

This report presents statistical estimates based on a stratified sample of more than 105,500 unaudited returns selected from the nearly 5.8 million active corporate returns filed for Tax Year 2008 (defined to include accounting periods ending July 2008 through June 2009).

The report is divided into 6 sections. Section 1 provides statistics summarizing overall corporate activity for Tax Year 2008. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2007. 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 2008. 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 *2008 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 2007 and 2008 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 2008 decreased by approximately 0.3 percent over the previous tax year. In Tax Year 2007, approximately 1,253,000 corporations filed their taxes electronically. The number of electronically filed corporate returns reached an all-time high of 1,713,000 for Tax Year 2008, an increase of 37 percent.

The **total assets** reported for active corporations decreased approximately 5.8 percent from Tax Year 2007 to \$76.8 trillion. The largest net decrease was in the Finance and Insurance sector, which decreased from \$39.5 trillion to \$33.9 trillion, or 14.1 percent. The largest percent change of 20.4 percent was in the Information sector, which recorded a decrease in total assets of \$633 billion [1].

The **total receipts** from operations and investments decreased from \$28.8 trillion to \$28.6 trillion, a decrease of 0.6 percent. This decrease occurred despite an increase in business receipts, which increased by 2.07 percent from \$24.2 trillion to \$24.7 trillion. Offsetting this increase in business receipts were large decreases in investment income. Interest received decreased from \$2.6 billion to \$2.1 billion, a reduction of 17.9 percent. Likewise, net capital gains decreased from \$291.9 million to \$131.3 million, a reduction of 55.0 percent. The Finance and Insurance sector experienced the largest decrease in total receipts, falling \$459.1 billion, or 11.1 percent.

Overall **total deductions** rose from \$27 trillion to \$27.7 trillion, an increase of 2.6 percent. Cost of goods sold, a component of total deductions, grew from \$15.5 trillion to \$16.1 trillion in 2008, an increase of 3.7 percent.

Corporate **pre-tax profits**, also known as net income (less deficit), decreased by 46.4 percent, from \$1.84 trillion to \$984.3 billion (Figure B). When excluding pass-through entities from the total, pre-tax profits decreased from \$1.06 trillion to \$388.7 billion, a drop of 63.4 percent.

## 2008 Corporation Returns- Introduction

**Income subject to tax** (the tax base), shrank from \$1.25 trillion in 2007 to \$978.2 billion in 2008, a decrease of 21.6 percent. Total income tax before credits decreased from \$437.1 billion to \$342.4 billion, a decrease of 21.7 percent. Income tax decreased 21.6 percent from Tax Year 2007 to 2008, a decrease from \$433.5 billion to \$339.7 billion. Total income tax after credits, the amount paid to the U.S. Government, decreased by \$102.9 billion or 31.0 percent from \$331.4 billion to \$228.5 billion.

From the 5.8 million active corporations for Tax Year 2008, approximately 4.1 million were pass-through entities. These pass-through entities include: regulated investment companies (RICs), real estate investment trust (REITs) and S corporations [2]. 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. Pass-through entities showed a decrease in pretax profits of 23.2 percent or \$180.4 billion during 2008 (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 2007 and 2008**

(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)
<b>2007</b>							
<b>Total.....</b>	<b>5,868,849</b>	<b>81,486,345,776</b>	<b>28,762,923,553</b>	<b>1,836,782,896</b>	<b>1,248,285,457</b>	<b>437,076,428</b>	<b>331,374,445</b>
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
<b>2008</b>							
<b>Total.....</b>	<b>5,847,221</b>	<b>76,799,143,905</b>	<b>28,589,771,221</b>	<b>984,342,037</b>	<b>978,152,640</b>	<b>342,380,874</b>	<b>228,522,752</b>
Zero assets.....	1,018,193	-	414,392,604	-56,034,859	13,372,615	4,566,580	3,869,521
\$1 under \$500,000.....	3,857,014	386,755,782	1,887,020,613	72,034,206	7,413,676	1,438,909	1,406,292
\$500,000 under \$1,000,000.....	379,165	266,298,395	647,987,277	15,695,452	3,777,723	925,796	889,230
\$1,000,000 under \$5,000,000.....	425,523	904,463,356	1,901,621,923	35,013,523	12,785,010	3,917,946	3,782,846
\$5,000,000 under \$10,000,000.....	69,873	484,420,349	955,888,408	13,324,477	7,845,619	2,664,062	2,569,279
\$10,000,000 under \$25,000,000.....	45,781	707,506,699	1,283,009,748	17,400,322	11,898,352	4,087,687	3,893,161
\$25,000,000 under \$50,000,000.....	16,928	593,044,185	857,522,956	13,763,958	10,343,012	3,580,869	3,366,340
\$50,000,000 under \$100,000,000.....	10,899	771,190,115	801,650,331	11,566,452	12,766,442	4,456,892	4,099,804
\$100,000,000 under \$250,000,000.....	9,903	1,578,763,807	1,096,062,135	20,636,563	23,043,201	8,183,736	7,444,825
\$250,000,000 under \$500,000,000.....	5,125	1,847,844,726	962,600,459	30,604,975	30,685,008	10,824,675	9,179,637
\$500,000,000 under \$2,500,000,000...	6,235	7,017,405,281	3,162,833,808	139,801,079	107,714,630	38,094,550	31,934,897
\$2,500,000,000 or more.....	2,582	62,241,451,211	14,619,180,959	670,535,888	736,507,352	259,639,171	156,086,921

<sup>1</sup> Includes taxable income before net operating loss deduction and special deductions.

<sup>2</sup> Includes taxable income less net operating loss deduction and special deductions.

<sup>3</sup> Includes the following: income tax, personal holding company tax, recapture taxes, alternative minimum tax, excess net passive income tax (Form 1120S), branch tax (Form 1120-F), tax from Part II, III, IV, and tax under sections 856(c)(7), 856(g)(5), 857(b)(7)(A) (Form 1120-REIT), Sch J, line 36, tax from page 1, line 5 (Form 1120-PC), and adjustments to income tax, total tax, and other taxes which are not shown separately.

<sup>4</sup> Credits include foreign tax credit, American Samoa economic development credit, credit to holders of tax credit bonds, credit for employer Social Security and Medicare taxes, clean renewable energy bond credit, qualified electric vehicle credit, general business credit, prior year minimum tax credit, and qualified zone academy bond credit. 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."

## 2008 Corporation Returns- Introduction

**Figure B.-- Corporate Pretax Profits by North American Industry Classification System (NAICS) Sector,  
Tax Years 2007 and 2008**

[Money amounts are in thousands of dollars]

Industrial sector	Pre-tax Profits [1],[2]			
	2007	2008	Difference	Percentage Change
	(1)	(2)	(3)	(4)
<b>All industries.....</b>	1,836,782,896	984,342,037	-852,440,859	-46.41%
Agriculture, forestry, fishing, and hunting.....	4,403,343	797,400	-3,605,943	-81.89%
Mining.....	54,033,366	49,623,083	-4,410,283	-8.16%
Utilities.....	43,448,466	6,519,453	-36,929,013	-84.99%
Construction.....	53,530,261	26,617,383	-26,912,878	-50.28%
Manufacturing.....	468,292,587	396,595,721	-71,696,866	-15.31%
Wholesale and retail trade.....	211,340,035	137,427,787	-73,912,248	-34.97%
Wholesale trade.....	112,976,953	79,137,385	-33,839,568	-29.95%
Retail trade.....	98,366,839	58,290,402	-40,076,437	-40.74%
Wholesale and retail trade not allocable.....	-3,757	-199	3,558	-94.70%
Transportation and warehousing.....	14,890,177	12,639,284	-2,250,893	-15.12%
Information.....	92,867,527	55,770,265	-37,097,262	-39.95%
Finance and insurance.....	600,925,994	158,541,501	-442,384,493	-73.62%
Real estate and rental and leasing.....	55,218,385	18,992,947	-36,225,438	-65.60%
Professional, scientific, and technical services.....	36,751,728	35,881,845	-869,883	-2.37%
Management of companies (holding companies).....	118,227,658	18,954,841	-99,272,817	-83.97%
Administrative and support, and waste management and remediation services.....	19,946,845	15,776,146	-4,170,699	-20.91%
Educational services.....	2,332,671	3,075,643	742,972	31.85%
Health care and social assistance.....	29,479,927	30,158,021	678,094	2.30%
Arts, entertainment, and recreation.....	3,963,857	2,183,692	-1,780,165	-44.91%
Accommodation and food services.....	20,059,884	10,811,816	-9,248,068	-46.10%
Other services.....	7,098,792	4,009,713	-3,089,079	-43.52%
Not allocable.....	-28,606	-34,305	-5,699	19.92%

[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 1.7 million corporate returns reported total receipts of \$21.9 trillion, a decrease of 0.4 percent from 2007 to 2008. Income subject to tax decreased from \$1.25 trillion to \$976.7 billion, a 21.6 percent decrease; while total income tax after credits decreased 31.0 percent from \$330.3 billion to \$227.8 billion. Excluding the pass-through entities [3], approximately 0.85 million corporations reported net income for Tax Year 2008 and 63.3 percent of those corporations had a tax liability, compared to 17.0 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 81.0 percent of total assets (Figure A). These 2,582 returns for 2008 accounted for 51.1 percent of the total receipts; 68.1 percent of net income (less deficit); 75.3 percent of income subject to tax; 75.8 percent of total income tax before credits; and 68.3 percent of total income tax after credits. Approximately 52.3 percent of all returns with net income and total assets greater than \$2.5 billion had a tax liability for 2008. Excluding pass-through entities, this percentage increases to 89.1 percent.

## 2008 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 [4]. 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 2008 through June 2009. 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, 2007, and closed on July 31, 2008, and the end of the last-included accounting period, which began on July 1, 2008, and closed on June 30, 2009.

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 2007 and 2008**

[Money amounts are in thousands of dollars]

Item	Tax Year	All Corporations	Regulated Investment Companies	S Corporations
Pretax profits [1].....	2008	984,342,037	310,028,820	240,026,386
	2007	1,836,782,896	412,414,408	287,198,354
Pretax profits with certain inclusions [2].....	2008	1,136,462,357	385,084,989	317,090,537
	2007	2,377,486,124	839,585,726	400,730,264

[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.

## 2008 Corporation Returns- Introduction

Figure D shows that calendar year returns made up 88.9 percent of the number of returns and 62.9 percent of net income (less deficit) for 2008. In addition, these returns accounted for 76.3 percent of the total assets, 76.4 percent of the total receipts, 76.8 percent of the income subject to tax, 77.0 percent of the total income tax before credits, and 73.7 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, 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 2008**

(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)
<b>Total.....</b>	<b>5,847,221</b>	<b>76,799,143,905</b>	<b>28,589,771,221</b>	<b>984,342,037</b>	<b>978,152,640</b>	<b>342,380,874</b>	<b>228,522,752</b>
December.....	5,196,771	58,615,890,720	21,830,351,874	618,681,575	751,607,743	263,542,607	168,447,469
<b>Non-calendar year total.....</b>	<b>650,450</b>	<b>18,183,253,185</b>	<b>6,759,419,347</b>	<b>365,660,462</b>	<b>226,544,897</b>	<b>78,838,266</b>	<b>60,075,283</b>
July.....	41,648	917,685,368	244,164,129	22,687,890	10,572,873	3,652,475	3,033,434
August.....	42,767	1,655,962,802	395,730,898	48,835,390	14,393,517	4,988,678	4,085,738
September.....	129,036	2,420,991,895	1,225,181,498	66,242,261	40,293,065	13,943,204	11,433,197
October.....	62,654	2,313,779,005	521,441,920	69,478,384	19,437,902	6,740,985	3,092,123
November.....	32,739	3,787,358,892	343,984,335	12,069,988	7,642,776	3,065,691	2,511,665
January.....	34,810	1,108,946,496	1,183,336,582	43,575,918	37,799,168	13,195,024	11,559,441
February.....	30,403	1,160,937,021	360,854,659	22,734,981	9,428,041	3,259,147	2,978,065
March.....	80,048	2,424,113,957	1,040,133,987	21,990,379	22,803,094	7,908,613	6,765,313
April.....	35,451	564,690,397	217,071,267	11,722,657	5,580,459	1,908,607	1,507,571
May.....	38,515	601,440,780	333,451,820	15,991,333	17,270,331	5,888,247	3,465,439
June.....	122,380	1,227,346,572	894,068,252	30,331,281	41,323,671	14,287,596	9,643,296

[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 the following: income tax, personal holding company tax, recapture taxes, alternative minimum tax, excess net passive income tax (Form 1120S), branch tax (Form 1120-F), tax from Part II, III, IV, and tax under sections 856(c)(7), 856(g)(5), 857(b)(7)(A) (Form 1120-REIT), Sch J, line 36, tax from page 1, line 5 (Form 1120-PC), and adjustments to income tax, total tax, and other taxes which are not shown separately.

[5] Credits include foreign tax credit, American Samoa economic development, credit to holders of tax credit bonds, credit for employer Social Security and Medicare taxes, clean renewable energy bond credit, qualified electric vehicle credit, general business credit, prior year minimum tax, credit, and qualified zone academy bond credit. 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] Excludes sectors "Wholesale and Retail Trade Not Allocable" and "Not Allocable."

[2] 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.

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

[4] 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.