

# Section 1

## Introduction

**T**his report presents statistical estimates based on a stratified sample of more than 110,004 unaudited returns selected from the nearly 5.8 million active corporate returns filed for Tax Year 2012. This tax year includes accounting periods ending July 2012 through June 2013.

Six sections make up this report. Section 1 provides statistics summarizing overall corporate activity for Tax Year 2012. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 2011. Section 3 describes, in detail, the sample of income tax returns, method of estimation used, 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 2012. It also includes data submitted on Form 1120S, *U.S. Income Tax Return for an S Corporation*, unless specifically excluded by the table. Form 1120S data are also shown separately toward the end of the section. Statistics are presented by industry, asset size, business receipts size, tax form type, accounting period ended, and other selected classifiers. Section 5 explains the terms used throughout this report and includes the adjustments made in preparing the statistics and any limitations inherent in the data. Section 6 consists of the key corporation tax return forms.

The IRS Statistics of Income (SOI) Division classified the industries in this report according to the North American Industry Classification System (NAICS). This system replaced the Standard Industrial Classification (SIC) system used prior to 1998. Data are listed under 22 industrial sectors, 81 major industries, and 196 minor industries. Table 1 presents selected financial data for all minor industries.

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*William Rush was responsible for the overall production of this report and Sandy Jaipaul for this introduction, prepared under the direction of Marty Harris, Chief, Corporation Returns Analysis Section. Melissa Schottler, Kathleen Walker, Kim Doan and Maxine Li produced the table data under the direction of Kelly Luttrell, Chief, Corporation Operations Section.*

The statistics are classified primarily by major industries, sectors, return types, and specific categories. The statistics in the *2012 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 2011 and 2012. This data includes the number of returns, total assets, total receipts, and net income (less deficit), income subject to tax, total income tax before credits, and total income tax after credits for active corporations.

The number of active corporate tax returns filed increased approximately 0.3 percent between 2011 and 2012. Approximately 3,658,981 corporations filed tax returns electronically in 2011. This number rose 11 percent in 2012, reaching an all-time high of 4,080,293 returns filed electronically.

**Total assets** for active corporations increased approximately 4.5 percent, from \$81.3 trillion in 2011 to \$85 trillion in 2012. By sector, Educational Services experienced the largest net decrease, down 4.6 percent from \$54.8 billion in 2011 to \$52.3 billion in 2012. In contrast, Mining recorded an increase of \$115 billion in total assets. It also showed the largest percent change (up 11 percent) for 2012.

**Total receipts** from operations and investments increased 3.9 percent, from \$28.3 trillion in 2011 to \$29.4 trillion the following year. This was driven by an 3.8-percent increase in business receipts, from 25.2 trillion in 2011 to 26 trillion in 2012. Investment income showed small decreases during the year. Interest received also declined 7.7 percent, from \$1.30 trillion to \$1.20 trillion. In comparison, net capital gains rose 20.6 percent, from \$151.9 billion in 2011 to \$183.2 billion in 2012. Nearly all sectors experienced an increase in total receipts, with the exceptions of Utilities (down 12.5 percent) and Management of Companies (down 3.3 percent).

**Total deductions** deductions increased 2.2 percent, from \$27.1 trillion in 2011 to \$27.7 trillion in 2012. The cost of goods sold, a component of total deductions, also rose 2.5 percent during the year, from \$16.2 trillion to \$16.6 trillion.

Corporate **pretax profits**, also known as net income (less deficit), increased 34 percent, from \$1.3 trillion to \$1.8 trillion (Figure B). When excluding passthrough entities from the total, pretax profits increased from \$737 billion in 2011 to \$1.1 trillion in 2012. In comparison, when only excluding real estate investment trust (REITs), also a passthrough entity, pretax profits for all corporations increased by 34.4 percent, from \$1,286,201,907 for 2011 and \$1,729,289,378 for 2012. (Figure C).

**Income subject to tax** (the tax base) increased 15.6 percent, from \$994 billion in 2011 to \$1.1 trillion in 2012. Total income tax before credits rose 15.3 percent, from \$349.3 billion to \$402.9 billion. Income tax also increased (up 15.5 percent) during the year, from \$345.4 billion to \$399.1 billion. Total income tax after credits, the amount paid to the U.S.

Government, rose 21 percent (or \$46 billion), from \$221 billion in 2011 to \$267 billion in 2012.

Of the 5.8 million active corporations for Tax Year 2012, approximately 4.2 million were passthrough entities. These entities include regulated investment companies (RICs), REITs and S corporations [1]. Passthrough entities pay little or no Federal income tax at the corporate level. By law, they are required to pass any profits or losses to their shareholders, where they are taxed at the individual rate. Pretax profits for passthrough entities increased 23.3 percent (or \$136.4 billion) during 2012.

The remaining 1.6 million corporate returns reported total receipts of \$22.3 trillion, an increase of 3.1 percent from 2011 to 2012. Excluding passthrough entities, approximately 825,000 corporations reported net income for 2012 [2]. Of

**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 2011 and 2012**

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets is 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>2011</b>							
<b>Total</b> .....	<b>5,823,126</b>	<b>81,279,900,132</b>	<b>28,335,600,572</b>	<b>1,323,009,488</b>	<b>994,393,494</b>	<b>349,347,851</b>	<b>220,894,314</b>
Zero assets.....	1,023,517	—	434,374,352	5,701,669	14,155,535	5,178,584	4,888,681
\$1 under \$500,000 .....	3,860,630	372,990,016	1,812,948,808	85,343,679	6,264,429	1,235,650	1,180,688
\$500,000 under \$1,000,000 .....	366,495	259,227,349	642,762,473	20,774,152	3,242,711	793,732	751,524
\$1,000,000 under \$5,000,000 .....	406,246	858,374,408	1,771,442,416	45,038,838	10,714,621	3,213,985	3,061,043
\$5,000,000 under \$10,000,000 .....	68,376	479,432,471	945,433,914	20,216,919	6,833,521	2,302,683	2,216,530
\$10,000,000 under \$25,000,000 .....	44,692	690,427,383	1,246,732,505	24,020,780	10,492,923	3,594,964	3,417,328
\$25,000,000 under \$50,000,000 .....	17,209	602,172,396	844,890,647	15,337,714	10,425,171	3,622,642	3,384,930
\$50,000,000 under \$100,000,000 .....	10,978	779,357,467	804,629,541	16,990,359	12,412,795	4,367,461	4,028,864
\$100,000,000 under \$250,000,000 .....	10,083	1,619,840,893	1,101,215,348	27,855,377	23,341,513	8,187,221	7,307,751
\$250,000,000 under \$500,000,000 .....	5,285	1,966,360,188	929,536,649	25,956,625	26,194,925	9,220,422	7,945,484
\$500,000,000 under \$2,500,000,000 .....	6,784	7,878,478,788	3,329,547,299	141,634,008	109,134,508	38,610,442	31,542,678
\$2,500,000,000 or more .....	2,831	65,773,238,773	14,472,086,621	894,139,367	761,180,842	269,020,064	151,168,814
<b>2012</b>							
<b>Total</b> .....	<b>5,840,821</b>	<b>84,952,035,514</b>	<b>29,403,675,461</b>	<b>1,774,273,534</b>	<b>1,149,799,988</b>	<b>402,962,750</b>	<b>267,854,131</b>
Zero assets.....	1,092,269	—	518,069,880	17,365,933	16,712,295	5,795,629	4,787,841
\$1 under \$500,000 .....	3,798,006	379,972,918	1,874,070,635	104,873,969	7,195,585	1,498,967	1,433,205
\$500,000 under \$1,000,000 .....	371,090	261,222,540	660,123,812	27,344,951	3,521,011	844,368	785,116
\$1,000,000 under \$5,000,000 .....	408,910	866,460,014	1,794,011,575	63,921,372	11,869,694	3,601,610	3,432,452
\$5,000,000 under \$10,000,000 .....	68,684	483,680,326	949,870,774	26,518,697	7,556,977	2,549,678	2,437,850
\$10,000,000 under \$25,000,000 .....	46,934	726,057,661	1,308,661,231	35,665,616	12,704,824	4,376,716	4,106,800
\$25,000,000 under \$50,000,000 .....	17,876	624,834,325	887,048,148	26,155,991	11,351,559	3,921,446	3,690,098
\$50,000,000 under \$100,000,000 .....	11,316	805,565,691	849,594,891	24,603,754	14,208,452	4,951,005	4,595,414
\$100,000,000 under \$250,000,000 .....	10,234	1,635,912,309	1,138,352,553	40,966,889	25,864,245	9,070,340	8,190,184
\$250,000,000 under \$500,000,000 .....	5,430	1,949,087,782	951,512,596	27,557,140	29,767,115	10,445,714	9,296,929
\$500,000,000 under \$2,500,000,000 .....	7,020	8,090,772,207	3,365,371,040	186,181,281	122,526,008	43,230,473	36,757,405
\$2,500,000,000 or more .....	3,051	69,128,469,740	15,106,988,326	1,193,117,941	886,522,222	312,676,805	188,340,837

[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] Total income tax before credits includes: income tax, personal holding company tax, recapture and other taxes, alternative minimum tax, excess net passive income tax (Form 1120S), branch tax (Form 1120-F), tax from Internal Revenue Code Parts II, III, IV, and sections 856 and 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, which may or may not be shown separately.

[4] Credits include foreign tax, credit to holders of tax credit bonds, qualified electric vehicle, general business, and prior-year minimum tax. Credits may or may not be shown separately.

### Figure B. Corporate Pretax Profits by North American Industry Classification System (NAICS) Sector, Tax Years 2011 and 2012

[All figures are estimates based on samples—money amounts are in thousands of dollars and size of total assets is in whole dollars]

Industrial sector	Pretax profits [1],[2]			
	2011	2012	Difference	Percentage change
	(1)	(2)	(3)	(4)
<b>All industries</b> .....	<b>1,323,009,488</b>	<b>1,774,273,535</b>	<b>451,264,047</b>	<b>34.11%</b>
Agriculture, forestry, fishing, and hunting .....	4,461,624	9,898,037	5,436,413	121.85%
Mining .....	29,270,713	17,674,721	-11,595,992	-39.62%
Utilities .....	-28,882,899	-25,553,745	3,329,154	11.53%
Construction .....	21,660,064	36,071,117	14,411,053	66.53%
Manufacturing.....	434,221,605	513,554,584	79,332,979	18.27%
Wholesale and retail trade.....	197,283,547	260,825,374	63,541,827	32.21%
Wholesale trade.....	101,016,500	136,405,658	35,389,158	35.03%
Retail trade .....	96,267,048	124,419,716	28,152,668	29.24%
Wholesale and retail trade not allocable.....	*0[3]	*0[3]	0	0%
Transportation and warehousing .....	15,699,125	30,244,920	14,545,795	92.65%
Information.....	48,569,203	74,059,398	25,490,195	52.48%
Finance and insurance .....	341,703,046	517,429,289	175,726,243	51.43%
Real estate and rental and leasing.....	16,527,509	44,760,621	28,233,112	170.82%
Professional, scientific, and technical services.....	45,577,810	60,218,202	14,640,392	32.12%
Management of companies (holding companies).....	112,704,614	126,888,978	14,184,364	12.59%
Administrative and support, and waste management and remediation services .....	18,302,041	21,363,452	3,061,411	16.73%
Educational service .....	4,549,497	3,894,444	-655,053	-14.40%
Health care and social assistance.....	34,841,222	41,292,479	6,451,257	18.52%
Arts, entertainment, and recreation .....	3,102,715	4,640,036	1,537,321	49.55%
Accommodation and food services.....	15,465,891	27,967,129	12,501,238	80.83%
Other services .....	7,952,367	9,047,855	1,095,488	13.78%
Not allocable.....	*-207	*-3,356	-3,149	-1521.26%

\* Estimate should be used with caution because of the small number of sample returns on which it is based.

[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).

[3] No returns were classified as Wholesale and Retail Trade Not Allocable.

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

these, 58.5 percent had a tax liability, compared to 13.7 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 total returns, but 81.3 percent of total assets (Figure A). These 3,051 returns for 2012 accounted for 51.4 percent of the total receipts, 67.2 percent of net income (less deficit), 77.1 percent of income subject to tax, 77.6 percent of total income tax before credits, and 70.3 percent of total income tax after credits. Approximately 45.4 percent of all returns with net income and total assets greater than \$2.5 billion had a tax liability for 2012. Excluding passthrough entities, this percentage increased to 88.2 percent for the year.

#### Activities Covered

The estimates include corporate business activities in the United States, certain foreign activities as reported on returns of domestic corporations, and foreign corporations with U.S. business activities. “Domestic corporations” refer to companies incorporated in the U.S., but this does not mean 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 industry type and asset size [3]. For foreign corporations (defined as those incorporated abroad) engaged in trade or business in the U.S., only the income considered effectively connected with conducting a trade or business in the U.S. was included in the statistics. Any investment income from U.S. sources was excluded. Most foreign corporations are concentrated in the “Finance and Insurance” and “Real Estate and Rental and Leasing” sectors. The estimates exclude other foreign corporations, incorporated abroad and not engaged in trade or business in the U.S., that were liable for tax only on investment income from U.S. sources.

IRC section 6012 requires all corporations in existence at any time during the tax year to file a tax return, regardless of whether they had income. This applies to active and inactive domestic corporations, unless expressly exempt from filing, and active foreign corporations with insufficient taxes withheld

at the source to satisfy their U.S. tax liability on income earned in the U.S. The statistics presented here include active domestic and foreign corporations and exclude inactive corporations. See Section 3 for more information on the sample.

In addition to those legally defined as corporations, the IRC recognizes businesses with characteristics typical of the corporate form as corporations. These include continuity of life, centralization of management apart from ownership, limited liability of owners, and transferability of shares of capital ownership. Some organizations recognized as corporations include joint stock companies and unincorporated associations, such as business trusts, savings and loan associations, certain partnerships, mutual savings banks, and cooperative banks.

**Time Period Employed**

SOI based the estimates on data from returns with accounting periods for: 1) the calendar year ending December 2012, and 2) noncalendar year ending July 2012 through June 2013. This span, in effect, defines the tax year so the accounting periods for noncalendar years are centered at the calendar year ending in December.

There are 12 accounting periods covered in this report. In general, IRC section 441 specifies that 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, 2011, and closed on July 31, 2012, and the end of the last-included accounting period, which began on July 1, 2012, and closed on June 30, 2013. This report shows income received or expenses incurred during any or all of the months in this 23-month span. For balance sheet items, the report shows a corporation’s position only at the end of its accounting period. IRC section 441 requires corporations to file returns for the accounting period customarily used in keeping their books.

Calendar year returns made up 90.0 percent of all active corporate returns and 71.6 percent of net income (less deficit) for 2012 (Figure D). These returns accounted for 77.7 percent of total assets, 77.1 percent of total receipts, 74.4 percent of income subject to tax, 74.7 percent of total income tax before credits, and 69.7 percent of total income tax after credits. Corporations were usually required to file within two-and-one-half months after the corporate accounting period closed. However, most corporations could receive 6-month filing extensions in accordance with IRC section 6081. In addition to returns with 12-month accounting periods, the total number of active corporations includes “part-year returns,” or those with accounting periods of a shorter duration. Mainly corporations that changed their accounting periods, existed for less than 12 months, merged or liquidated, filed part-year returns.

**Figure C. Pretax Profits and Pretax Profits with Certain Inclusions for All Corporations, Regulated Investment Companies, and S Corporations, Tax Years 2011 and 2012**

[Money amounts are in thousands of dollars]

Industrial sector	Tax year	All corporations	Regulated investment companies	S corporations
	(1)	(2)	(3)	(4)
Pretax profits [1] .....	2012	1,774,273,534	299,026,074	378,357,265
	2011	1,323,009,488	256,667,610	292,508,717
Pretax profits with certain inclusions [2] .....	2012	1,983,194,402	410,306,157	475,998,050
	2011	1,485,236,801	335,966,452	375,437,189

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

[2] The inclusions to pretax 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 items.

**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 2012**

[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 credits [5]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total .....</b>	<b>5,840,821</b>	<b>84,952,035,514</b>	<b>29,403,675,461</b>	<b>1,774,273,534</b>	<b>1,149,799,988</b>	<b>402,962,750</b>	<b>267,854,131</b>
December .....	5,282,544	65,985,052,888	22,682,612,247	1,270,741,079	855,480,334	300,869,036	186,589,217
<b>Noncalendar year total.....</b>	<b>558,277</b>	<b>18,966,982,626</b>	<b>6,721,063,214</b>	<b>503,532,455</b>	<b>294,319,654</b>	<b>102,093,714</b>	<b>81,264,914</b>
July .....	36,890	880,108,174	214,514,728	19,934,080	10,794,052	3,744,908	3,147,639
August .....	33,863	1,744,010,688	380,637,454	35,567,370	14,519,536	4,766,626	4,133,237
September .....	111,770	2,768,170,224	1,244,830,139	90,947,156	60,966,274	21,194,587	17,451,910
October.....	56,656	3,108,241,696	533,814,184	62,185,948	14,509,782	5,069,218	4,189,443
November.....	27,933	943,662,171	186,049,282	15,094,921	7,404,299	2,562,483	2,211,315
January.....	31,424	1,250,582,413	865,741,577	54,474,044	47,048,050	16,424,074	14,646,111
February .....	24,863	1,305,907,711	545,803,677	32,435,081	20,036,168	6,974,946	6,435,619
March.....	67,615	3,829,378,864	1,217,046,072	94,416,349	38,610,207	13,445,672	10,713,573
April .....	32,240	642,945,153	232,972,514	13,268,136	6,794,207	2,339,215	1,903,313
May.....	31,561	997,216,909	353,478,045	28,803,442	19,789,135	6,897,455	4,816,966
June.....	103,461	1,496,758,624	946,175,541	56,405,929	53,847,945	18,674,530	11,615,788

[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] Total income tax before credits includes: income tax, personal holding company tax, recapture and other taxes, alternative minimum tax, excess net passive income tax (Form 1120S), branch tax (Form 1120-F), tax from Internal Revenue Code Parts II, III, IV, and sections 856 and 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, which may or may not be shown separately.

[5] Credits include foreign tax, credit to holders of tax credit bonds, qualified electric vehicle, general business, and prior-year minimum tax. Credit may or may not be shown separately.

NOTES: Detail may not add to total because of rounding. See "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, Mike, and Oh, Catterson, "Controlled Foreign Corporations, 2002," *Statistics of Income Bulletin*, Volume 25, Number 4, Spring 2006, pp. 193–232.