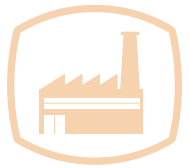


Corporate Foreign Tax Credit, Tax Year 2010

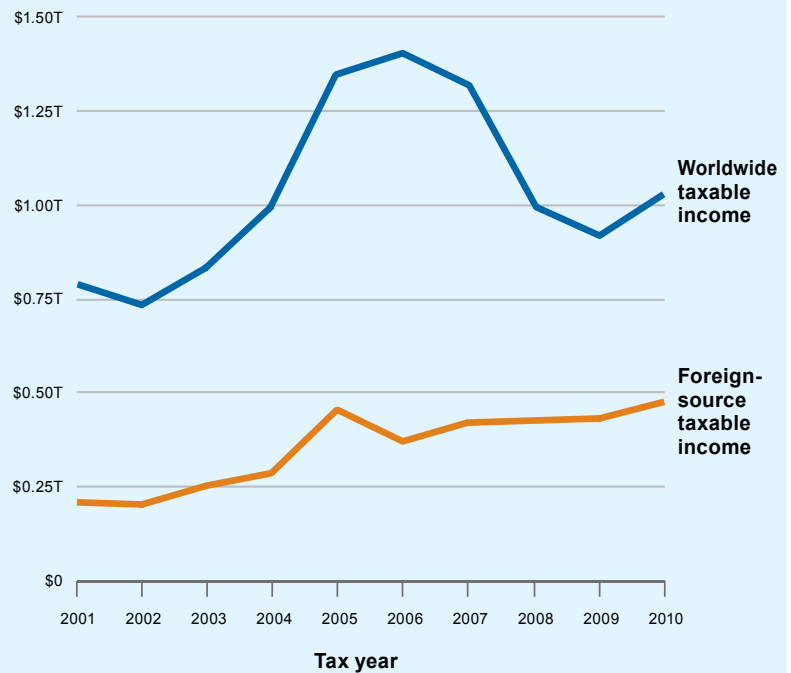


The foreign tax credit is intended to prevent potential double taxation on the foreign-source income of U.S. corporations. Currently, the credit is limited to the amount of U.S. tax a corporation would have otherwise paid on foreign-source taxable income. Corporations report the foreign income and taxes related to the foreign tax credit on Form 1118, *Computation of Foreign Tax Credit—Corporations*, and attach it to their corporate tax returns. The IRS Statistics of Income Division (SOI) produces a sample based, annual collection of aggregate statistics for those corporation income tax returns with a foreign tax credit that were included in the 2010 SOI sample of corporate returns with accounting periods ending between July 2010 and June 2011. These data reflect total assets, business receipts, deductions, liabilities, net income, income tax liability, tax credits, and other financial data of corporations by geographic region and country, and by industry.

Highlights of the Data

- For 2010, 6,922 corporations claimed a total foreign tax credit of \$118.1 billion against their U.S. income tax liability.
- These corporations reported income subject to U.S. tax of \$770.7 billion, including \$470.4 billion in foreign-source income on which they paid current-year foreign taxes of \$128.0 billion. As well, the foreign-source income of corporations claiming a foreign tax credit (\$470.4 billion) was 46 percent of worldwide taxable income reported by all corporations (\$1.02 trillion).
- Foreign tax credits plus other credits enabled these corporations to reduce their U.S. income tax by 48.6 percent, from \$270.6 billion to \$139.1 billion.
- Among geographic regions, countries located in Europe tallied the largest shares of foreign-source taxable income (44.0 percent), and current-year foreign taxes paid, accrued, and deemed paid (49.7).
- As in past years, corporations classified as manufacturers accounted for over sixty percent of the foreign-source taxable income, paid the most (62.1 percent) of current-year foreign taxes, and claimed the largest percentage (67.5 percent) of the foreign tax credit in 2010. Services corporations had the second largest percentage of the total foreign tax credit during 2010, followed by the mining sector.
- Corporations in the Netherlands, along with the United Kingdom, Canada, Luxembourg, and Bermuda, combined to account for more than 35 percent of foreign-source taxable income.

Foreign-Source Taxable Income of Corporations with a Foreign Tax Credit, Compared to Worldwide Taxable Income for All Corporations, 2001–2010¹



¹ For comparability, amounts have been adjusted for inflation to 2010 constant dollars.