

This report presents statistical estimates based on a stratified sample of approximately 106,000 unaudited returns selected from the nearly 5.9 million active corporate returns filed for Tax Year 2007 (defined to include accounting periods ending July 2007 through June 2008).

The report is divided into 6 sections. Section 1 provides statistics summarizing overall corporate activity for Tax Year 2007. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2006. 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 tables containing detailed statistics on assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data for 2007. This section also includes data on Form 1120S returns, unless specifically excluded by table. Form 1120S data are also shown separately toward the end of the section. 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, 81 major industries, and 196 minor industries. Table 1 which begins on page 19, presents selected financial data for all minor industries.

The statistics in this publication present data primarily by major industries, sectors, return types, and specific categories. The statistics in the *2007 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.

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Overall Corporate Summary

Figure A presents corporation summary statistics for Tax Years 2006 and 2007 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 2007 increased by approximately 0.5 percent over the previous tax year. In Tax Year 2005, approximately 550,000 corporations filed their taxes electronically. This figure increased to 875,000 for Tax Year 2006 and has reached an all-time high of 1,253,000 for Tax Year 2007. This is an increase of 43 percent from 2006 and an increase of 128 percent in the last two years.

The **total assets** reported for active corporations increased approximately 11.5 percent from Tax Year 2006 to \$81.5 trillion. The largest net increase was in the Finance and Insurance sector, which increased from \$34.7 trillion to \$39.5 trillion, or 13.58 percent. The largest percent change of 81.51 percent was in the Real Estate, Rental, and Leasing sector, which recorded an increase in total assets of \$654 billion.

The **total receipts** from operations and investments increased from \$27.4 trillion to \$28.8 trillion, an increase of 4.97 percent. This increase was primarily reflected in business receipts which increased by 3.89 percent from \$23.3 trillion to \$24.2 trillion. Finance and Insurance, and Manufacturing accounted for 46.95 percent of the increase in total receipts and approximately 33.54 percent of the increase in business receipts. The Finance and Insurance sector experienced an increase of 10.33 percent in total receipts, from \$3.7 trillion to \$4.1 trillion; while business receipts increased from \$1.9 to \$2 trillion, an increase of approximately 3.65 percent.

Overall **total deductions** rose from \$25.5 trillion to \$27 trillion, an increase of 5.77 percent. Since 2005, the total amount of total deductions reported on active corporate returns has increased 14.24 percent. Cost of goods sold, a component of total deductions, grew from \$14.8 trillion to \$15.5 trillion in 2007, an increase of 4.82 percent.

Corporate **pre-tax profits**, also known as net income (less deficit), changed for the aggregate by -5.0 percent, from \$1.93 trillion to \$1.84 trillion (Figure B). When excluding pass-through entities from the total, pre-tax profits decreased from \$1.25 trillion to \$1.06 trillion or -14.99 percent.

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Income subject to tax (the tax base), shrank from \$1.29 trillion in 2006 to \$1.25 trillion in 2007, a decrease of 3.3 percent. Total income tax before credits decreased from \$453.1 billion to \$437.1 billion, a decrease of 3.5 percent. Income tax decreased 3.7 percent from Tax Year 2006 to 2007, a decrease from \$450.2 billion to \$433.5 billion. Total income tax after credits, the amount paid to the U.S. Government, decreased by \$21.7 billion or 6.2 percent from \$353.1 billion to \$331.4 billion.

From the 5.9 million active corporations for Tax Year 2007, approximately 4.0 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. Despite a decrease in pretax profits for all corporations, pass-through entities showed an increase in pretax profits of 13.2 percent or \$90.5 billion during 2007 (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 2006 and 2007

(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)
2006							
Total.....	5,840,799	73,080,647,385	27,401,873,714	1,933,374,450	1,291,430,767	453,082,065	353,083,862
Zero assets.....	979,169	-	535,489,918	28,763,225	17,500,365	5,653,680	5,399,348
\$1 under \$500,000.....	3,889,550	394,394,777	1,924,824,782	83,341,177	9,519,195	1,822,271	1,787,021
\$500,000 under \$1,000,000.....	383,908	269,742,294	685,039,197	20,869,790	4,659,036	1,141,582	1,122,588
\$1,000,000 under \$5,000,000.....	421,002	889,243,952	1,856,589,822	55,268,328	16,790,075	5,074,998	4,933,142
\$5,000,000 under \$10,000,000.....	71,407	501,204,266	1,042,833,967	30,774,319	10,019,374	3,395,659	3,285,438
\$10,000,000 under \$25,000,000.....	44,975	692,291,681	1,288,058,632	36,828,749	16,070,288	5,526,867	5,320,929
\$25,000,000 under \$50,000,000.....	16,765	585,293,602	873,746,730	24,390,040	14,181,105	4,894,547	4,661,237
\$50,000,000 under \$100,000,000.....	10,570	748,960,076	757,043,839	26,450,980	16,625,496	5,785,394	5,456,937
\$100,000,000 under \$250,000,000.....	9,543	1,531,023,998	1,052,705,705	51,043,598	32,622,746	11,422,225	10,431,308
\$250,000,000 under \$500,000,000.....	4,991	1,818,034,435	920,029,324	57,962,504	36,395,441	12,813,235	11,530,954
\$500,000,000 under \$2,500,000,000.....	6,351	7,449,429,552	3,312,672,451	260,417,155	181,766,728	63,814,598	54,366,849
\$2,500,000,000 or more.....	2,568	58,201,028,754	13,152,839,346	1,257,264,586	935,280,917	331,737,009	244,788,112
2007							
Total.....	5,868,849	81,486,345,776	28,762,923,553	1,836,782,896	1,248,285,457	437,076,428	331,374,445
Zero assets.....	1,016,101	-	534,980,416	7,732,299	26,279,748	9,076,466	8,592,528
\$1 under \$500,000.....	3,870,625	391,511,961	1,953,319,647	84,376,384	8,205,017	1,622,276	1,582,281
\$500,000 under \$1,000,000.....	383,182	269,068,601	650,900,856	20,702,870	4,292,444	1,056,323	1,017,402
\$1,000,000 under \$5,000,000.....	426,320	898,589,290	1,894,492,226	47,844,992	15,577,355	4,762,487	4,627,693
\$5,000,000 under \$10,000,000.....	72,892	507,045,618	1,038,870,587	25,244,070	10,007,728	3,405,901	3,299,232
\$10,000,000 under \$25,000,000.....	47,154	724,091,890	1,333,505,031	33,276,069	16,649,770	5,733,544	5,546,787
\$25,000,000 under \$50,000,000.....	17,151	600,928,851	866,032,816	22,456,331	13,139,491	4,562,877	4,347,273
\$50,000,000 under \$100,000,000.....	10,916	772,217,595	782,883,911	23,959,217	16,621,333	5,780,676	5,391,943
\$100,000,000 under \$250,000,000.....	9,757	1,552,979,711	1,053,104,519	40,302,173	27,976,890	9,822,816	9,099,752
\$250,000,000 under \$500,000,000.....	5,155	1,860,632,251	952,199,785	50,724,516	35,045,520	12,309,113	10,875,796
\$500,000,000 under \$2,500,000,000.....	6,749	7,689,360,943	3,208,364,224	222,573,097	145,943,986	51,556,746	44,586,100
\$2,500,000,000 or more.....	2,848	66,219,919,067	14,494,269,537	1,257,590,879	928,546,175	327,387,202	232,407,658

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 and other taxes, alternative minimum tax; excess net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV, and sections 856 & 857 (Form 1120-REIT); tax from Schedule J, line 2b (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, American Samoa economic development, work opportunity, employer social security and Medicare taxes, clean renewable energy bond, qualified electric vehicle, general business, prior year minimum tax, and qualified zone academy bond, clean renewable energy bond, and gulf bond credits. Credits may or may not be shown separately.

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."

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**Figure B.-- Corporate Pretax Profits by North American Industry Classification System (NAICS) Sector,
Tax Years 2006 and 2007**

[Money amounts are in thousands of dollars]

Industrial sector	Pre-tax Profits [1],[2]			
	2006	2007	Difference	Percentage Change
	(1)	(2)	(3)	(4)
All industries.....	1,933,374,450	1,836,782,896	-96,591,554	-5.00%
Agriculture, forestry, fishing, and hunting.....	2,927,432	4,403,343	1,475,911	50.42%
Mining.....	58,844,799	54,033,366	-4,811,433	-8.18%
Utilities.....	36,586,953	43,448,466	6,861,513	18.75%
Construction.....	73,894,825	53,530,261	-20,364,564	-27.56%
Manufacturing.....	481,099,337	468,292,587	-12,806,750	-2.66%
Wholesale and retail trade.....	227,775,140	211,340,035	-16,435,105	-7.22%
Wholesale trade.....	115,342,552	112,976,953	-2,365,599	-2.05%
Retail trade.....	112,444,753	98,366,839	-14,077,914	-12.52%
Wholesale and retail trade not allocable.....	-12,165	-3,757	8,408	69.12%
Transportation and warehousing.....	26,335,387	14,890,177	-11,445,210	-43.46%
Information.....	101,098,860	92,867,527	-8,231,333	-8.14%
Finance and insurance.....	631,745,689	600,925,994	-30,819,695	-4.88%
Real estate and rental and leasing.....	23,631,173	55,218,385	31,587,212	133.67%
Professional, scientific, and technical services.....	35,921,904	36,751,728	829,824	2.31%
Management of companies (holding companies).....	157,479,205	118,227,658	-39,251,547	-24.92%
Administrative and support, and waste management and remediation services.....	13,751,601	19,946,845	6,195,244	45.05%
Educational services.....	2,400,974	2,332,671	-68,303	-2.84%
Health care and social assistance.....	28,318,468	29,479,927	1,161,459	4.10%
Arts, entertainment, and recreation.....	4,538,143	3,963,857	-574,286	-12.65%
Accommodation and food services.....	20,536,940	20,059,884	-477,056	-2.32%
Other services.....	6,520,052	7,098,792	578,740	8.88%
Not allocable.....	-32,432	-28,606	3,826	11.80%

[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 1.9 million corporate returns reported total receipts of \$22.0 trillion, an increase of 4.6 percent from 2006 to 2007. Income subject to tax decreased from \$1.29 trillion to \$1.25 trillion, a 3.4 percent decrease; while total income tax after credits decreased 6.3 percent from \$352.3 billion to \$330.3 billion. Excluding the pass-through entities [2], approximately 0.95 million corporations reported net income for Tax Year 2007 and 67.8 percent of those corporations had a tax liability, compared to 19.3 percent of all corporations with net income.

The number of returns with total assets of \$2.5 billion or more represented only 0.05 percent of the total number of returns, but 81.3 percent of total assets. These 2,848 returns for 2007 accounted for 50.9 percent of the total receipts; 68.5 percent of net income (less deficit); 74.4 percent of income subject to tax; 74.9 percent of total income tax before credits; and 70.1 percent of total income tax after credits. Roughly 53.5 percent of all returns with net income and total assets greater than \$2.5 billion had a tax liability for 2007.

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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 [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 2007 through June 2008. 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, 2006, and closed on July 31, 2007, and the end of the last-included accounting period, which began on July 1, 2007, and closed on June 30, 2008. 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 C. -- Pretax profits and Pretax profits with certain inclusions for All Corporations, Regulated Investment Companies, and S Corporations, Tax Years 2006 and 2007

[Money amounts are in thousands of dollars]

Item	Tax Year	All Corporations	Regulated Investment Companies	S Corporations
Pretax profits [1].....	2007	1,836,782,896	412,414,408	287,198,354
	2006	1,933,374,450	301,828,701	295,929,473
Pretax profits with certain inclusions [2].....	2007	2,377,486,124	839,585,726	400,730,264
	2006	2,319,547,408	597,728,823	386,202,310

[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.

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Figure D shows that calendar year returns made up 88.4 percent of the number of returns and 68.5 percent of net income (less deficit) for 2007. In addition, these returns accounted for 73.9 percent of the total assets, 75.8 percent of the total receipts, 76.4 percent of the income subject to tax, 76.6 percent of the total income tax before credits, and 74.5 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, to include 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 2007

(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.....	5,868,849	81,486,345,776	28,762,923,553	1,836,782,896	1,248,285,457	437,076,428	331,374,445
December 2007.....	5,186,014	60,181,038,501	21,806,662,996	1,258,313,644	954,057,356	334,835,158	246,770,507
Noncalendar Year Total.....	682,835	21,305,307,275	6,956,260,557	578,469,253	294,228,101	102,241,270	84,603,939
July 2007.....	42,405	1,001,186,148	257,761,612	34,585,139	12,630,263	4,369,094	3,660,816
August 2007.....	44,006	1,629,133,564	368,160,627	52,870,897	13,163,650	4,546,995	4,131,699
September 2007.....	138,808	2,370,424,035	1,210,574,510	89,714,334	53,597,405	18,531,061	16,060,216
October 2007.....	64,074	2,940,014,038	555,498,304	90,844,759	17,500,046	6,082,944	4,538,144
November 2007.....	35,780	5,347,547,444	425,469,582	35,852,580	18,122,730	6,434,791	4,637,685
January 2008.....	35,249	869,112,280	849,008,400	44,102,428	34,948,310	12,179,026	11,202,383
February 2008.....	29,456	1,232,013,051	585,860,600	48,284,609	26,202,228	9,125,065	8,513,663
March 2008.....	84,501	2,731,015,769	1,055,157,100	69,429,070	35,666,054	12,402,639	11,204,587
April 2008.....	33,806	610,597,826	238,306,159	18,695,041	7,180,004	2,478,320	1,933,825
May 2008.....	40,736	798,655,897	392,234,793	30,971,332	16,920,289	5,916,955	4,421,363
June 2008.....	134,013	1,775,607,223	1,018,228,873	63,119,065	58,297,122	20,174,380	14,299,559

[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 and other taxes, alternative minimum tax, excessive net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, IV, and sections 856 & 857 (Form 1120-REIT); tax from Schedule J, line 2b (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, American Samoa economic development, work opportunity, employer social security and Medicare taxes, clean renewable energy bond, qualified electric vehicle, general business, prior year minimum tax, and qualified zone academy bond, clean renewable energy bond, and gulf bond credits. Credits may or may not be shown separately.

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 Parisi, Heather, "S Corporation Returns, 2006," *Statistics of Income Bulletin*, Volume 29, Number 1, Summer 2009, pp. 92 - 100.

[2] Includes returns filed on Forms 1120, 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.

