384	2,838,263	2,676,827
\$50,000,000 under \$100,000,000.....	9,278	656,251,194	589,938,931	9,238,686	10,320,740	3,597,478	3,297,301
\$100,000,000 under \$250,000,000.....	8,734	1,401,825,135	821,904,279	20,778,842	20,869,774	7,334,262	6,516,081
\$250,000,000 under \$500,000,000.....	4,396	1,570,472,919	692,852,439	19,710,160	21,729,591	7,632,227	6,696,138
\$500,000,000 under \$2,500,000,000.....	5,329	6,517,082,890	2,628,829,844	105,103,934	105,746,461	37,729,599	30,901,287
\$2,500,000,000 or more.....	2,018	40,609,753,876	9,274,895,543	519,653,941	487,529,942	171,837,056	115,242,555

[1] Includes taxable income before net operating loss deduction and special deductions.

[2] Includes taxable income less net operating loss deduction and special deductions.

[3] Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax; excess net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from Schedule J, line 3b (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

[4] Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax credits and qualified zone academy bond credits.

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

2003 Corporation Returns- Introduction

Figure B.-- Corporate Pretax Profits by North American Industry Classification System (NAICS) Sector, Tax Years 2002 and 2003

[Money amounts are in thousands of dollars]

Industrial sector	Pre-tax Profits [1],[2]			
	2002	2003	Difference	Percentage change
	(1)	(2)	(3)	(4)
All industries.....	563,656,558	779,988,635	216,332,077	38.38%
Agriculture, forestry, fishing, and hunting.....	-587,571	1,332,547	1,920,118	326.79%
Mining.....	1,344,239	10,683,846	9,339,607	694.79%
Utilities.....	-1,046,609	-4,728,496	-3,681,887	-351.79%
Construction.....	28,357,934	29,368,117	1,010,183	3.56%
Manufacturing.....	119,275,059	186,085,821	66,810,762	56.01%
Wholesale and retail trade.....	87,018,582	108,098,908	21,080,326	24.23%
Wholesale trade.....	36,882,622	46,641,900	9,759,278	26.46%
Retail trade.....	50,127,065	61,562,333	11,435,268	22.81%
Wholesale and retail trade not allocable.....	8,895	-105,324	-114,219	-1284.08%
Transportation and warehousing.....	-8,648,139	1,608,015	10,256,154	118.59%
Information.....	-33,996,597	-3,996,010	30,000,587	88.25%
Finance and insurance.....	247,012,845	303,014,325	56,001,480	22.67%
Real estate and rental and leasing.....	3,253,378	6,062,925	2,809,547	86.36%
Professional, scientific, and technical services.....	2,463,356	9,277,744	6,814,388	276.63%
Management of companies (holding companies).....	84,572,187	93,462,818	8,890,631	10.51%
Administrative and support, and waste management and remediation services.....	5,036,076	7,194,381	2,158,305	42.86%
Educational services.....	1,005,660	1,457,306	451,646	44.91%
Health care and social assistance.....	16,631,149	18,630,604	1,999,455	12.02%
Arts, entertainment, and recreation.....	852,149	1,227,441	375,292	44.04%
Accommodation and food services.....	8,033,793	7,157,592	-876,201	-10.91%
Other services.....	3,094,837	4,062,491	967,654	31.27%
Not allocable.....	-15,770	-11,740	4,030	25.55%

[1] Pretax profits are net income (less deficit) in the statistics.

[2] Excludes net long-term capital gain reduced by net short-term capital loss of regulated investment companies and portfolio income (including capital gains) for S corporations (qualifying corporations electing to be taxed through their shareholders).

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

The remaining 2.0 million returns reported total receipts of \$16.2 trillion, an increase of 3.8 percent from 2002 to 2003. During the same time period, income subject to tax increased from \$ 599.6 billion to \$698.3 billion, a 15.6 percent increase; while total income tax after credits increased 15.5 percent from 153.2 billion to 177.0 billion. Excluding the pass-through entities [2], approximately 1 million corporations reported net income for Tax Year 2003 and 66.2 percent of those corporations had a tax liability, compared to 22.5 percent of all corporations with net income.

The number of returns with total assets of \$2.5 billion or more represented only 0.04 percent of the total number of returns, but 75.7 percent of total assets. These 2,018 returns for 2003 accounted for 44.8 percent of the total receipts; 66.6 percent of net income (less deficit); 69.7 percent of income subject to tax; 70.5 percent of total income tax before credits; and 64.9 percent of total income tax after credits. Roughly 62.2 percent of all returns with net income and total assets greater than \$2.5 billion, an increase of 1.8 percent, had a tax liability for 2003.

2003 Corporation Returns- Introduction

Activities Covered

The estimates in this report encompass corporate business activities in the United States, as well as certain foreign activities as reported on returns of domestic corporations, and foreign corporations with U.S. business activities. The term domestic corporation refers to companies incorporated in the United States, but does not necessarily imply that all their activities are domestic. For instance, data for a U.S. corporation conducting business abroad through foreign subsidiaries may include dividends remitted from those subsidiaries and, to a certain extent, their undistributed earnings. The effect of foreign activity on the statistics varies by type of industry and by size of assets. Income from foreign activity is reflected to a greater extent in manufacturing industries than other industries. Also, foreign activity is almost entirely concentrated among returns with assets of \$250 million or more [3]. For foreign corporations (defined as those incorporated abroad) engaged in trade or business in the United States, only income that was considered effectively connected with the conduct of a trade or business in the United States was included in the statistics; any investment income from U.S. sources was excluded from the data. Most foreign corporations are concentrated in the "Finance and Insurance" and "Real Estate and Rental and Leasing" sectors. Other foreign corporations, incorporated abroad and not engaged in trade or business in the U.S., were liable for tax only on investment income from U.S. sources, and these returns were excluded from this report.

Section 6012 of the Internal Revenue Code requires that all corporations in existence at any time during the tax year file returns, regardless of whether they had income or not. This applied to active and inactive domestic corporations, unless they were

expressly exempt from filing, as well as to active foreign corporations with insufficient taxes withheld at the source to satisfy their U.S. tax liability on income earned in the United States. However, inactive corporations have been excluded from these statistics. See Section 3 for more information on the sample.

In addition to legally defined corporations, the Internal Revenue Code recognized many types of businesses as corporations including: joint stock companies and unincorporated associations (such as business trusts, savings and loan associations, certain partnerships, mutual savings banks, and cooperative banks). These organizations possess characteristics typical of the corporate form, such as continuity of life, centralization of management apart from ownership, limited liability of owners, and transferability of shares of capital ownership.

Time Period Employed

The estimates in this report are based on data from returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ending during the span of months July 2003 through June 2004. This span, in effect, defines the tax year in such a way that the noncalendar year accounting periods are centered at the calendar year ended in December.

There are 12 accounting periods covered in this report. Code section 441 specified that, in general, a taxpayer's accounting period ends on the last day of the month. There is a span of 23 months between the first-included accounting period, which began on August 1, 2002, and closed on July 31, 2003, and the end of the last-included accounting period, which began on July 1, 2003, and closed on June 30,

Figure C. -- Pretax profits and Pretax profits with certain Inclusions for All Corporations, Regulated Investment Companies, and S Corporations, Tax Years 2002 and 2003

[Money amounts are in thousands of dollars]

Item	Tax Year	All Corporations	Regulated Investment Companies	S Corporations
Pretax profits [1].....	2003	779,988,635	111,896,953	171,574,616
	2002	563,656,558	115,112,535	150,611,468
Pretax profits with certain inclusions [2].....	2003	842,310,337	132,111,491	213,681,780
	2002	608,908,437	127,496,949	183,478,933

[1] Pretax profits are net income (less deficit) in the statistics.

[2] The inclusions to pre-tax profits are: net long-term capital gain reduced by net short-term capital loss for regulated investment companies and investment, rental, and portfolio income (including capital gains) for S corporations. The amounts listed under "All Corporations" include both aforementioned items.

2003 Corporation Returns- Introduction

2004. This report, therefore, shows income received or expenses incurred during any or all of the months in the 23-month span. For balance sheet items, the report shows a corporation's position only at the end of its accounting period. Corporations were required by Code section 441 to file returns for the accounting period customarily used in keeping their books.

Figure D shows that calendar year returns made up 84.9 percent of the number of returns and 75.6 percent of net income (less deficit) for 2003. In addition, these returns accounted for 76.9 percent of the total assets, 74.2 percent of the total receipts, 76.5 percent of the income subject to tax, 76.8 percent of the total income tax before credits, and

74.7 percent of total income tax after credits. Corporations were usually required to file within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of an additional 6 months. In addition to returns with accounting periods that spanned 12 months, the total number of active corporations includes returns with accounting periods of shorter duration. Such returns are referred to as part-year returns and were filed, for the most part, by continuing corporations changing their accounting periods, corporations in existence less than 12 months, merging corporations, and liquidating corporations.

Figure D. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, and Total Income Tax After Credits, by Ending Accounting Period for Tax Year 2003

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

Ending Accounting Period [1]	Number of returns	Total assets	Total receipts	Net income (less deficit) [2]	Income subject to tax [3]	Total income tax before credits [4]	Total income tax after credit [5]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	5,401,237	53,644,784,683	20,689,574,291	779,988,635	699,336,915	243,822,946	177,517,404
December 2003.....	4,584,859	41,261,980,968	15,347,522,499	589,554,677	535,101,770	187,347,451	132,534,068
Noncalendar Year Total.....	816,377	12,382,803,715	5,342,051,791	190,433,958	164,235,145	56,475,495	44,983,335
July 2003.....	47,769	689,766,911	193,413,009	3,707,457	3,833,607	1,277,824	1,031,856
August 2003.....	50,263	934,988,123	252,124,192	10,552,691	7,163,977	2,447,006	2,207,174
September 2003.....	162,805	1,609,176,170	926,359,077	19,805,902	19,804,907	6,759,817	5,356,945
October 2003.....	72,200	1,469,162,793	376,538,063	20,824,942	8,743,959	3,034,732	1,976,261
November 2003.....	36,748	1,978,923,481	197,979,704	14,593,449	13,713,172	4,910,814	3,254,840
January 2004.....	46,227	870,983,780	969,731,373	36,477,733	36,034,514	12,553,327	11,942,299
February 2004.....	36,231	337,644,413	213,142,193	4,535,211	3,952,349	1,344,284	1,235,056
March 2004.....	104,751	1,926,577,340	873,945,911	19,016,950	17,697,085	5,760,002	5,034,942
April 2004.....	48,873	442,352,832	193,337,381	9,299,789	5,176,704	1,756,311	1,360,248
May 2004.....	46,610	541,623,364	298,062,978	14,899,499	11,678,817	4,036,093	2,700,715
June 2004.....	163,901	1,581,604,509	847,417,909	36,720,335	36,436,056	12,595,286	8,882,999

[1] Includes full and part-year returns.

[2] Includes taxable income before net operating loss deduction and special deductions.

[3] Includes taxable income less net operating loss deduction and special deductions.

[4] Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax, excessive net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from Schedule J, line 3b (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

[5] Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax and qualified zone academy bond credits.

Notes: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Notes and References

[1] For more detailed information on S corporations, see Luttrell, Kelly, "S Corporation Returns, 2003," *Statistics of Income Bulletin*, Volume 25, Number 4, Spring 2006, pp. 91 - 165.

[2] Includes returns filed on Forms 1120, 1120-A, 1120-F, 1120-L and 1120-PC.

[3] For more detailed information, see Masters and Oh, "Controlled Foreign Corporations, 2002," *Statistics of Income Bulletin*, Volume 25, Number 4, Spring 2006, pp. 193 - 232.