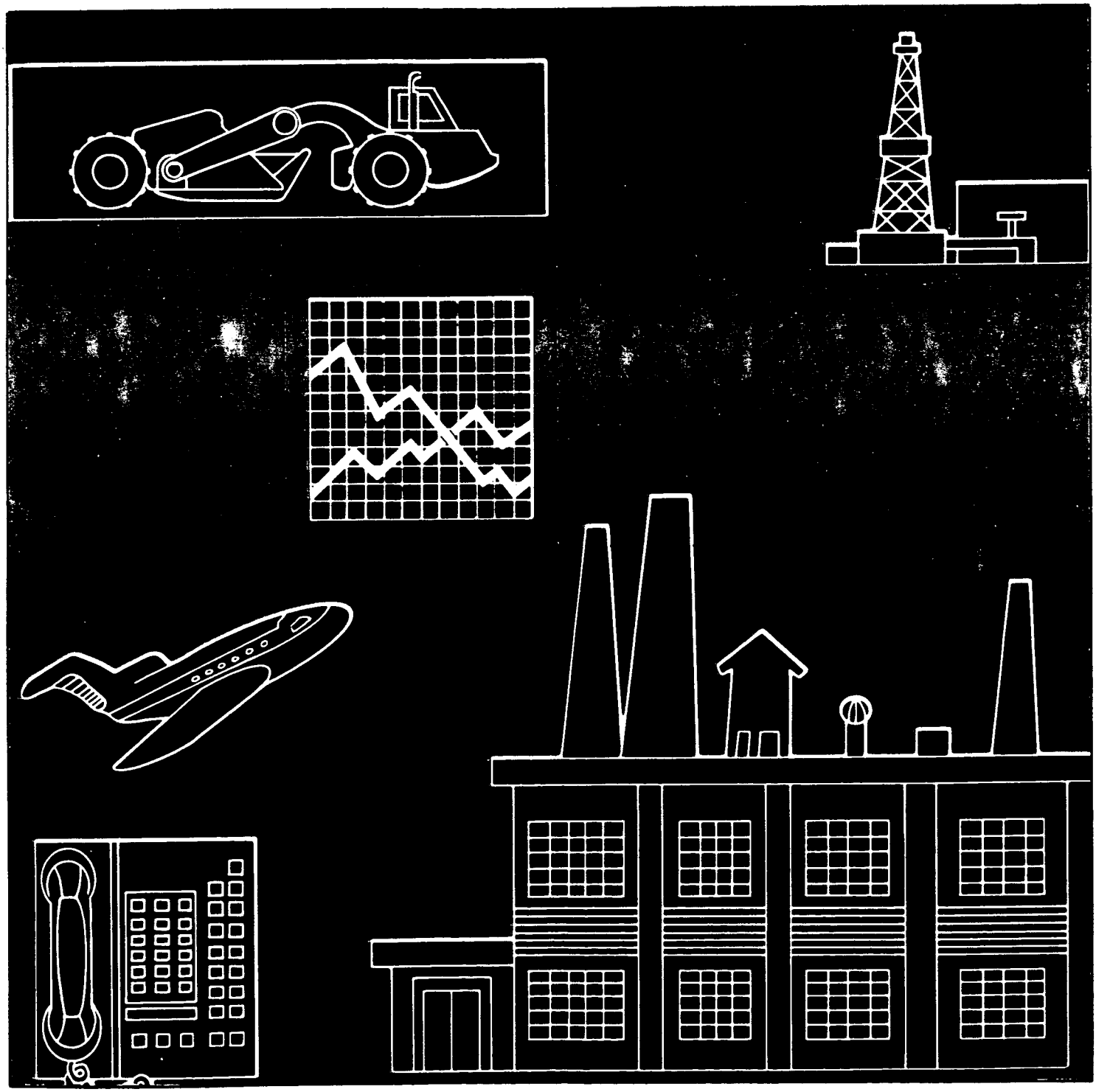
1981

Statistics of Income

Corporation Income Tax Returns

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Department of the Treasury Internal Revenue Service Publication 16 (Rev. 7-84)

Statistics of Income

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SOI Bulletin

(quarterly publication; $14.00 annual subscription, $4.75 single issue)

Contents, Vol. 3, No. 2, Fall 1983:

Safe Harbor Leasing, 1981 and 1982

Domestic International Sales Corporation Returns, 1980

Projections of Tax Return Filings, 1984-1991

Superfund for Environmental Taxes, 1981 and 1982

Crude Oil Windfall Profit Tax, 1982

Average and Marginal Tax Rates, 1981

Selected Statistical Series, 1970-1983

Contents, Vol. 3, No. 3, Winter 1983-1984:

70th Year of Individual Income Tax Return Data

Individual Income Tax Returns, Preliminary Data, 1982

Corporation Income Tax Returns, 1981

Partnership Returns, 1981

Investment Tax Credit on Corporation Returns, 1980

Estimates of Tip Income in Eating Places, 1982

Crude Oil Windfall Profit Tax, First Quarter, 1983

Selected Statistical Series, 1970-1983

Contents, Vol. 3, No. 4, Spring 1984:

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The Life Cycle of Individual Income Tax Returns

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Partnership Employment and Payroll, 1979

Crude Oil Windfall Profit Tax, Second Quarter, 1983

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Selected Reports in Preparation

Marginal Tax Rates, 1979-1982

Partnership Returns, 1981-1982

Individual Income Tax Returns, 1982

SOI Bulletin, Summer 1984

Individual Returns, Classified by Occupation and Sex, 1979

Computer Files Available

Individual Tax Model File, 1966-1981 (Includes State Tax Model File, 1979-1981)

State Tax Model File, 1977-1981

Corporation Source Book, 1965-1981

Other tape files include:
Estate Tax File, 1972, 1976
Private Foundations File, 1974
Employee Plans File, 1977
Exempt Organizations File, 1975

Microfilm Files Available

Corporation Source Book, 1977-1981

Ordering Information

Statistics of Income reports are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

Public-use magnetic tape files are available on a reimbursable basis by writing to the Statistics of Income Division, Internal Revenue Service, Washington, DC 20224.

1981 Statistics of Income

Corporation Income Tax Returns

Publication 16 (7-84)

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Internal Revenue Service

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This report contains data by industry on assets, liabilities, receipts, deductions, net income, income subject to tax, credits, distributions to stockholders and additional tax for tax preferences. Data are also classified by size of total assets and by size of business receipts. Other classifications include "returns with net income" and "Small Business Corporations taxed through stockholders."

More detailed statistics for the industries shown in table 1 of this report are available in Publication 1053, *Source Book of Statistics of Income—**1981***. A general description of the Source Book, including ordering information, is available from the Director, Statistics of Income Division D:R:S, Internal Revenue Service, Washington, DC 20224.

In addition, special Statistics of Income tabulations based on corporation income tax returns for 1981 can be produced upon request on a reimbursable basis. Requests for this service should be addressed to the Director, Statistics of Income Division, at the address shown above.

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COMMISSIONER OF INTERNAL REVENUE

Washington, DC 20224

July 6, 1984

The Honorable Donald T. Regan
The Secretary of the Treasury
Washington, DC 20220

Dear Mr. Secretary:

I am transmitting the complete report, Statistics of Income--1981, Corporation Income Tax Returns. This report has been produced in accordance with the mandate of section 6108 of the Internal Revenue Code which requires the preparation and publication of statistics reasonably available with respect to the operation of the internal revenue laws.

The report presents information on receipts, deductions, net income, income tax liability, tax credits, and distributions to stockholders. Statistics are also provided on the corporate tax base and on the computation of income tax and additional tax for tax preferences ("minimum tax").

Classifications include industry, size of total assets, and size of receipts. Separate statistics are included for returns with net income, inventories, investment credit items, members of controlled groups, and Small Business Corporations electing to be taxed through their stockholders.

With kind regards,

Sincerely,

Acting Commissioner

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Statistics of Income

SOI BULLETIN

The SOI Bulletin provides the earliest published annual financial statistics from the various types of tax and information returns filed with the Internal Revenue Service. The Bulletin also includes information from periodic or special analytical studies of particular interest to tax administrators. In addition, historical data from 1970 to the present are provided for selected types of taxpayers, as well as on tax rates for individuals and gross internal revenue collections.

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The following topics are among those described and analyzed in the SOI Bulletin:

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- Corporation income tax returns
- Domestic international sales corporations
- Employee benefit plans
- Estate tax returns
- Foreign source income of U.S. taxpayers
- Individual income by ZIP code area
- Individual income tax returns
- Investment tax credit
- Marginal and average tax rates
- Occupation data
- Partnership returns
- Private foundations
- Projections of return filings
- Residential energy credit
- Safe harbor leasing
- Sales of capital assets
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Guide to Tables and Figures

This report contains 17 basic tables. The major classification is industrial activity. This guide provides a reference for the major selected items and subjects available in the report. Figures A, B, C, D, E, and F are on pages 2, 3, 10, 11, and 13, respectively. See page 17 to determine the appropriate page number(s) for specific tables.

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Section 1 Introduction*

This report presents statistical estimates derived from a stratified sample of approximately 89,500 corporate returns selected from the more than 2.8 million active corporate returns filed for the 1981 Income Year.*

The report is divided into 6 sections. The first section provides statistics summarizing overall corporate activity for Income Year 1981. Section 2 discusses changes in law between this report and that for Income Year 1980. Section 3 describes in detail the sample of income tax returns upon which the statistics were based, as well as the method of estimation used, the sampling variability of the data, and other limitations.

Section 4 presents the basic tables that contain detailed statistics on 1981 income tax liability, tax credits, net income, and other financial data. Section 5 contains detailed explanations of the terms used in the 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 return forms and instructions. Following Section 6 is a user survey designed to help the Statistics of Income Division determine the exact needs of users of this report. Your cooperation in completing this form would be much appreciated.

OVERALL CORPORATE SUMMARY

Figure A presents a two-year comparison of the number of returns, total assets, total receipts, net income (less deficit), income subject to tax and total income tax before and after credits for Income Years 1980 and 1981. This figure shows a 3.8 percent increase (approximately 102,000) in the total number of returns from 1980 to 1981.

For the first time, total assets, as reported on tax returns, surpassed the $8 trillion mark, increasing approximately 12.2 percent to $8.5 trillion. This increase was greater than the 11.3 percent increase for the previous year. The total receipts reported for 1981 rose approximately 10.5 percent from 1980. Net income (less deficit) decreased 10.6 percent from 1980 to 1981, continuing the downward trend started in 1980.

For returns with total assets of $250 million or more, the total income tax before credits was about 4.9 percent lower for 1981 than for 1980. This is not so significant a drop as that from 1979 to 1980 (17.2 percent), but it does continue the trend started in 1980. These returns, which represent less than one percent of the total, account for a lower percent of total income tax on all corporate returns - 64.0 percent for 1981 versus 65.4 percent for 1980.

ACTIVITIES COVERED

The estimates in this report encompass corporate business activities in the United States as reported on returns of "domestic" and foreign corporations, as well as certain foreign activities. The term "domestic" corporations 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, undistributed earnings of those subsidiaries.

For foreign corporations (defined as those organized 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. Other foreign corporations, organized abroad and not engaged in trade or business in the United States, were liable for tax only on investment income from U.S. sources. Such income is excluded from the report.

The effect of foreign activity on the statistics varies by type of industry and by size of assets. Some industries may have higher incidences of foreign activity than others and foreign income is reflected in their statistics to a greater extent. Also, foreign activity tends to increase with the asset size of the corporation.

Section 6012 of the Internal Revenue Code required that all corporations in existence at any time during the income 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.

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. Because 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, they were required to file corporation income tax returns.

The estimated number of returns, shown by type of return form, are the basis of the estimates for the

*This report was prepared under the direction of Karen L. Cys of the Returns Analysis Section, Corporation Statistics Branch. Joe Voith and Janice C. Washington were responsible for the overall coordination of the report. Joe Voith prepared the text for this section.

Figure A.---Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax, Total Income Tax After Credits by Size of Total Assets, Income Years 1980 and 1981

[All figures are estimates based on samples--money amounts are in thousands of 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[3]	Total income tax after credits[5]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1980							
Total	2,710,538	7,617,238,403	6,361,284,012	239,006,542	246,598,486	105,142,436	62,974,695
Zero assets	78,248	-	56,310,774	-838,058	1,782,921	740,616	582,135
$1 under $100,000	1,436,373	49,321,041	192,685,807	291,925	3,470,331	640,971	458,786
$100,000 under $250,000	496,743	80,290,729	218,011,597	3,521,684	5,236,715	1,059,706	788,204
$250,000 under $500,000	286,640	101,421,848	232,911,959	4,389,492	6,151,702	1,449,812	1,121,839
$500,000 under $1,000,000	185,471	129,560,641	292,548,685	6,105,235	7,493,285	2,132,790	1,717,615
$1,000,000 under $5,000,000	169,074	342,335,164	728,478,973	16,107,719	19,579,386	7,473,667	6,421,807
$5,000,000 under $10,000,000	22,726	159,077,875	269,543,912	7,588,768	8,754,693	3,770,977	3,283,414
$10,000,000 under $25,000,000	16,557	261,538,470	307,370,706	10,258,112	10,928,459	4,793,749	4,082,318
$25,000,000 under $50,000,000	7,783	277,363,532	214,453,988	8,394,426	8,451,667	3,750,274	3,061,241
$50,000,000 under $100,000,000	4,803	344,251,763	246,376,156	9,777,922	9,087,615	4,091,622	3,234,291
$100,000,000 under $250,000,000	3,203	514,080,355	370,982,273	14,833,286	14,147,384	6,388,446	4,737,145
$250,000,000 or more	2,877	5,357,996,264	3,229,486,655	158,395,257	151,323,210	68,764,490	33,420,925
1981							
Total	2,812,420	8,547,161,872	7,026,351,839	213,648,962	241,496,368	102,257,851	58,444,720
Zero assets	114,240	-	93,807,569	-183,641	3,986,198	1,669,902	866,427
$1 under $100,000	1,455,263	49,712,690	212,281,029	-377,802	3,649,129	675,764	491,353
$100,000 under $250,000	515,966	83,108,897	225,289,170	2,681,573	5,178,239	1,046,776	779,232
$250,000 under $500,000	295,683	104,273,577	245,168,357	3,797,707	6,096,936	1,425,222	1,095,720
$500,000 under $1,000,000	192,441	134,805,485	302,616,587	4,518,827	7,162,885	2,035,914	1,614,250
$1,000,000 under $5,000,000	177,424	361,000,303	777,263,658	13,689,636	19,206,560	7,297,103	6,124,469
$5,000,000 under $10,000,000	23,739	165,091,661	296,206,636	6,708,036	8,602,423	3,698,133	3,162,328
$10,000,000 under $25,000,000	17,480	275,266,279	326,592,821	9,510,601	11,598,616	5,089,718	4,263,713
$25,000,000 under $50,000,000	8,385	296,242,293	235,395,765	7,477,023	8,550,620	3,816,449	2,994,084
$50,000,000 under $100,000,000	5,226	372,028,106	254,200,623	7,881,786	9,271,402	4,197,755	3,233,666
$100,000,000 under $250,000,000	3,412	540,443,289	381,543,363	10,675,323	12,876,406	5,870,709	4,322,595
$250,000,000 or more	3,141	6,165,189,292	3,675,062,954	147,258,401	145,284,790	65,419,444	29,491,947

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

[2]Includes net long-term gain taxed at alternative rates, taxable income less net operating loss deduction and special deductions.

[3]Includes regular and alternative tax, personal holding company tax, tax from recomputing prior-year investment credit, and minimum tax.

[4]Credits include foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits.

NOTE: Detail may not add to total because of rounding and the deletion of data. See text for "Explanation of Terms" and Description of the Sample and Limitation of the Data."

financial statistics presented in this report. These data are tabulated from active corporation income tax returns.

Form 1120 (U.S. Corporations)	2,248,805
Form 1120S (U.S. Small Business Corporations)	541,489
Form 1120L (U.S. Life Insurance Companies)	1,866
Form 1120M (U.S. Mutual Insurance Companies)	1,502
Form 1120F (U.S. Returns of Foreign Corporations)	9,350
Form 1120-DISC (Domestic International Sales Corporations)	9,408
Total	2,812,420

No data were tabulated from inactive corporation returns, which reported no total receipt or total deduction items. Also, the statistics specifically exclude foreign corporations with no income "effectively connected" with a U.S. trade or business, returns of farmers' cooperatives exempt from income tax under Internal Revenue Code section 521, and nonprofit corporations (educational, charitable, and similar organizations) exempt from income tax under section 501. Also excluded from the statistics are returns of mutual insurance companies, (except life or marine and certain fire or flood insurance companies) with gross receipts that did not exceed $150,000, which were exempt from income tax under Internal Revenue Code section 501. The Revenue Act of 1978 authorized the various States to establish private corporations for the benefit of the residents of the State. The returns of these General Stock Ownership Corporations were also excluded from the statistics.

TIME PERIOD EMPLOYED

The estimates in this report are based on data from both returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ended during the span of months July 1981 through June 1982. At the center of the 12-month span was the calendar year, i.e., the year ended December 1981. This span, in effect, defines the income year in such a way that the noncalendar year accounting periods are centered at the calendar year ended December.

The 12 accounting periods covered by the report are presented in figure B. Code section 441 specified that, in general, a taxpayer's accounting period end on the last day of the month. Thus, figure B shows a span of 23 months between the first-included accounting period, which began on August 1, 1980, and closed on July 31, 1981, and the start of the last-included accounting period, which began on July 1, 1981, and closed on June 30, 1982. 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, such as total assets and inventories, the report shows a corporation's position only at a given time, namely, 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 shows the total assets, total receipts, net income (less deficit), and total income tax reported on returns for each of the 12 accounting periods. Approximately 38 percent of the 1981 returns were filed for the calendar year. However, these included returns of most of the larger corporations. Approximately 79 percent of total assets, 66 percent of net income (less deficit), and 61 percent of total receipts were reported on 1981 calendar year returns.

Corporation returns were usually required to be filed within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6018, most corporations could receive filing extensions for as long as 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, new corporations in existence less than 12 months, merging corporations, and liquidating corporations.

Figure B. Number of returns and net income (less deficit), by accounting periods[1]

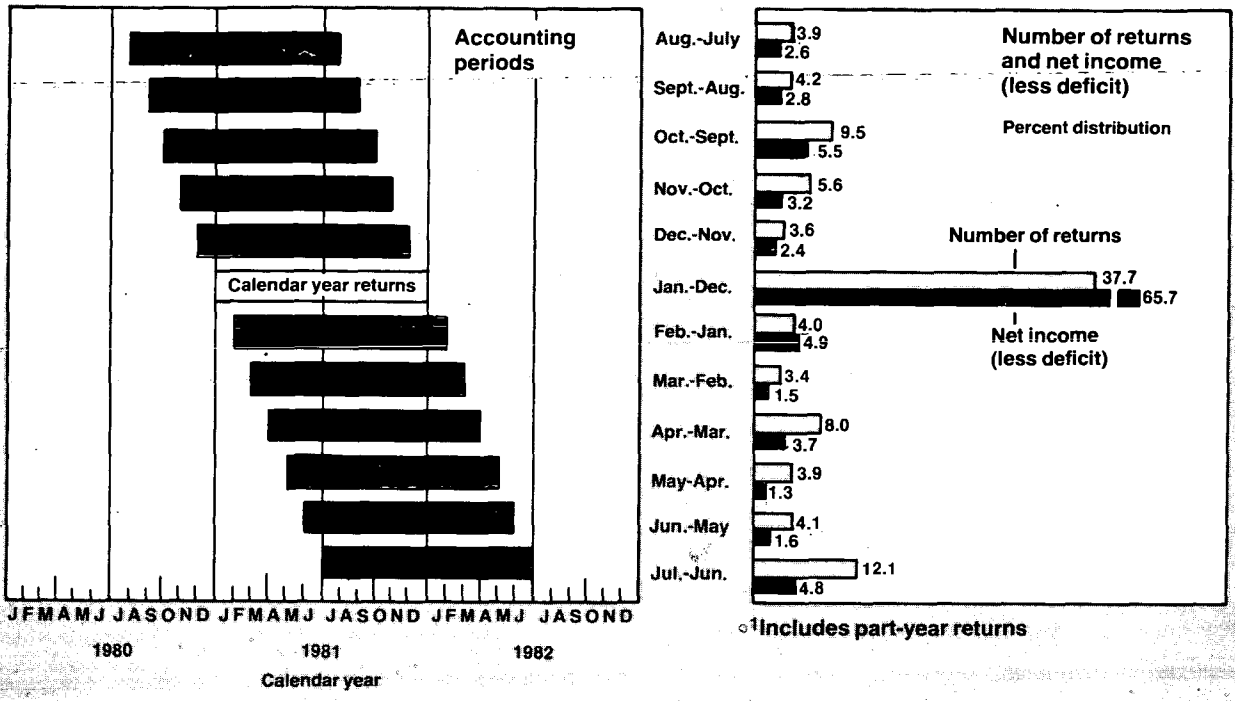


Figure C.--Returns of Active Corporations: Number of Returns, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax, and Total Income Tax After Credits, by Accounting Periods for Income Year 1981

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Accounting period ended[1]	Number of returns	Total assets	Total receipts	Net income (less deficit)[2]	Income subject to tax[3]	Total income tax[4]	Total income tax after credits[5]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total	2,812,420	8,547,161,872	7,026,351,839	213,648,962	241,496,368	102,257,851	58,444,720
December, 1981	1,060,996	6,739,962,856	4,277,051,294	140,285,132	163,514,979	71,329,464	35,490,262
Noncalendar year, total	1,751,424	1,807,199,016	2,749,300,546	73,363,831	77,981,389	30,928,387	22,954,458
July 1981	109,783	116,976,105	168,641,742	5,570,941	5,301,282	2,163,152	1,706,898
August 1981	118,667	104,539,320	193,624,122	6,015,910	6,684,754	2,682,461	1,585,645
September 1981	267,007	346,463,289	422,649,296	11,664,930	13,437,225	5,336,796	4,054,567
October 1981	156,414	184,015,391	237,436,758	6,772,071	7,231,122	2,876,946	2,180,727
November 1981	101,542	112,819,102	126,314,812	5,229,667	4,317,571	1,717,500	1,298,819
January 1982	112,667	149,843,121	282,959,275	10,439,572	7,097,925	2,953,952	2,351,432
February 1982	96,485	78,554,257	128,516,617	3,224,939	3,881,363	1,526,528	1,207,347
March 1982	224,355	218,691,242	382,112,496	7,873,286	7,482,170	2,879,476	2,153,089
April 1982	110,324	79,661,925	153,276,837	2,697,773	3,686,324	1,427,167	1,106,733
May 1982	113,659	92,103,852	171,462,519	3,521,477	4,024,378	1,574,893	1,155,925
June 1982	340,521	323,531,412	482,306,072	10,353,264	14,837,275	5,789,516	4,153,277

[1] Includes part-year returns.
[2] Includes taxable income before net operating loss deduction and special deductions.
[3] Includes net long-term gain taxed at alternative rates, taxable income less net operating loss deduction and special deductions.
[4] Includes regular and alternative tax, personal holding company tax, tax from recomputing prior-year investment credit, and minimum tax.
[5] Credits include foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits.

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

Section 2

Changes in Law*

The statistics in this report reflect, to varying degrees, changes in law that became effective during the accounting periods covered. Depending on the accounting period used and the effective date of the change in law, the changes may have been fully applicable for some corporations, only partially applicable for others, and not applicable at all for still others.

The information that follows includes a description of the major law changes that became effective, for the first time, during the 1981 Income Year. The law changes discussed are those that affected substantially the comparability of the statistics in this report with those for prior years. These changes resulted from the Economic Recovery Tax Act of 1981, often referred to as ERTA.

Depreciation

The Class Life Asset Depreciation Range (CLADR) system was replaced with the Accelerated Cost Recovery System (ACRS), for property placed in service beginning in 1981 in tax years ending in 1981. Businesses also had the option of using the pre-existing system, depreciating property based on companies' own experience, asset-by-asset, by straight-line or accelerated methods. CLADR depreciation could continue to be claimed on assets acquired before 1981 for which an ADR election had been made. The percentage repair allowance rules under ADR did not apply to ACRS property and were repealed for property placed in service after 1980.

Under ACRS, companies were allowed to recover the capital costs for most tangible new or used depreciable property by means of new accelerated methods, over statutory recovery periods that were unrelated to and shorter than the ADR property class lives. Under this new system, the taxpayer merely applied a statutory percentage to the unadjusted basis of property. The percentage applied depended on the class of the property and the number of years since the property was placed in service. Salvage value was not taken into account and, if the property were sold, no deduction was allowed for the year in which the asset was disposed of.

Under the new system, the cost of eligible personal property was to be recovered over periods of 3, 5, 10, or 15 years, depending on the recovery class of a particular type of property. The 3-year class included such tangible depreciable property (that was covered under Code section 1245) as automobiles and light trucks (that had an ADR class life of 4 years or less), machinery and equipment used for research and experimentation, other machinery and equipment (such as special tools) with an ADR midpoint life of 4 years or less as of January 1, 1981, and race horses that were more than 2-years old when placed in service or other horses that were more than 12-years old when placed in service. In general, 5-year property included almost all section 1245 depreciable personal property not in the 3-year class, including most machinery and equipment, horses and, in addition, single-purpose agricultural and horticultural structures, facilities used for the storage of petroleum and its primary products, as well as public utility property with an ADR class life of 5 years or more, but not more than 18 years. The 10-year class included public utility property with an ADR life of more than 18 but less than 25 years (unless included in the 3-year class or regarded as section 1250 property), theme and amusement parks and railroad tank cars, all covered by section 1245, as well as manufactured homes covered under section 1250, and coal utilization property not included in some other class. The property falling in the 15-year class was public utility property (except that regarded as 3-year property or covered under section 1250) with an ADR class life of over 25 years and included, for example, electric utility steam production plants, gas utility manufactured gas production plants, water utility property, and telephone distribution plants. There was also a separate 15-year class for real property covered by section 1250 with an ADR class life of 12.5 years or less. (Fuller explanations of depreciable assets covered by sections 1245 and 1250 are contained in the Explanation of Terms section of this report under "Net gain (or loss), noncapital assets". The relationship between these two Code sections and ACRS and their effect on the computations of gain or loss when an asset was sold or disposed of will be covered in Statistics of Income for 1982).

In assigning public utility property to a recovery period, a company first had to take note of the fact that such property could only qualify as recovery property if the company used a normalization method of accounting in setting the rates charged to customers. Otherwise, the depreciation was determined under previous rules, using the pre-existing depreciation methods and useful lives.

Each of the four classes of depreciable personal property had its own statutory percentage for use in each year of the recovery period. For property placed in service in 1981-84, these percentages approximated the beneficial effect of the 150-percent declining-balance method for the early years and the straight-line method for the later years. A "half-year convention" was prescribed, whereby a half-year's depreciation was allowed for the year the property was placed in service, regardless of when during the year the property was actually placed in service. The half-year convention was also required in the year following the end of the recovery period, assuming the property was held for the full period. For property placed in service in 1985, the recovery deduction also included the half-year convention for the year of acquisition. In addition, the recovery deduction was accelerated to approximate the effect of the 175-percent declining-balance method for the

*Robert A. Wilson, Chief of Coordination and Publications Staff, and Joe Voith were responsible for the text.

earlier years and the sum-of-the-years digits method for the later years. For property placed in service in 1986 and thereafter, the effect was the same as the 200-percent declining-balance method for the earlier years and the sum-of-the-years digits method later on. No recovery deduction was generally allowed for the year in which a property was sold or disposed of.

For depreciable real property other than low-income rental housing, recovery deductions had to approximate the beneficial effect of the 175-percent declining-balance method for the early years, and the straight-line method for the later years. The basis for most property was recoverable over a 15-year period. The recovery deductions in the years of acquisition and disposition were to be based on the number of months the property was held, rather than on the half-year convention used for personal property. The full-year writeoffs for the intervening years therefore had to take into account the number of months the property was in service during the first year. Low-income rental housing was allowed recovery deductions based on the 200-percent declining-balance method for the earlier years with a switch to the straight-line method for the later years.

The Act no longer permitted the use of the retirement-replacement-betterment (RRB) method for depreciating railroad property as of January 1, 1981. Property placed in service after 1980 that would have been RRB property was to be treated as 5-year property under ACRS. During a transition period (1981-84), a special rule was provided for replacement property that would have been normally expensed under RRB. Under this rule, property placed in service in 1981 could be fully expensed, while property placed in service in 1982 through 1984 was to be recovered over 2, 3 and 4 years, respectively, using an accelerated method based on the 200-percent declining-balance method for the earlier years with a switch to the sum-of-the-years digits method for the later years. Property placed in service in 1985 or subsequent years was treated the same as other 5-year recovery property. Except for property placed in service in 1981, only one-half of a year's depreciation was allowed for the year the property was placed in service, regardless of when during the year the property was placed in service.

Capitalized costs under the RRB property that had not yet been recovered through retirement as of December 31, 1980, could be recovered over a period of not less than 5 years and no more than 50 years, using a method which included the 200-percent declining-balance method for the earlier years and then the sum-of-the-years digits method at such time as that method maximized the deduction.

Special rules applied to the cost recovery of foreign property. The cost of personal property used predominantly outside the United States was recovered using a recovery period equal to the ADR class life for the property as of January 1, 1981. For depreciable personal property for which there was no ADR midpoint life as of January 1, 1981, a 12-year recovery period was to be used. The recovery percentages were to be based on the 200-percent declining-balance method for the early years and the straight-line method for the later years. For depreciable real property, the recovery period was 35 years, with the recovery deduction based on the 150-percent declining-balance method for the early years and the straight-line method for the later years.

The taxpayer was also given the option to use straight-line depreciation for a given class of property, instead of the regular ACRS deduction based on the accelerated methods mentioned above, although the rules varied depending on whether the asset was personal or real property and whether it was used predominantly outside the United States. For personal property, the taxpayer could choose to use certain longer periods instead. These optional periods were:

(1) 5 or 12 years for 3-year property,
(2) 12 or 25 years for 5-year property,
(3) 25 or 35 years for 10-year property, and
(4) 35 or 45 years for 15-year property.

The half-year convention was required under this election for both the year the property was placed in service and the year following the end of the recovery period. The same recovery period then had to be used for all property in the class. Other classes of property were subject to separate elections, at the option of the taxpayer. For real property, the optional recovery periods when the straight-line method was elected were 15, 35, and 45 years and the election was made separately for each property. For foreign property, the rules applicable to personal and real property were the same as those used for U.S. personal and real property, with one exception. This exception was for the optional recovery periods for real property, whereby in addition to the optional recovery periods listed above the ADR class life was also included.

Investment Credit

To complement the new ACRS system of accelerating depreciation, the new law redefined the property classes for which the "regular" 10-percent investment credit was allowed, using the various recovery periods applicable under ACRS to post-1980 acquisitions, in place of the useful life classes applicable to property acquired in 1980 and earlier years. For eligible 15-year public utility, 10-year, and 5-year property, "qualified investment" (the concept used to give weight to assets with longer lives or recovery periods and that served as the base upon which the credit was computed) was made equal to 100 percent of the property's cost. However, for 3-year recovery property, only 60 percent of the cost was considered qualified investment. These changes also applied when computing the additional investment credits for qualified business energy property and for qualified investment in employee stock option plans (ESOP's). The same revised percentages applied to "qualified progress expenditures" made on recovery property, although the appropriate useful life percentages continued to apply to expenditures on property acquired prior to 1981.

The new law also extended or qualified the definitions of property eligible for the credit. Petroleum storage facilities and certain leased railroad rolling stock were each specifically mentioned. Also 100 percent of the cost of employer-provided commuter highway vehicles acquired after 1980 was eligible for investment credit even if they were otherwise included in the 3-year ACRS recovery period for which only 60 percent of the cost was recognized. In addition, the Act liberalized the amount of used property which would be used for investment credit so that as much as $125,000 (instead of $100,000) was eligible for 1981 through 1984, and $150,000 for years after 1984. The used property qualifying for the more liberalized treatment had to be placed in service after 1980. Special rules were set forth for apportioning such used property among controlled groups of corporations for credit computation purposes.

With certain exceptions for energy property, the 1981 Act also limited the credit allowed for amounts invested in new or used property only to the extent that the amounts were not "at risk", i.e., if the company was not itself liable for the funds used in purchasing the property. This provision was

applicable to Small Business Corporations electing to be taxed through shareholders and to certain closely-held corporations engaged in specified industrial activities.

"Safe Harbor" Leasing

Provisions enacted by the 1981 Act substantially liberalized traditional leasing rules under which businesses were required to operate for U.S. tax purposes, making it possible for both the lessor and the lessee to maximize the benefits of ACRS depreciation deductions and investment credits. The 1981 Act created a type of leasing arrangement which became known as a "safe harbor lease". This term was used because the new provisions guaranteed that a transaction would not be challenged for U.S. income tax purposes, regardless of existing guidelines for determining whether a transaction were a lease or merely a financing arrangement not subject to the same tax benefits and also regardless of whether its nontax economic substance would otherwise be recognized as a true lease. As a result of this change in law, many of the new safe harbor leases became only paper transactions which were recognized as a lease for tax purposes, but had no business purpose other than to transfer tax benefits. Under these types of arrangements, the lessor became the owner of the property only on paper, while the lessee actually retained title to the property and was treated as the legal owner for State and local purposes.

Prior to the 1981 Act, three-party financing leases ("leverage" leases) were often used to transfer tax benefits from lessees that were unable to take advantage of them to lessors that could. This practice was engaged in notwithstanding strict taxation rules or guidelines placed on the parties to a lease in order for the transaction to be regarded as a true lease. Any tax benefits derived from leased property were available solely to the owner-lessor. The intent of the new provisions was to allow leasing transactions to be used as a means to stimulate economic growth by, and provide incentives for investment to, companies which otherwise could not utilize the benefits of the investment credit and the new ACRS method of accelerating depreciation. Such companies were those that were in a loss position and that could not benefit fully from depreciation deductions and had no tax liability against which to apply the investment credit. (The unused depreciation deductions and investment credits could be carried to other years, but their tax benefit was reduced for the current taxable year).

The liberalized leasing arrangements allowed nominal lessees in distressed industries or that were newly-established companies with large capital investments and little or no net income or tax to, in effect, "sell" their unusable ACRS depreciation deductions and investment credits, in exchange for reduced rental charges for an asset or for cash (or cash and reduced rentals in the case of sale-leaseback arrangements) to a company which could use the ACRS depreciation and investment credit for the current taxable year. The new rules applied to leasing arrangements which took effect after December 31, 1980. Companies entering into these arrangements were required to report them no later than January 31, 1982.

The following requirements had to be met by the parties to the transaction if it were to be treated as a lease:

1) the lessor had to be a "regular" corporation (other than a Small Business Corporation electing to be taxed through shareholders, a Domestic International Sales Corporation, or a Personal Holding Company),
2) the lessor's minimum "at risk" (described below) investment in leased property had to be at least 10 percent of the adjusted basis of the property, both when the property was first placed in service and throughout the term of the lease,
3) the term of the lease could not exceed the greater of 90 percent of the useful life of the property, or 150 percent of the class life of the property under the Asset Depreciation Range (ADR) system of depreciation, as of January 1, 1981, and
4) the property leased had to be "qualified leased property" (described below).

If a transaction met these requirements, the transaction was treated as a lease entered into by the parties to the arrangement, and the nominal lessor was treated as the owner for U.S. tax purposes. The nominal lessor was then entitled to the associated ACRS depreciation allowances and investment credit.

In general, the requirement that a lessor maintain a 10-percent minimum "at-risk" investment in the property throughout the term of the lease meant that the lessor had to have an equity investment that included only considerations paid and personal liability incurred by the lessor to purchase the property other than debt to the lessee. The minimum investment rule was determined with respect to the adjusted basis of the property rather than its original value.

"Qualified leased property" meant property eligible for ACRS depreciation that was:

1) new property eligible for investment credit by the lessor that was leased within 3 months after it was placed in service and which, if acquired by the lessee, would also have been eligible for the investment credit,
2) in a sale-leaseback transaction, was property eligible for investment credit when acquired by the lessee; the sale to the nominal lessor and the leaseback to the lessee must have occurred within 3 months after the property was placed in service by the lessee at the time of the lease, and
3) a qualified mass commuting vehicle financed by tax-exempt obligations of a State or locality; such vehicles qualified even though they were for use by a tax-exempt organization or governmental unit and thus did not qualify for investment credit, although they did qualify for ACRS depreciation.

Statistics (including data for the industries most affected) as well as additional information concerning "safe harbor" leasing is contained in the SOI Bulletin, Volume 3, Number 2, Fall 1983.

Research and Experimentation Credit

A nonrefundable income tax credit of 25 percent was available for qualifying expenses incurred after June 30, 1981, and before January 1, 1986, for increased activity in research. This credit applied whether the expense was deducted or capitalized. It was limited to 25 percent of the "incremental" amount of research expense, over the average expenditures during a specified base period. For the first two years of the credit, its base period was either the first preceding year or the first two preceding years. When the credit was fully implemented, the base period was the three prior taxable years. The base period research expenses could never comprise less than half of the qualified research expenses for the tax year for which the credit was computed.

Two types of research were considered to be qualified for this credit. The first type consisted of the

expenses incurred for the taxpayer's own wages and supplies for research, plus certain other charges for the use of research equipment. The other type consisted of the expenses paid to qualified organizations, such as colleges and other tax-exempt organizations, for basic research. The taxpayer was allowed a credit for 65 percent of this latter type of expense. Research in the social sciences or humanities, and research funded by another person, by a grant, or by a Government agency were ineligible for the credit.

Controlled groups and other businesses under common control were treated as a single taxpayer for credit purposes. Each member of the group was limited to its proportionate share of the increase in the expenses generating the credit. Small Business Corporations electing to be taxed through their shareholders had to apportion the credit among shareholders.

All research credits paid or incurred in the United States were to be allocated or apportioned to United States source income for a two-year period, effective for the first taxable year beginning after the date of enactment. Corporations were also allowed an increased deduction subject to limitations for contributions of certain research and experimental property to educational institutions.

Table 17 provides data on the research and experimentation credit.

Additional Tax for Tax Preferences ("Minimum Tax")

Certain income and deduction items were specified in the Internal Revenue Code as "tax preferences" that were subject to a special tax called the "minimum tax." For 1981, as a result of the new ACRS procedures for depreciating property, additional tax preferences were included in the Code. One of the new preferences, applicable to Personal Holding Companies and for Small Business Corporations electing to the taxed through shareholders, was defined as the the excess of the ACRS depreciation deduction for each leased recovery property (except for 15-year real property) over the amount that would have been obtained using the half-year convention (see Depreciation, above), no salvage value and the straight-line method of depreciation over specified extended recovery periods. The predecessor of this tax preference, the excess of accelerated over straight-line depreciation for new leases of personal property continued to apply in the case of property placed in service before 1981.

For 15-year real property, the other new preference was for the excess of the ACRS depreciation deduction over the amount that would have been obtained by using the straight-line method over the 15-year period and disregarding salvage value. This preference was applicable to all corporations. The new provision did not affect the previously existing one that applied to property placed in service before 1981 and that covered the excess of accelerated depreciation on real property over straight-line depreciation.

Revised Carryover Periods for Unused Net Operating Losses and Certain Credits

Corporations that incurred a "net operating loss" for a given year were allowed to apply this loss against the net income of certain specified prior years and, if still not fully offset against this income, to then carry the unused amount to certain succeeding years as a means of reducing the "taxable income" for each of the years. Carryback and carryover provisions were also included in the Code for certain "unused" tax credits, either because there was not enough tax (or no tax) for the year in which the credit was "earned" or because the allowable credit for any one year was subject to statutory limitations.

The 1981 Act extended the number of years over which a net operating loss could be deducted from 7 to 15, for losses that arose in taxable years that ended after 1975. The 15-year carryover period for post-1975 losses was also extended to regulated transportation companies (previously allowed only a 9-year carryover period), as well as to certain life insurance companies (previously allowed only an 8-year carryover period). Real estate investment trusts were allowed to extend their carryover period from 8 to 15 years, for losses that occurred after 1972.

The carryover periods for certain unused tax credits were similarly extended. Unused jobs credit generated in tax years beginning after 1976, and unused investment or work incentive (WIN) program credits generated in years beginning after 1973 could each be carried over for 15 years instead of the previous 7. The same treatment was also allowed for unused alcohol fuel credits generated in years ended after September 1980.

Additional information about net operating losses may be found in the Explanation of Terms under "Statutory Special Deductions". Each of the credits is discussed under its own heading.

Section 3

Description of the Sample and Limitations of the Data*

This section describes the sample criteria and selection of returns, the method of estimation and sampling variability of the estimates contained in this report. It also describes the methodology needed to compute confidence interval estimates, as well as some of the limitations of the data.

SAMPLE SELECTION

The statistics in this report were estimated from a stratified probability sample of corporation income tax returns selected after revenue processing but before audit examination (see figures D and E). The corporation population consisted of 3,044,496 returns for active and inactive corporations, from which the sample of 92,876 returns was drawn. The differences between these counts and those shown elsewhere in this report are due to the inability to distinguish with certainty active corporations from others at the point of selection (a further discussion is presented later in this section). The following types of returns were subjected to sampling: Form 1120--U.S. Corporation Income Tax Return; Form 1120F--U.S. Income Tax Return of a Foreign Corporation; Form 1120L--U.S. Life Insurance Company Income Tax Return; Form 1120M--U.S. Mutual Insurance Company Income Tax Return; Form 1120S--U.S. Small Business Corporation Income Tax Return; and Form 1120-DISC--Domestic International Sales Corporation Return.

All sample returns, except Forms 1120-DISC, were computer-selected from the Internal Revenue Service's Business Master File (BMF) system. Form 1120-DISC returns were processed on a separate computer system designed expressly for the sampling process. Both sampling procedures used a transformation of the Employer Identification number as the basis for essentially random selection within a sample class.

The prescribed sample rates for Forms 1120 and 1120S ranged from 0.40 percent to 100 percent, depending on size of total assets and net income (or deficit) and the presence or absence of selected "financial," "nonfinancial special" or "nonfinancial regular" principal business activity (PBA) codes. The average sample rates for Forms 1120 and 1120S, shown in figure D, columns 8 and 9, ranged from 0.42 percent to 100 percent, which represent average prescribed rates for the individual sample classes. Forms 1120L and 1120M were sampled, based on size of total assets, at rates ranging from 50 percent to 100 percent. Forms 1120F were sampled based on total assets and "financial" or "nonfinancial" PBA codes, at sample rates ranging from 25 to 100 percent. For Forms 1120-DISC, sample rates were dependent upon: (1) the size of total assets of the majority corporate stockholder, (2) the size of total assets of the DISC, (3) the size of net income (or deficit) of the DISC and (4) the size of the annualized adjusted taxable income of all the DISCs in the controlled group. The sample rates ranged from 5 to 100 percent.

Figure D contains the number of returns in the population and sample, by sample class and sampling rates (both prescribed and achieved). A comparison of the total 1981 population (3,044,496) in figure D with the total estimated number of returns (2,812,420) in table 1, column 1, will show a difference of 232,076. This difference resulted from returns which were excluded because they were: (1) inactive returns having neither income nor deductions; (2) duplicate returns; (3) amended returns not associated with the original returns and which were not earlier removed by the original computer selection (the original returns were subject to sampling); (4) tentative returns not associated with the revised returns and which were not earlier removed by the original computer selection (the revised returns were subject to sampling); (5) certain delinquent returns of corporations for prior years; (6) returns exempt under section 936 of the Internal Revenue Code (IRC); (7) returns exempt under section 1247 of the IRC; (8) returns exempt under section 883 of the IRC; (9) Cost Corporation returns exempt under Revenue Ruling 52-542; (10) Form 1120M corporation returns exempt from tax under section 501(c)(15) of the IRC; (11) returns of (non-resident) foreign corporations having no income effectively connected with a trade or business within the U.S; (12) (U.S.) Virgin Island returns exempt under section 934 of the IR Code; (13) returns of political organizations filing on Forms 1120 and stating that they are filing under IR Code section 527; (14) Returns filed by general stock ownership corporations on Forms 1120 which are required to file a return but are exempt from tax; (15) returns filed by homeowners associations on Forms 1120 and stating they are filing under IR Code section 528; and (16) information returns reporting no tax, due to tax treaty or convention according to IR Code section 894.

The estimated population of exclusions, 232,076, is an increase of 75,395 over the income year 1980 population of exclusions, 156,681. This increase has two procedural causes. First, the point of sample selection was changed in 1982 from before to after the returns were "posted" to the Business Master File. This caused some returns to be subjected to sampling twice, some being reselected.

The second change involved the definition of the returns to be included in the tabulations. Until income year 1981, it had been our practice to include prior-year returns of small corporations in the tabulations as a substitute for returns not filed until after the end of the sample selection period. For 1982, however, we decided to reject 1979 and prior-year tax returns.

METHOD OF ESTIMATION

The data from the sample returns were weighted to estimate the total size of business activities of all corporations in the United States and its possessions

*Homer Jones and Richard Collins designed the sample for this report and Homer Jones and Paul McMahon prepared the text and tables.

Figure D—Corporation Returns: Number Filed, Number in Sample, Prescribed and Achieved Sampling Rates, by Sample Selection Class, Income Year 1981

Sample Class Number	Description of Sample Selection Classes		Industry Class	Year Sampled	Number of Returns		Sampling Rates (Percent)	
	Size of total assets	Size of net income or deficit			Estimated Population	Sample Size	Prescribed	Achieved
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	All Returns, Total		*	*	3,044,496	92,876	3.09	3.04
	Forms 1120 and 1120S with Form 5735 attached, Total		*	*	692	687	100.00	99.28
1a	Under $50,000,000	Any amount	B,C	2,3	610	605	100.00	99.18
	Under $100,000,000	Any amount	A	2,3				
	Any Amount	Any amount	All	1				
1b	$50,000,000 or more	Any amount	B,C	2,3	82	82	100.00	100.00
	$100,000,000 or more	Any amount	A	2,3				
	Forms 1120 and 1120S (no Form 5735 attached), Total		*	*	3,018,504	84,464	2.84	2.80
2	Under $50,000	Under $25,000	All	All	1,239,424	5,108	0.42	0.41
3	$50,000 under $100,000	$25,000 under $50,000	All	All	461,090	3,024	0.65	0.66
4	$100,000 under $250,000	$50,000 under $100,000	All	All	550,821	6,096	1.13	1.11
5	$250,000 under $500,000	$100,000 under $250,000	All	All	320,055	7,526	2.40	2.35
6	$500,000 under $1,000,000	$250,000 under $500,000	All	All	202,027	7,601	3.76	3.76
7	$1,000,000 under $2,500,000	$500,000 under $1,000,000	All	All	136,341	12,906	9.62	9.47
8	$2,500,000 under $5,000,000	$1,000,000 under $1,500,000	All	All	45,713	5,542	12.36	12.12
9	$5,000,000 under $10,000,000	$1,500,000 under $2,500,000	All	All	24,081	6,035	25.51	25.06
10	$10,000,000 under $25,000,000	$2,500,000 under $5,000,000	A	All	6,704	2,618	38.77	39.05
11	$10,000,000 under $25,000,000	$2,500,000 under $5,000,000	B	2,3	2,875	1,350	47.39	46.96
12	$25,000,000 under $50,000,000	$5,000,000 under $10,000,000	A	2,3	4,580	2,253	48.87	49.19
13	$10,000,000 under $50,000,000	$2,500,000 or more	C	2,3	15,782	15,396	100.00	97.55
	$25,000,000 under $50,000,000	$5,000,000 or more	B	2,3				
	$50,000,000 under $100,000,000	$10,000,000 or more	A	2,3				
14	$50,000,000 or more	Any amount	B,C	2,3	8,445	8,445	100.00	100.00
	$100,000,000 or more	Any amount	A	2,3				
15	$25,000,000 or more	$5,000,000 or more	A	1	566	564	100.00	99.65
	$10,000,000 or more	$2,500,000 or more	B,C	1				
	Forms 1120L and 1120M, Total		*	*	3,427	2,142	56.78	62.50
16	Under $50,000,000	Any amount	All	All	2,962	1,677	50.00	56.62
17	$50,000,000 or more	Any amount	All	All	465	465	100.00	100.00
	Forms 1120F (with effectively connected income, in U.S.), Total		*	*	11,215	3,116	29.75	27.78
18	Under $25,000,000	Any amount	A	All	10,746	2,650	25.00	24.66
	Under $10,000,000	Any amount	B,C	All				
19	$25,000,000 under $100,000,000	Any amount	A	All	252	249	100.00	98.81
	$10,000,000 under $50,000,000	Any amount	B,C	All				
20	$100,000,000 or more	Any amount	A	All	217	217	100.00	100.00
	$50,000,000 or more	Any amount	B,C	All				
	Forms 1120-DISC (See Figure E)		*	*	10,658	2,467	24.28	23.15

Notes:

For a return to be selected in a given sampling class, either Total Assets, or Net Income or Deficit, it had to be in the specified range. The return was always classified as being in the category which had the larger sampling rate. The prescribed and achieved sampling rates for some sampling classes are composite figures. This is due to different sampling rates being used during the three years of sampling, identified as 1, 2, or 3 in column (5) above for processing years 1981, 1982, and 1983 respectively. There are three categories of industries used in this design designated by the letters A, B, and C: Financial (Industry Class A); Non Financial Special (Industry Class B), and Others (Industry Class C). The Principal Business Activity Codes of the Financial class are: 6030, 6060, 6090, 6140, 6150, 6359 and 6742 for all three sampling years, with 6120, 6199, 6210, 6511, 6550, 6599 and 6749 added during sampling years 1982 and 1983. The Codes for the Non Financial Special class (used during sampling years 1982 and 1983 only) are: 0400, 1330, 1510, 1600, 2298, 3490, 3670, 3698, 3998, 4200, 5008, 5050, 5140, 5300, 7000, 7389, and 7900. For a detailed description of these codes, see the Tax Return Instructions in Section 6.

* Not Applicable

Figure E--Domestic International Sales Corporation Returns: Number Filed, Number in Sample, Prescribed and Achieved Sampling Rates, by Sample Selection Class, Income Year 1981.

Description of Sample Selection Class		Number of Returns		Sampling Rates (Percent)	
Size of total assets	Size of net income or deficit	Estimated Population	Sample Size	Prescribed	Achieved
(1)	(2)	(3)	(4)	(5)	(6)
All 1120-DISC Returns		10,658	2,467	24.28	23.15
MCS under $10,000,000 & DISC under $500,000	Both TICG & DISC under $200,000	5,415	244	5.00	4.51
MCS under $10,000,000 & DISC $500,000 under $1,000,000 MCS $10,000,000 under $25,000,000 & DISC under $1,000,000	Larger of TICG or DISC $200,000 under $500,000 Both TICG and DISC under $500,000	1,804	169	10.00	9.37
MCS under $25,000,000 & DISC $1,000,000 under $2,500,000 MCS $25,000,000 under $50,000,000 & DISC under $2,500,000	Larger of TICG or DISC $500,000 under $1,000,000 Both TICG and DISC under $1,000,000	1,109	209	20.00	18.85
MCS under $50,000,000 & DISC $2,500,000 under $5,000,000 MCS $50,000,000 under $100,000,000 & DISC under $5,000,000	Larger of TICG or DISC $1,000,000 under $1,500,000 Both TICG and DISC under $1,500,000	593	160	30.00	26.98
MCS under $100,000,000 & DISC $5,000,000 under $10,000,000 MCS $100,000,000 under $250,000,000 & DISC under $10,000,000	Larger of TICG or DISC $1,500,000 under $2,500,000 Both TICG and DISC under $2,500,000	571	519	100.00	90.89
MCS under $250,000,000 & DISC $10,000,000 or more MCS $250,000,000 or more & Any amount for DISC	Either TICG or DISC $2,500,000 or more Any Amount for either TICG or DISC	1,166	1,166	100.00	100.00

Notes:

The abreviations used in the table above are:
MCS - Majority Corporated Stockholder,
DISC - Domestic International Sales Corporation, and
TICG - Taxable Income of Controlled Group.

which filed returns for accounting periods ending July 1981 through June 1982. The returns were selected for the sample during 1981, 1982 and 1983.

A two stage process was used to calculate the weights. The first was to compute a provisional weight for each sampling class. The provisional weight was computed by dividing the total number of returns in a sampling class by the number of returns in the sample from that class.

The second stage involved post-stratification based on 58 groups of Principal Business Activity Codes (the major industries). Because each group was not sufficiently represented in each sampling class, raking ratio estimation procedures were employed to prevent the loss of coverage. Further details on the procedures used can be found in the paper "Modified Raking Estimation in the Corporate SOI Program" by M.R. Leszcz, H.L. Oh, and F.J. Scheuren, Statistics of Income and Related Administrative Record Research: 1983, Internal Revenue Service (available upon request) or 1983 Proceedings of the Section on Survey Research Methods, American Statistical Association.

The estimation procedures used were essentially the same as those used for the 1980 income year, although some additional sampling classes were included. Income years before 1980 used a version of the provisional weight mentioned above.

For the 1981 income year, the Forms 1120, 1120S, and 1120F returns subject to sampling at less than the 100 percent achieved rate were reweighted after determination of their provisional weights. Two additional sample classes were subjected to the post-stratification technique for 1981 which were not subjected to it for the 1980 income year program.

This was caused by the decision to allow provisional weights to exceed slightly the value 1.00. The prescribed sampling weights given in figure D, column 8, and figure E, column 5, are the inverse of the prescribed provisional weights. In previous years, the shortage, if any, in the 100 percent sampling weight classes was adjusted out of these classes to a lower prescribed sampling weight class with the highest non-100 percent sampling rate but otherwise having the same characteristics, thereby increasing its provisional weight and partially compensating for the shortage.

For the 1981 income year, the second largest 100 percent sample class for each type of return was used to adjust for any shortage in the overall 100 percent class. This procedure tends to make the adjusting class more accurate, since its total assets, and income/deficit levels are nearer those of the missing items in the sample.

TABLE PRESENTATION

Sample weights determined from the above procedure were carried to two decimal places. This continues the practice readopted in last year's issuance which resumed a tradition implemented in volumes of Statistics of Income prior to the 1973 issuance (from 1973 through 1979, integer weighting was adopted). The use of decimal weighting made weighting more accurate and reduced the sampling variability. Integer weighting had some advantages of its own also, such as better additivity of parts to their total.

As a result of two decimal place weighting, a column of frequencies may fail to add exactly to the corresponding total. The total should be considered more accurate in this case. The same condition may exist for money amount totals but the effect is likely to be less important since the dollar amounts are normally in approximate balance prior to the rounding to thousands of dollars (which takes place in all tables as the last step before displaying the results).

Whenever a weighted frequency is less than 3, the estimate is combined or deleted in order to avoid disclosure of information about specific corporations. These combinations or deletions are indicated by either a double asterisk (**) or a triple asterisk (***). In all other cases, when an estimate is based on fewer than 10 returns, not all of them selected at the 100 percent rate, the estimate is considered statistically unreliable and is indicated by a single asterisk (*) to the left of the data items. (Asterisked estimates should normally be used only in combination with other tabulated values.) Also, for tables classified by total assets, the amounts in the asset size columns may not add up to the total for particular industries because of deletions of asset size column(s) at a lower industry level.

The statistical reliability of each cell in the tables was determined independently from that of other cells. Accordingly, it is possible to see a total figure with an asterisk (*) indicating statistical unreliability and yet a subset of that total not so identified. For example, an industrial division figure could be based on 7 returns, of which 3 were not sampled at the 100 percent rate (and, thus, receive an asterisk), and a major group in this division could have 4 returns all sampled at the 100 percent rate and, thus, not receive an asterisk.

In the tables, a dash (-) in place of a frequency or an amount indicates that: (1) if returns were sampled at a rate of 100 percent, no returns had the particular characteristic; or (2) if returns were sampled at a rate less than 100 percent, either no returns in the population had the characteristic or the characteristic was so rare that it did not appear on any sample returns.

SAMPLING VARIABILITY

The particular sample used in this program is one of a large number of possible samples that could have been selected using the same sample design. Estimates derived from the different samples would differ from each other. The deviation of a sample estimate from the average of all possible samples is called the standard error. The sampling variability of an estimate is a measure of the variation among the estimates from the possible samples and, thus, is a measure of the precision with which an estimate from a particular sample approximates the average result of all possible samples.

The coefficient of variation is the standard error of the estimate expressed as a percent of the estimate. The standard error, when added to and subtracted from the value of the estimate, provides upper and lower limits within which approximately two out of three estimates derived from similarly selected samples would be expected to fall. (See figure F).

The sample estimate and an estimate of its standard error permit the construction of interval estimates with prescribed confidence that the interval includes the average result of all possible different samples. For example, assume an estimate of 90,339 represents the number of returns having total assets $100,000 under $250,000 in a 1981 Statistics of Income table. A coefficient of variation (CV) of 3.19 percent for this frequency is obtained by using column 2 of figure F and interpolating as indicated in the footnote found there.

The standard error of the estimate SE(X) is needed to construct the interval estimate; it is the product of the estimate, X, and its coefficient of variation, CV(X):

$$SE(X) = X \cdot CV(X)$$

$$= 90{,}339 \cdot (.0319)$$

$$= 2{,}882 \text{ returns.}$$

The SE(X) value is then subtracted from and added to the estimate X to construct a 68 percent confidence interval estimate. The interval is computed using the formula:

$$(X - SE(X)) \leq Y \leq (X + SE(X))$$

with a 68 percent confidence level, where Y is the population value estimated by X. Based on the data for this example, the interval estimate is from 87,457 returns to 93,221 returns (90,339 ± 2,882 returns). A conclusion that the average estimate of the number of returns lies within an interval computed in this way would be correct for approximately two-thirds (68 percent) of all possible similarly selected different samples.

To obtain this interval estimate with 95 percent confidence limits, multiply the SE(X) value by two and recompute the interval. For this example, the resulting interval would be from 84,575 returns to 96,103 returns.

SAMPLE MANAGEMENT

The totals (i.e., population and sample counts) for the number of returns filed were derived from computer counts of corporation returns (other than Form 1120-DISC) produced at the ten Internal Revenue Service processing centers and the National Computer Center (NCC). These counts were verified during statistical processing to minimize loss of data. A sampling problem in the Consolidated Returns area which occurred during the early part of the 1982 processing

Figure F--Coefficient of Variation of Estimated Number of Returns, Income Year 1981.

Estimated number of returns	Tables showing the classification by size of total assets								Tables not showing classes by size of total assets	Form 1120-DISC tables
	Under $100,000[1]	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 under $100,000,000[2]		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	(Percent)[3]									
200	92.25	61.91	40.39	29.66	17.72	9.59	5.64	3.05	92.25	20.88
300	75.32	50.55	32.98	24.21	14.47	7.83	4.61	2.49	75.32	17.05
400	65.23	43.77	28.56	20.97	12.53	6.78	3.99	2.15	65.23	14.76
500	58.34	39.15	25.55	18.76	11.21	6.07	3.57	1.93	58.34	13.21
600	53.26	35.74	23.32	17.12	10.23	5.54	3.26	1.76	53.26	12.06
700	49.31	33.09	21.59	15.85	9.47	5.13	3.01	1.62	49.31	11.16
800	46.12	30.95	20.20	14.83	8.86	4.80	2.82	1.52	46.12	10.44
900	43.49	29.18	19.04	13.98	8.35	4.52	2.66	1.44	43.49	9.84
1,000	41.26	27.69	18.06	13.26	7.92	4.29	2.52	1.36	41.26	9.34
1,200	37.66	25.27	16.49	12.11	7.23	3.92	2.30	1.24	37.66	8.52
1,400	34.87	23.40	15.27	11.21	6.70	3.63	2.13	1.15	34.87	7.89
1,600	32.62	21.89	14.28	10.49	6.26	3.39	1.99	1.08	32.62	7.38
1,800	30.75	20.64	13.46	9.89	5.91	3.20	1.88	1.02	30.75	6.96
2,000	29.17	19.58	12.77	9.38	5.60	3.03	1.78	0.96	29.17	6.60
2,500	26.09	17.51	11.42	8.39	5.01	2.71	1.60	0.86	26.09	5.91
3,000	23.82	15.98	10.43	7.66	4.58	2.48	1.46	0.79	23.82	5.39
4,000	20.63	13.84	9.03	6.63	3.96	2.14	1.26	0.68	20.63	4.67
5,000	18.45	12.38	8.08	5.93	3.54	1.92	1.13	0.61	18.45	4.18
7,000	15.59	10.46	6.83	5.01	3.00	1.62	0.95	0.51	15.59	3.53
10,000	13.05	8.75	5.71	4.19	2.51	1.36	0.80	0.43	13.05	2.95
15,000	10.65	7.15	4.66	3.42	2.05	1.11	0.65	0.35	10.65	(4)
25,000	8.25	5.54	3.61	2.65	1.58	0.86	0.50	0.27	8.25	(4)
35,000	6.97	4.68	3.05	2.24	1.34	(4)	(4)	(4)	6.97	(4)
50,000	5.83	3.92	2.55	1.88	1.12	(4)	(4)	(4)	5.83	(4)
75,000	4.76	3.20	2.09	1.53	0.92	(4)	(4)	(4)	4.76	(4)
100,000	4.13	2.77	1.81	1.33	0.79	(4)	(4)	(4)	4.13	(4)
150,000	3.37	2.26	1.47	1.08	0.65	(4)	(4)	(4)	3.37	(4)
250,000	2.61	1.75	1.14	(4)	(4)	(4)	(4)	(4)	2.61	(4)
500,000	1.84	1.24	0.81	(4)	(4)	(4)	(4)	(4)	1.84	(4)
700,000	1.56	(4)	(4)	(4)	(4)	(4)	(4)	(4)	1.56	(4)
1,000,000.	1.30	(4)	(4)	(4)	(4)	(4)	(4)	(4)	1.30	(4)
1,500,000.	1.07	(4)	(4)	(4)	(4)	(4)	(4)	(4)	1.07	(4)
2,000,000.	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)	0.92	(4)

[1] Includes zero assets and assets not reported.
[2] Coefficient of variation is zero for returns with total assets of $100,000,000 or more
[3] This percentage should normally not be used for estimates designated by a single asterisk (*) because the sample is too small to yield reliable confidence interval estimates.
[4] Not applicable because the estimated number of returns was greater than the population estimate.

NOTE: Method of interpolation: Divide the estimate by 100, determine the coefficient of variation percentage in the proper column, and then divide the result by 10. EXAMPLE: To find the coefficient of variation for an estimate of 60,000 returns having total assets of $250,000 under $500,000, divide by ten the coefficient of variation of 23.32 percent shown for 600 returns (60,000 divided by 100) to obtain 2.33 percent.

year (and which affected sample classes 11 to 14 in Figure D) was largely resolved by locating the missing returns during the remaining available sampling period which extended through June 1983. Since the problem was resolved, no special adjustment to compensate for these returns was necessary. See the section "Method of Estimation" of this section 3 for details of the adjustment used for all shortages of 100 percent sampling rate returns.

Another sampling problem developed in the Form 1120-DISC area at one of the ten processing service centers due to the changeover from the 1980 income year sampling plan to the 1981 income year sampling plan. It was determined near the end of the sampling period that returns were still being sampled under the old procedures, and recovery efforts were immediately undertaken to locate the returns that would have been selected under the new procedures. The shortage area was in the small and medium range. Very few of the large returns were missing. Approximately 98.7 percent of the expected sample was located by the end of the recovery process, and 95.1 percent of the population had been counted in the various sampling classes. After the recovery operation, an estimate was made of the characteristics of the unlocated missing returns through an investigation of the characteristics of those missing returns that were located. The population counts were then adjusted based on this new information and weights were increased where necessary to compensate for the missing returns. Since post-stratification procedures were not used for Form 1120-DISC returns, no additional complications arose.

Because of the significant impact on the statistics, returns of the largest corporations were included, even if not designated by the computer, through the use of a critical case name control procedure. In a few cases when the income year 1981 return could not be located, a form of imputation was carried out, usually by substituting last year's return, after suitable adjustments.

ROUNDING AND MONEY AMOUNTS

Data were abstracted in whole dollars for all types of returns. Amounts of $500 or more were rounded to the next thousand at the table level instead of at the record level. For example, $500 was entered as $1,000 if the weighted values of all records in the cell gave a total of $500. Amounts under $500 were entered into the unweighted records, but if their weighted total was under $500, an indicator was entered instead to account for the presence of an amount greater than zero, but under $500.

INDUSTRIAL CLASSIFICATION

Among the several classifications used in this report, tax return data are classified according to the principal business activity of the corporation. A return was classified in the "minor" industry which, in general, accounted for the largest portion of its total receipts, even though the return may have been for a company engaged in many business activities or may have been a consolidated return filed for the members of an affiliated group of corporations. Minor industries were aggregated into major industries, which in turn were aggregated into industrial divisions. (See "Codes for Principal Business Activities" in the tax form instructions in Section 6 of this volume.)

In previous years, returns in the statistical sample were examined during statistical processing and each was assigned a code, the SOI Industry Code ("Minor Industry"), classifying it by industry. In determining the code, the following were considered: the description of the business activity given by the taxpayer; the taxpayer-assigned Principal Business Activity ("PBA") code; the sources of the taxpayer's income; the nature of the expenses; and, where necessary, information from various reference books. Year-to-year changes in the classification of specific corporations could have resulted from mergers and other changes in organization or from the filing of consolidated returns, as well as from changes in the principal source of total receipts. A new process, the Industry Code Library System, was incorporated to assign the SOI Industry Code. The Industry Code Library consisted of records from previous years' files. If the EIN and the PBA code on a record in the Industry Code Library matched that of the current year record, the SOI Industry Code was transferred from the Library record to the SOI record. Approximately 70 percent of the returns had industry codes assigned by this method. In general, all other records were industry coded according to the former process.

The industries used in this report generally conform to the Enterprise Standard Industrial Classification (ESIC) authorized by the Office of Information and Regulatory Affairs in the Office of Management and Budget. This classification, which was designed to classify companies (which are often engaged in more than one industrial activity), follows closely along the line of the more detailed Standard Industrial Classification (SIC) Manual which was designed to classify separate "establishments" rather than the companies of which establishments were parts. Some departures from the ESIC system were made for the Statistics of Income (SOI) for the finance industries in order to reflect particular provisions of the Internal Revenue Code. For a comparison of the ESIC and SIC industries with the SOI industries used in this report, see the complete report, Statistics of Income--1977, Corporation Income Tax Returns.

More detailed statistics are available in Publication 1053 Source Book of Statistics of Income for the industries shown in table 1 of this report. A general description of the Source Book, including ordering information, is available from the Director, Statistics of Income Division, Internal Revenue Service, 1111 Constitution Avenue, N.W., Washington, DC 20224. Information concerning a magnetic-tape version of the Source Book is also contained in this general description.

CONSOLIDATED RETURNS

The number of returns in the population differs from the total number of profit-oriented corporations in the U.S. chiefly because the Internal Revenue Code permitted single returns presenting the combined financial data of an entire "affiliated group" to be filed by parent corporations.

Although consolidated returns usually reported more than one kind of industrial activity, each return was assigned a single industry classification based on the corporation's principal business activity. Basically, a return was classified into the SOI industry which accounted for the largest portion of its total receipts.

The fact that a consolidated corporation return was assigned a single SOI industry code constitutes a limitation of the data. Some consolidated (and nonconsolidated) corporations were engaged in many types of business activities, so some of the data in this report are not entirely related to the industrial activity under which they are shown.

OTHER DATA LIMITATIONS

Various techniques were used to control and improve the quality of the data during the processing stages. During sampling, a comparison was made between the expected and realized number of sample returns in each of the service centers. Any differences were resolved by follow-up, to the extent feasible. During statistical editing, editors were instructed to correct tax return errors wherever possible through reference to other entries on the return or accompanying schedules and to adjust data to achieve consistency in statistical definitions. Imputation of data by other techniques was also utilized when necessary.

Prior to tabulation numerous computer tests were applied to each return record to check for inconsistencies. Prior to publication, all statistics and tables were reviewed for accuracy and reasonableness, in light of the provisions of tax laws, taxpayer reporting variations and limitations, economic conditions, and comparability with other statistical series.

Part of the review process involved extensive comparison of the current year data with that of the prior year. On occasion, the review process reveals discrepancies or irregularities in previously published data. When adjustments or additional limitations of published data are deemed appropriate, the Statistics of Income Division will provide data users with additional information to place published data in proper perspective. Future editions of Statistics of Income publications will be used to disseminate such information.

Section 4

Basic Tables*

INCOME AND FINANCIAL DATA BY INDUSTRY AND SIZE

1 Return of active corporations: Number of returns, selected receipts, cost of sales and operations, net income, deficit, total income tax, selected credits, distributions to stockholders, total assets, depreciable assets, and depreciation deduction, by minor industry, 18

2 Returns of active corporations: Balance sheets and income statements, by major industry, 24

3 Returns with net income: Balance sheets and income statements, by major industry, 32

4 Returns of active corporations: Balance sheets and income statements, by size of total assets, 40

5 Returns with net income: Balance sheets and income statements, by size of total assets, 42

6 Returns of active corporations: Selected balance sheet, income statement, tax items, and distributions to stockholders, by industrial division, by size of total assets, 44

7 Returns of active corporations: Selected balance sheet, income statement, tax items, and distributions to stockholders, by industrial division, by size of business receipts, 49

SELECTED SUBJECTS

8 Returns of active corporations: Total receipts, net income, statutory special deductions, income tax, tax credits, and taxpayment items, by accounting period ended, 54

9 Returns of active Small Business Corporations, Form 1120S: Balance sheets and income statements, by industrial division, 55

10 Returns of active Domestic International Sales Corporations, Form 1120-DISC: Number of returns, selected balance sheet and income statement items, and distributions to stockholders, by selected industrial divisions, 56

11 Returns of members of controlled groups, other than Form 1120-DISC: Number of returns, total assets, total receipts, net income (less deficit), and total income tax, by selected industrial divisions, 57

12 Returns of active corporations, other than Forms 1120-DISC: Investment credit and selected items, by selected industrial divisions, 58

13 Returns of active corporations: Tax items: Number of returns by selected types of tax, dividend items, net income or deficit, statutory special deductions, income subject to tax, income tax, credits, payments, and Small Business Corporations (Form 1120S), by selected industrial divisions, 59

14 Returns of active corporations: Book net income or deficit and provision for federal income tax, by selected industrial divisions, 60

15 Returns of active corporations, other than Forms 1120S and 1120-DISC: Tax preference items: Number of returns, and tax preference and related items, by selected industrial divisions, 61

16 Returns of active corporations, other than Forms 1120S and 1120-DISC: Number of returns and selected tax items, by size of total income tax after credits, 62

17 Returns of active corporations, other than Forms 1120S and 1120-DISC: Increasing research activities credit items, by selected industrial divisions, 63

*Review of the tables was coordinated by Janice C. Washington.

RETURNS OF ACTIVE CORPORATIONS

Table 1 — Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Distributions to Stockholders, Total Assets, Depreciable Assets, and Depreciation Deduction, by Minor Industry

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Minor industry	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax	Total income tax
	Total	With net income	All returns	Returns with net income						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total returns of active corporations	**2,812,420**	**1,597,298**	**7,026,351,839**	**5,461,362,076**	**6,244,678,064**	**4,509,198,199**	**301,440,778**	**87,791,816**	**241,496,368**	**102,257,851**
Agriculture, forestry, and fishing	**85,370**	**44,948**	**65,061,959**	**40,063,517**	**60,907,045**	**45,552,234**	**2,551,988**	**2,223,679**	**1,728,769**	**557,892**
Agricultural production	62,188	32,731	49,233,083	29,870,716	45,730,072	34,048,851	2,027,184	1,838,059	1,346,546	436,110
Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	23,182	12,217	15,828,877	10,192,801	15,176,973	11,503,383	524,803	385,620	382,222	121,782
Mining	**33,363**	**17,634**	**200,194,751**	**166,388,716**	**189,552,446**	**150,193,394**	**10,611,609**	**4,990,863**	**9,479,222**	**4,245,279**
Metal mining	1,217	200	6,273,457	3,545,454	5,618,175	3,779,585	423,106	397,000	360,480	139,764
Iron ores	44	*40	*1,950,217	*1,567,177	1,790,751	1,271,117	*112,878	8,307	*110,426	*45,866
Copper, lead and zinc, gold and silver ores	683	77	2,960,459	1,252,231	2,562,281	1,865,618	220,067	207,648	192,225	67,603
Other metal mining	490	82	1,362,781	726,046	1,265,143	642,850	90,160	181,046	*57,829	26,296
Coal mining	3,441	1,679	18,329,703	10,403,964	17,401,320	12,492,885	557,967	520,070	413,991	196,376
Oil and gas extraction	24,727	13,270	166,923,286	148,066,237	158,352,264	128,775,670	9,291,837	3,838,772	8,420,875	3,779,238
Crude petroleum, natural gas, and natural gas liquids	10,962	4,446	131,216,217	120,160,523	125,639,755	110,084,359	4,876,564	2,825,827	4,391,979	1,995,032
Oil and gas field services	13,765	8,823	35,707,069	27,905,713	32,712,509	18,691,311	4,415,273	1,012,945	4,028,895	1,784,207
Nonmetallic minerals, except fuels	3,977	2,486	8,668,305	4,373,062	8,180,687	5,145,254	338,699	235,021	283,876	129,900
Dimension, crushed, and broken stone; sand and gravel	2,982	1,712	4,712,040	3,016,177	4,446,260	3,025,453	196,784	147,078	159,417	65,938
Other nonmetallic minerals, except fuels	995	774	3,956,264	1,356,885	3,734,427	2,119,801	141,915	87,943	124,459	63,963
Construction	**276,395**	**145,206**	**280,172,375**	**200,496,170**	**270,543,236**	**214,612,975**	**8,295,947**	**4,840,889**	**6,610,988**	**2,360,800**
General building contractors and operative builders	116,039	55,600	120,729,146	85,270,793	115,240,308	97,972,632	3,125,386	2,356,567	2,396,416	851,701
General building contractors	112,422	53,985	117,663,279	84,025,019	113,414,238	97,169,849	2,949,570	2,142,811	2,284,526	807,966
Operative builders	3,617	1,615	3,065,867	1,245,775	1,826,069	802,782	175,817	213,757	111,890	43,736
Heavy construction contractors	18,495	11,097	57,055,276	41,485,837	54,675,550	43,646,217	2,004,240	855,542	1,770,673	735,008
Special trade contractors	141,861	78,509	102,387,953	73,739,540	100,627,378	72,994,127	3,166,320	1,628,779	2,443,899	774,091
Plumbing, heating, and air conditioning	28,182	16,878	24,448,567	17,046,584	24,118,212	18,301,479	586,660	310,231	480,242	142,267
Electrical work	22,376	13,377	19,725,123	15,325,521	19,305,648	14,388,065	604,761	258,893	492,287	156,955
Other special trade contractors and contractors not allocable	91,303	48,255	58,214,263	41,367,435	57,203,518	40,304,583	1,974,899	1,059,656	1,471,371	474,869
Manufacturing	**251,294**	**149,964**	**2,613,512,581**	**2,208,479,339**	**2,487,695,859**	**1,822,985,043**	**138,215,539**	**21,440,146**	**133,416,116**	**59,554,935**
Food and kindred products	16,425	10,133	276,674,058	233,679,279	269,403,883	203,179,206	10,647,812	1,023,164	10,162,724	4,573,787
Meat products	2,594	1,549	57,342,318	40,957,244	56,577,516	48,337,853	721,328	196,562	642,034	281,565
Dairy products	1,264	968	40,937,489	37,220,337	39,996,749	31,835,445	1,556,590	82,409	1,524,598	678,766
Preserved fruits and vegetables	624	448	23,873,394	18,433,504	23,091,360	16,627,607	995,400	173,672	971,238	433,477
Grain mill products	1,648	1,226	43,718,433	38,956,373	42,464,413	33,271,017	1,660,165	64,875	1,613,278	728,487
Bakery products	4,051	2,334	14,321,788	11,958,473	14,107,851	8,738,081	718,201	92,021	658,313	294,372
Sugar and confectionery products	958	546	13,566,610	10,414,445	13,186,962	8,898,473	866,336	70,529	800,875	361,345
Malt liquors and malt	32	16	11,797,992	9,467,256	11,652,679	7,793,038	251,437	*69,910	236,403	109,447
Alcoholic beverages, except malt liquors and malt	654	111	11,309,032	10,948,771	10,275,535	6,715,984	986,658	54,246	911,183	427,705
Bottled soft drinks, and flavorings	1,245	1,021	23,372,390	22,223,340	22,428,533	13,335,602	1,697,661	82,004	1,650,643	749,543
Other food and kindred products	3,355	1,915	36,434,612	33,099,536	35,622,285	27,626,106	1,194,037	136,935	1,154,159	509,079
Tobacco manufactures	109	78	29,679,575	29,405,762	28,164,055	17,135,316	2,347,732	*3,529	2,178,625	1,003,020
Textile mill products	4,998	3,197	42,950,663	35,334,765	42,249,199	32,911,820	1,547,150	510,418	1,470,514	653,221
Weaving mills and textile finishing	682	481	16,667,434	14,027,552	16,398,534	1,297,741	571,975	132,243	551,750	249,470
Knitting mills	1,615	577	6,154,269	4,820,904	6,059,336	4,548,740	352,478	118,657	328,701	146,001
Other textile mill products	2,701	2,138	20,128,961	16,486,309	19,791,329	15,565,339	622,697	259,517	590,062	257,750
Apparel and other textile products	16,965	9,941	52,458,833	44,683,325	51,480,304	37,304,698	2,273,823	551,441	2,075,505	884,520
Men's and boys' clothing	2,098	1,331	17,726,538	15,771,998	17,242,901	12,315,217	914,172	127,241	863,944	387,065
Women's and children's clothing	7,610	4,690	21,336,043	17,952,295	21,026,362	15,328,944	847,485	258,777	747,816	312,828
Other apparel and accessories	2,927	1,599	5,119,804	4,361,733	5,042,942	3,672,260	215,306	99,827	195,205	78,098
Miscellaneous fabricated textile products; textile products, not elsewhere classified	4,329	2,321	8,276,447	6,597,299	8,168,098	5,988,276	296,860	65,596	268,541	106,528
Lumber and wood products	15,371	7,450	53,368,452	21,591,331	49,184,622	38,624,359	1,014,162	1,316,163	909,561	338,345
Logging, sawmills, and planing mills	6,224	2,678	21,933,910	8,907,347	19,121,096	15,736,086	418,837	567,569	379,065	127,361
Millwork, plywood, and related products	4,304	2,132	18,985,491	5,474,366	18,200,557	13,918,295	270,894	447,742	251,895	101,947
Other wood products, including wood buildings and mobile homes	4,843	2,640	12,449,051	7,209,617	11,862,969	8,969,977	324,430	300,852	278,602	109,036
Furniture and fixtures	6,325	3,475	19,549,409	15,606,063	19,153,318	13,449,823	977,797	205,493	931,643	402,683
Paper and allied products	3,533	2,694	63,039,918	56,377,772	59,771,222	42,638,189	3,917,193	305,541	3,843,021	1,617,937
Pulp, paper, and board mills	424	346	37,892,820	33,217,219	35,462,332	25,855,864	2,046,812	200,512	2,019,770	809,516
Other paper products	3,108	2,349	25,147,098	23,160,553	24,308,890	16,782,325	1,870,381	105,030	1,823,250	808,422
Printing and publishing	36,355	22,680	80,246,749	68,413,696	77,374,227	45,368,419	5,261,738	781,766	4,929,290	2,119,724
Newspapers	4,835	3,202	25,265,490	23,279,823	24,256,407	13,945,784	2,308,726	140,142	2,215,601	984,415
Periodicals	4,542	2,793	11,907,413	9,900,613	11,416,407	6,035,598	557,115	170,189	478,932	203,637
Books, greeting cards, and miscellaneous publishing	5,230	1,899	13,035,445	11,405,995	12,152,242	6,235,243	917,977	203,562	875,488	389,020
Commercial and other printing and printing trade services	21,748	14,786	30,038,400	23,827,266	29,549,170	19,151,793	1,477,919	267,873	1,359,268	542,652
Chemicals and allied products	10,247	6,104	211,260,926	197,312,028	200,695,519	131,941,117	15,614,789	978,102	15,293,597	6,895,315
Industrial chemicals, plastics materials and synthetics	2,987	2,146	99,345,413	92,613,102	94,384,857	63,690,534	5,988,821	504,062	5,824,374	2,605,723
Drugs	528	415	36,490,615	33,732,675	33,773,499	18,159,204	4,823,550	168,390	4,751,775	2,178,687
Soap, cleaners, and toilet goods	1,952	867	40,947,287	40,059,355	39,519,388	26,916,660	3,060,149	37,679	3,025,061	1,382,708
Paints and allied products	1,845	1,395	7,472,796	6,620,693	7,356,638	5,120,584	335,676	41,929	319,828	138,370
Agriculture and other chemical products	2,935	1,281	27,004,815	24,286,204	25,661,137	18,054,135	1,406,593	226,043	1,372,559	589,827
Petroleum (including integrated) and coal products	2,372	1,173	692,886,006	655,234,612	669,106,543	535,703,577	38,520,815	2,857,746	37,793,291	17,283,220
Petroleum refining (including integrated)	905	508	684,054,323	649,179,618	660,591,889	529,118,015	37,912,092	2,798,376	37,259,186	17,047,396
Petroleum and coal products, not elsewhere classified	1,467	664	8,831,683	6,054,994	8,514,655	6,585,562	608,724	59,369	534,105	235,824
Rubber and miscellaneous plastics products	9,994	6,504	44,949,374	39,395,435	43,455,481	30,787,182	2,189,798	385,801	2,034,052	870,615
Rubber products; plastics footwear, hose and belting	1,581	1,115	28,302,054	26,586,447	27,077,822	19,305,453	1,469,387	56,877	1,393,667	617,809
Miscellaneous plastics products	8,413	5,389	16,647,319	12,808,987	16,377,659	11,481,729	720,411	328,924	640,385	252,806
Leather and leather products	1,851	1,175	13,242,570	11,447,167	12,941,379	8,992,841	825,993	91,050	754,769	334,341
Footwear, except rubber	555	230	9,650,355	8,274,180	9,414,558	6,380,289	653,245	56,972	602,644	272,928
Leather and leather products, not elsewhere classified	1,296	945	3,592,215	3,172,987	3,526,821	2,612,553	172,748	34,078	152,125	61,413

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1 — Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Distributions to Stockholders, Total Assets, Depreciable Assets, and Depreciation Deduction, by Minor Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Minor industry	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax	Total income tax
	Total	With net income	All returns	Returns with net income						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Manufacturing — Continued										
Stone, clay, and glass products	9,658	5,972	50,054,740	37,098,680	48,107,350	34,035,457	1,850,716	857,605	1,728,673	764,669
Glass products	1,259	1,000	18,349,590	17,377,533	17,529,713	12,279,666	909,190	84,065	856,814	374,354
Cement, hydraulic	170	66	4,479,269	1,424,234	4,334,435	3,140,939	68,603	155,198	64,398	42,851
Concrete, gypsum, and plaster products	5,374	3,066	15,447,979	9,679,644	14,803,903	10,783,714	419,948	411,793	372,192	158,816
Other nonmetallic mineral products	2,855	1,840	11,777,902	8,617,269	11,439,299	7,831,138	452,975	206,548	435,268	188,648
Primary metal industries	4,833	3,500	157,336,146	109,852,832	148,581,283	113,633,030	5,485,186	1,332,940	5,064,920	2,121,986
Ferrous metal industries; miscellaneous primary metal products	2,859	2,149	101,692,932	76,438,674	97,266,041	73,268,691	3,623,837	873,405	3,310,735	1,420,141
Nonferrous metal industries	1,974	1,351	55,643,214	33,414,159	51,315,242	40,364,339	1,861,349	459,535	1,754,184	701,845
Fabricated metal products	40,400	25,286	126,860,087	105,177,827	122,890,916	87,613,632	7,060,335	1,347,766	6,697,950	2,868,769
Metal cans and shipping containers	395	389	13,663,615	13,386,164	13,099,995	9,834,253	380,565	12,928	373,144	159,595
Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products	3,677	2,193	14,935,706	12,889,231	14,455,591	9,282,904	1,285,749	125,868	1,258,228	557,029
Plumbing and heating, except electric and warm air	800	493	5,433,145	5,067,883	5,254,089	3,627,762	363,534	38,262	350,220	154,185
Fabricated structural metal products	9,053	5,479	33,210,011	28,076,616	32,353,223	24,375,437	1,696,775	320,731	1,589,605	681,915
Metal forgings and stampings	2,865	2,037	12,597,039	9,444,062	12,296,314	8,674,590	729,589	189,841	681,622	293,847
Coating, engraving, and allied services	2,796	1,736	4,424,450	3,753,287	4,173,603	2,877,301	159,901	56,336	135,811	49,969
Ordnance and accessories, except vehicles and guided missiles	244	155	930,891	831,424	913,056	648,307	58,623	*1,686	58,046	25,308
Miscellaneous fabricated metal products	20,572	12,804	41,665,230	31,729,161	40,345,045	28,293,077	2,385,598	602,114	2,251,274	946,921
Machinery, except electrical	25,484	15,121	199,132,918	173,719,618	175,022,705	120,669,463	15,553,746	1,569,072	15,219,045	6,897,102
Farm machinery	1,557	617	14,476,761	9,485,545	13,370,078	9,178,677	204,126	284,459	199,775	86,570
Construction and related machinery	1,471	1,203	40,907,853	38,349,446	38,620,011	26,025,601	3,583,262	151,741	3,509,297	1,600,612
Metalworking machinery	6,539	4,398	16,108,515	13,690,151	15,611,103	9,989,329	1,080,480	153,785	1,049,253	450,758
Special industry machinery	2,913	2,019	21,434,652	16,909,638	20,452,663	14,682,205	1,131,936	261,712	1,072,736	466,913
General industrial machinery	3,975	2,042	21,558,277	19,450,042	20,886,220	14,041,737	1,226,265	154,529	1,169,024	513,852
Office, computing, and accounting machines	1,221	927	64,394,623	58,692,217	46,425,361	33,286,881	7,276,278	305,127	7,227,302	3,351,647
Other machinery, except electrical	7,807	3,915	20,252,238	17,142,577	19,657,269	13,465,032	1,051,401	257,720	991,657	426,750
Electrical and electronic equipment	15,076	8,566	183,417,426	163,448,870	170,970,497	115,056,499	9,946,338	1,497,436	9,561,013	4,281,659
Household appliances	534	508	13,950,007	12,722,816	13,375,213	9,579,762	764,819	53,284	753,640	343,745
Radio, television, and communication equipment	1,310	628	44,003,714	39,061,818	38,430,931	27,673,459	1,431,295	231,569	1,262,306	550,136
Electronic components and accessories	7,614	3,873	53,687,754	44,296,884	51,415,631	34,591,362	3,146,007	862,515	3,070,676	1,368,027
Other electrical equipment	5,618	3,558	71,775,951	67,367,351	67,748,722	43,211,916	4,604,217	350,068	4,474,392	2,019,752
Motor vehicles and equipment	3,166	1,426	157,143,030	94,721,465	147,283,741	108,277,452	4,372,832	1,925,187	4,292,441	1,869,043
Transportation equipment, except motor vehicles	4,606	2,587	71,377,708	38,604,906	67,539,428	51,708,474	2,096,407	2,888,738	2,005,329	880,459
Aircraft, guided missiles and parts	1,216	525	58,223,739	30,712,320	54,796,832	42,022,354	1,677,294	2,615,291	1,622,542	715,474
Ship and boat building and repairing	2,454	1,229	7,875,752	3,671,439	7,633,530	5,883,127	259,247	153,068	240,418	105,996
Other transportation equipment, except motor vehicles	936	834	5,278,217	4,221,147	5,109,066	3,802,992	159,866	120,380	142,369	58,990
Instruments and related products	5,897	3,960	47,491,159	43,097,594	45,168,765	27,030,883	4,629,823	328,320	4,531,016	2,057,441
Scientific instruments and measuring devices; watches and clocks	1,552	918	17,664,416	14,704,419	16,713,054	10,251,955	1,415,667	170,387	1,388,180	625,860
Optical, medical, and ophthalmic goods	3,531	2,703	16,236,604	15,320,807	15,521,643	8,911,721	1,462,293	111,989	1,415,973	637,562
Photographic equipment and supplies	814	340	13,590,139	13,072,368	12,934,068	7,867,207	1,751,863	45,945	1,726,863	794,018
Miscellaneous manufacturing and manufacturing not allocable	17,632	8,941	40,392,833	34,276,315	39,151,423	26,923,606	2,081,352	682,868	1,939,138	837,079
Transportation and public utilities	**109,127**	**56,480**	**598,507,994**	**478,997,866**	**575,602,089**	**358,354,512**	**25,739,287**	**6,165,570**	**23,842,821**	**10,727,390**
Transportation	86,650	42,907	228,760,154	133,372,013	216,101,420	146,770,675	6,491,645	4,120,343	5,413,171	2,257,160
Railroad transportation	199	96	47,103,888	11,754,040	42,157,948	28,155,427	862,904	1,063,847	653,213	282,185
Local and interurban passenger transit	8,310	4,075	3,988,445	2,675,773	3,851,429	2,118,699	180,542	55,335	152,422	54,727
Trucking and warehousing	38,570	21,034	62,428,295	44,569,891	60,172,263	36,531,849	2,307,460	793,190	2,119,539	859,775
Water transportation	8,939	3,144	16,298,642	10,245,337	15,257,403	10,440,004	710,432	589,401	576,726	238,567
Transportation by air	6,446	2,110	48,131,479	22,307,855	45,337,163	30,024,694	785,527	1,206,112	452,400	202,022
Pipelines, except natural gas	513	164	22,690,310	22,168,619	22,317,943	19,900,655	1,006,333	*19,283	955,059	436,088
Transportation services, not elsewhere classified	23,672	12,285	28,119,096	19,650,497	27,007,272	19,599,347	638,447	393,175	503,812	183,794
Communication	10,915	6,218	116,742,957	112,735,196	113,964,544	42,427,989	8,377,170	717,375	8,112,793	3,789,293
Telephone, telegraph, and other communication services	5,033	2,852	101,046,567	99,115,320	99,126,843	34,778,048	6,922,068	316,556	6,739,760	3,190,085
Radio and television broadcasting	5,883	3,366	15,696,390	13,619,875	14,837,701	7,649,941	1,455,103	400,819	1,373,033	599,208
Electric, gas, and sanitary services	11,562	7,355	253,004,883	232,890,657	245,536,125	169,155,848	10,870,471	1,327,853	10,316,857	4,680,937
Electric services	574	441	74,617,858	69,229,475	72,780,596	42,211,959	3,894,784	277,849	3,583,092	1,624,884
Gas production and distribution	1,310	822	119,414,484	107,382,892	115,339,210	92,839,794	3,499,144	853,396	3,444,952	1,564,526
Combination utility services	343	58	52,937,881	50,851,510	51,656,664	31,297,477	2,931,630	*82,920	2,801,856	1,294,206
Water supply and other sanitary services	9,334	6,034	6,034,660	5,426,780	5,759,656	2,806,618	544,913	113,687	486,958	197,322
Wholesale and retail trade	**816,836**	**476,877**	**2,039,628,384**	**1,547,841,491**	**1,997,262,710**	**1,594,256,679**	**47,657,374**	**14,336,971**	**32,359,741**	**12,515,795**
Wholesale trade	279,003	180,416	1,141,440,589	869,293,374	1,119,777,059	958,303,231	29,794,439	7,138,026	16,966,076	6,700,332
Groceries and related products	22,697	14,987	161,208,876	136,676,488	158,973,883	138,559,737	2,227,379	436,371	1,765,057	716,043
Machinery, equipment, and supplies	49,181	32,643	119,312,281	98,388,225	115,025,399	86,710,148	7,699,666	1,003,647	3,291,339	1,293,377
Miscellaneous wholesale trade	207,126	132,786	860,919,432	634,228,661	845,777,777	733,033,346	19,867,394	5,698,008	11,909,680	4,690,911
Motor vehicles and automotive equipment	20,883	14,965	56,972,861	47,266,158	55,976,231	44,478,219	2,953,097	388,694	1,987,910	832,304
Furniture and home furnishings	8,028	3,641	8,245,624	6,027,719	8,062,979	5,666,378	198,307	144,625	144,983	50,534
Lumber and construction materials	12,650	7,960	30,427,104	20,174,409	29,867,180	24,566,725	595,905	300,001	442,700	150,853
Sporting, recreational, photographic, and hobby goods, toys, and supplies	3,950	1,991	9,989,857	8,353,683	9,769,198	7,410,739	557,309	155,780	234,356	95,615
Metals and minerals, except petroleum and scrap	7,137	4,314	92,901,636	61,639,154	90,984,978	85,137,745	1,013,350	569,276	706,638	302,910
Electrical goods	16,871	11,982	44,298,477	36,113,611	43,175,957	31,972,004	2,639,523	309,953	1,073,883	429,253
Hardware, plumbing, and heating equipment and supplies	8,778	6,595	27,594,708	22,893,183	27,061,366	20,458,277	803,158	138,388	661,560	244,670
Other durable goods	38,524	24,891	77,355,590	61,353,523	75,652,203	60,492,383	2,550,185	829,669	1,496,835	562,579
Paper and paper products	6,623	4,147	18,261,517	15,712,211	17,969,392	14,323,975	620,193	284,697	393,692	147,428
Drugs, drug proprietaries, and druggists' sundries	4,459	2,074	16,806,788	14,483,041	16,599,329	13,511,437	419,513	63,668	265,259	113,244
Apparel, piece goods, and notions	15,408	8,694	33,286,750	29,042,919	32,735,069	27,014,185	859,938	351,992	604,076	237,633
Farm-product raw materials	9,037	6,273	124,267,693	93,480,847	122,232,418	114,958,802	1,102,262	436,293	498,159	191,344
Chemicals and allied products	7,299	4,580	22,640,231	19,706,406	22,001,342	17,724,127	1,642,061	99,423	337,485	133,478
Petroleum and petroleum products	13,356	9,324	190,717,263	117,338,887	188,385,295	178,652,621	1,462,335	811,336	1,223,324	492,650
Alcoholic beverages	5,120	3,316	33,366,519	27,924,469	32,996,612	25,854,812	981,916	195,056	825,037	346,559
Miscellaneous nondurable goods; wholesale trade not allocable	29,003	18,039	73,786,816	52,718,440	72,308,227	60,810,917	1,468,342	619,159	1,013,781	359,856

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1 — Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Distributions to Stockholders, Total Assets, Depreciable Assets, and Depreciation Deduction, by Minor Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Minor industry	Number of returns		Total receipts		Business receipts	Cost of sales and operations	Net income	Deficit	Income subject to tax	Total income tax
	Total	With net income	All returns	Returns with net income						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Wholesale and retail trade — Continued										
Retail trade	534,080	295,162	894,362,172	675,227,486	873,727,731	632,863,920	17,791,235	7,171,756	15,334,357	5,795,891
Building materials, garden supplies, and mobile home dealers	42,149	26,010	50,685,340	34,582,900	49,213,064	35,795,623	1,266,618	718,141	1,096,622	369,647
Building materials dealers	19,057	11,595	33,231,671	21,955,257	32,244,023	23,799,367	808,456	483,001	717,039	258,764
Hardware stores	13,183	9,464	10,245,651	8,291,136	10,072,879	6,845,920	335,040	98,704	290,610	85,256
Garden supplies and mobile home dealers	9,908	4,950	7,208,017	4,336,507	6,896,162	5,150,336	123,122	136,436	88,973	25,627
General merchandise stores	11,252	7,782	139,783,526	127,874,764	133,872,068	86,889,326	3,061,225	599,845	2,768,885	1,211,560
Food stores	43,094	23,211	200,719,085	164,611,193	198,443,747	154,230,438	2,617,125	708,050	2,368,211	963,859
Grocery stores	24,553	15,477	187,039,081	155,236,153	184,966,489	144,450,309	2,391,096	537,796	2,204,437	909,599
Other food stores	18,542	7,734	13,680,004	9,375,039	13,477,258	9,780,129	226,029	170,254	163,774	54,260
Automotive dealers and service stations	81,970	42,773	224,385,948	131,966,630	220,354,806	188,531,648	1,916,141	1,513,986	1,577,542	505,030
Motor vehicle dealers	37,680	18,191	156,239,234	87,113,065	153,053,353	132,268,245	1,026,782	1,020,179	832,596	277,846
Gasoline service stations	18,311	10,251	44,969,732	27,858,746	44,582,525	39,893,295	343,827	213,658	283,667	91,264
Other automotive dealers	25,979	14,331	23,176,982	16,994,820	22,718,928	16,370,107	545,533	280,149	461,278	135,920
Apparel and accessory stores	43,568	27,277	40,930,806	33,104,774	39,866,224	23,584,353	1,663,106	487,150	1,466,151	547,704
Furniture and home furnishings stores	34,190	19,585	29,501,823	23,353,393	28,693,412	18,233,119	1,147,122	337,372	1,000,390	359,478
Eating and drinking places	108,441	51,196	68,558,949	48,999,780	66,119,542	29,772,686	2,281,637	1,345,581	1,785,608	677,947
Miscellaneous retail stores	169,416	97,327	139,796,695	110,734,054	137,164,868	95,826,727	3,838,261	1,461,631	3,270,947	1,160,667
Drug stores and proprietary stores	20,698	14,370	35,772,757	32,863,348	35,354,331	25,875,030	856,481	82,086	772,422	306,184
Liquor stores	13,375	8,719	8,314,142	6,217,832	8,228,843	6,613,164	173,574	60,591	102,674	28,929
Other retail stores	135,344	74,238	95,709,796	71,652,873	93,581,694	63,338,533	2,808,206	1,318,955	2,395,852	825,554
Wholesale and retail trade not allocable	3,753	1,299	3,825,623	3,320,631	3,757,920	3,089,529	71,700	27,189	59,308	19,572
Finance, insurance, and real estate	**469,795**	**258,622**	**877,808,946**	**555,995,170**	**330,631,846**	**162,447,596**	**53,018,005**	**26,671,510**	**21,903,437**	**8,159,015**
Banking	14,828	10,272	298,734,868	206,381,363	21,022,803	3,488,942	7,096,380	5,669,572	7,663,797	2,803,050
Mutual savings banks	508	104	16,972,282	1,863,247	568,078	79,458	46,866	2,074,439	104,505	15,639
Bank holding companies	2,548	1,709	199,219,758	152,439,653	16,691,970	3,353,482	4,297,148	1,607,100	4,983,773	1,719,787
Banks, except mutual savings banks and bank holding companies	11,772	8,460	82,542,827	52,078,464	3,762,755	56,001	2,752,366	1,988,033	2,575,519	1,067,624
Credit agencies other than banks	35,949	18,103	90,926,153	13,755,584	10,620,893	2,776,978	1,085,303	11,246,200	767,917	287,702
Savings and loan associations	4,439	660	64,657,642	4,243,922	2,818,070	326,369	133,974	9,755,856	97,141	41,002
Personal credit institutions	4,630	2,002	8,130,068	1,714,823	4,384,005	1,488,665	115,017	286,066	107,709	41,674
Business credit institutions	1,001	604	2,773,030	1,177,200	669,548	86,980	154,245	139,155	141,747	60,578
Other credit agencies; finance not allocable	25,879	14,837	15,365,413	6,619,640	2,749,270	874,964	682,067	1,065,123	421,321	144,448
Security, commodity brokers and services	11,253	5,601	25,513,152	22,169,470	12,790,257	3,502,430	1,765,434	539,022	1,441,228	604,080
Security brokers, dealers, and flotation companies	4,628	2,591	19,991,927	17,972,333	8,284,514	780,791	1,355,051	211,350	1,205,560	511,242
Commodity contracts brokers and dealers; security and commodity exchanges; and allied services	6,625	3,009	5,521,225	4,197,137	4,505,743	2,721,639	410,383	327,672	235,668	92,838
Insurance	10,212	6,684	333,255,350	223,506,142	217,528,884	121,993,093	7,572,049	2,600,597	5,321,032	2,277,423
Life insurance	1,866	1,281	198,240,718	149,304,050	105,392,599	64,316,742	4,285,615	1,213,104	3,129,691	1,408,746
Mutual insurance, except life or marine and certain fire or flood insurance companies	1,502	1,173	35,311,940	25,796,932	30,721,176	21,382,381	797,686	618,320	463,532	197,247
Other insurance companies	6,844	4,230	99,702,691	48,405,160	81,415,109	36,293,970	2,488,748	769,173	1,727,809	671,431
Insurance agents, brokers, and service	49,422	31,824	16,062,589	12,334,498	14,652,033	2,917,056	1,219,559	348,386	915,367	331,056
Real estate	302,508	157,865	53,602,991	31,751,741	32,329,779	11,856,979	5,307,394	4,842,261	3,986,309	1,212,295
Real estate operators and lessors of buildings	144,735	89,077	20,597,273	13,701,879	9,353,125	3,566,954	2,633,177	1,458,048	2,264,964	663,305
Lessors of mining, oil, and similar property	1,216	752	593,961	560,037	231,224	*105,291	241,187	12,996	220,912	78,619
Lessors of railroad property, and of real property, not elsewhere classified	7,205	3,422	710,579	332,165	446,678	290,372	88,129	47,693	75,957	22,693
Condominium management and cooperative housing associations	9,725	4,051	2,185,244	909,984	1,567,133	26,613	68,924	157,919	32,978	6,077
Subdividers and developers	41,659	17,335	10,628,435	5,972,175	4,996,238	2,842,129	1,215,198	1,827,681	719,299	255,293
Other real estate	97,967	43,228	18,887,498	10,275,501	15,735,382	5,025,620	1,060,778	1,337,923	672,199	186,309
Holding and other investment companies, except bank holding companies	45,623	28,274	59,713,843	46,096,372	21,687,196	15,912,117	28,971,885	1,425,473	1,807,788	643,409
Regulated investment companies	1,514	1,042	30,230,571	27,108,225	15,371	—	25,830,340	50,060	7,780	262
Real estate investment trusts	451	132	1,004,928	644,404	35,689	9,072	174,906	45,883	*4,342	1,638
Small business investment companies	2,907	1,614	423,082	323,402	299,724	—	72,751	42,760	18,351	4,905
Other holding and investment companies, except bank holding companies	40,751	25,487	28,055,262	18,020,341	21,336,412	15,903,045	2,893,888	1,286,769	1,777,316	636,604
Services	**752,813**	**441,100**	**346,846,723**	**259,939,760**	**328,053,889**	**157,886,393**	**15,182,552**	**6,984,635**	**12,034,108**	**4,100,151**
Hotels and other lodging places	18,089	9,931	20,633,561	15,969,439	18,470,652	8,522,317	1,252,969	535,274	986,953	395,653
Personal services	48,146	28,357	15,007,392	11,130,767	14,428,723	6,589,114	788,079	217,186	635,068	215,965
Business services	196,042	108,508	107,732,569	82,207,983	101,625,379	57,217,836	4,725,331	2,458,583	3,838,284	1,385,812
Advertising	22,317	12,618	19,881,093	16,638,579	19,248,862	13,055,147	650,029	174,108	556,259	209,343
Business services, except advertising	173,726	95,890	87,851,476	65,569,404	82,376,517	44,162,689	4,075,301	2,284,475	3,282,024	1,176,469
Auto repair; miscellaneous repair services	71,941	42,941	33,120,657	22,725,559	31,442,221	16,992,228	1,159,238	615,308	872,885	277,886
Auto repair and services	44,754	27,240	23,463,971	15,508,750	22,045,861	11,480,783	716,884	463,013	526,847	171,380
Miscellaneous repair services	27,187	15,701	9,656,686	7,216,808	9,396,360	5,511,445	442,354	152,295	346,038	106,506
Amusement and recreation services	56,719	27,775	35,592,030	25,432,212	31,863,706	16,257,143	1,969,805	1,063,327	1,617,147	651,405
Motion picture production, distribution, and services	9,135	4,608	12,976,441	10,094,898	11,506,336	7,009,618	639,376	262,591	517,383	220,323
Motion picture theaters	3,427	1,791	3,992,343	2,493,774	3,724,019	1,704,833	175,270	58,255	154,128	64,193
Amusement and recreation services, except motion pictures	44,157	21,376	18,623,247	12,843,541	16,633,352	7,542,691	1,155,159	742,481	945,636	366,889
Other services	361,876	223,589	134,760,514	102,473,800	130,223,209	52,307,756	5,287,129	2,094,958	4,083,771	1,173,430
Offices of physicians, including osteopathic physicians	102,538	72,365	34,492,918	25,740,418	33,641,377	6,900,764	952,615	271,395	856,977	171,091
Offices of dentists	35,745	25,989	10,054,671	7,289,240	9,950,886	3,045,159	336,112	75,063	281,975	53,535
Offices of other health practitioners	7,868	5,077	1,297,623	998,946	1,281,277	391,497	80,891	12,325	67,723	13,333
Nursing and personal care facilities	8,159	6,083	11,096,532	8,813,199	10,706,954	5,760,323	493,354	126,764	281,196	103,402
Hospitals	662	405	8,383,178	8,035,202	7,937,145	3,429,505	343,350	31,478	325,346	151,853
Medical laboratories	4,727	3,274	1,820,375	1,308,639	1,785,483	848,345	74,530	69,954	62,921	18,368
Other medical services	16,145	9,249	7,597,274	5,185,129	7,271,234	3,030,637	323,353	118,470	258,426	78,786
Legal services	27,822	17,614	8,621,562	6,479,095	8,270,304	2,408,431	344,919	116,581	234,926	49,034
Educational services	10,607	4,997	3,923,063	2,776,449	3,776,207	1,704,189	200,747	124,022	158,976	58,239
Social services	5,071	3,351	750,510	426,711	724,337	389,329	24,543	32,465	14,673	2,905
Membership organizations	6,231	2,025	2,468,870	1,571,303	2,155,708	1,292,238	71,021	47,561	50,438	15,830
Architectural and engineering services	32,170	21,209	19,316,511	15,260,572	18,751,999	10,113,075	940,200	314,248	698,749	231,632
Accounting, auditing, and bookkeeping services	15,734	10,946	2,908,657	2,324,143	2,827,987	973,496	154,734	59,589	110,248	26,868
Miscellaneous services (including veterinarians), not elsewhere classified	88,397	41,004	22,028,771	16,264,752	21,142,310	12,020,766	946,759	695,043	681,196	198,552
Nature of business not allocable	**17,427**	**6,466**	**4,618,127**	**3,160,048**	**4,428,945**	**2,909,373**	**168,479**	**137,552**	**121,168**	**36,595**

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1 — Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Distributions to Stockholders, Total Assets, Depreciable Assets, and Depreciation Deduction, by Minor Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Minor industry	Foreign tax credit	Investment credit	Jobs credit	Total income tax after credits[1]	Distributions to stockholders except in own stock		Total assets	Depreciable assets	Depreciation deduction
					All returns	Returns with net income			
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Total returns of active corporations	**21,828,686**	**18,887,286**	**472,895**	**58,444,720**	**120,295,338**	**110,555,189**	**8,547,161,872**	**2,352,655,342**	**186,195,048**
Agriculture, forestry, and fishing	**3,206**	**128,799**	**3,659**	**414,448**	**512,027**	**441,172**	**46,081,067**	**27,314,533**	**2,532,362**
Agricultural production	3,206	97,731	2,719	331,980	412,854	346,395	38,759,819	22,215,059	2,041,060
Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping	(2)	31,068	940	82,468	99,173	94,777	7,321,249	5,099,474	491,303
Mining	**1,958,994**	**582,564**	**5,752**	**1,685,491**	**3,278,771**	**2,899,210**	**168,908,241**	**72,142,890**	**6,078,518**
Metal mining	56,268	11,348	2	72,020	262,398	213,365	16,561,350	7,038,453	388,517
Iron ores	32,478	7,424	2	*5,942	*117,734	*117,532	*3,355,802	2,345,933	118,719
Copper, lead and zinc, gold and silver ores	2,170	*3,419	—	61,909	*123,835	*75,851	11,103,714	3,386,510	150,213
Other metal mining	21,620	*505	—	*4,170	*20,830	*19,982	2,101,833	1,306,009	119,585
Coal mining	545	52,565	319	142,754	248,681	125,792	15,731,046	10,140,679	903,757
Oil and gas extraction	1,901,268	493,439	4,463	1,368,052	2,523,727	2,415,678	126,137,640	45,886,761	4,190,142
Crude petroleum, natural gas, and natural gas liquids	1,490,492	115,497	794	386,561	1,902,866	1,806,955	86,558,442	23,954,899	1,626,244
Oil and gas field services	410,776	377,942	3,669	981,491	620,861	608,723	39,579,198	21,931,862	2,563,898
Nonmetallic minerals, except fuels	913	25,213	969	102,665	243,965	144,374	10,478,205	9,076,998	596,102
Dimension, crushed, and broken stone; sand and gravel	16	17,506	*880	47,485	46,378	41,359	4,080,599	4,077,418	329,427
Other nonmetallic minerals, except fuels	897	7,707	*89	55,180	197,586	103,015	6,397,607	4,999,580	266,675
Construction	**107,742**	**334,691**	**44,015**	**1,868,113**	**889,557**	**805,408**	**150,764,144**	**53,115,624**	**5,555,171**
General building contractors and operative builders	36,887	89,306	15,933	707,850	315,811	284,904	81,469,468	16,887,451	1,619,512
General building contractors	36,887	86,107	15,820	667,438	290,900	263,878	73,541,445	15,916,120	1,546,513
Operative builders	—	3,198	*114	40,411	24,912	21,026	7,928,023	971,331	72,999
Heavy construction contractors	67,680	127,463	6,509	530,513	321,130	282,557	29,455,596	19,871,518	1,849,618
Special trade contractors	3,176	117,922	21,573	629,750	252,616	237,947	39,839,081	16,356,655	2,086,041
Plumbing, heating, and air conditioning	*158	17,568	5,797	118,585	39,112	38,243	9,427,900	2,794,581	346,123
Electrical work	1,881	20,201	5,064	129,612	52,800	48,262	7,868,574	2,350,069	298,560
Other special trade contractors and contractors not allocable	1,136	80,154	10,712	381,553	160,704	151,442	22,542,606	11,212,004	1,441,359
Manufacturing	**17,736,817**	**9,144,667**	**154,776**	**30,115,496**	**41,434,134**	**38,799,539**	**1,933,710,383**	**931,304,424**	**76,600,966**
Food and kindred products	769,965	850,557	19,487	2,804,904	2,936,159	2,813,302	145,842,725	66,534,930	5,824,073
Meat products	9,417	75,624	5,457	181,760	187,078	159,955	14,154,655	7,242,650	728,614
Dairy products	138,912	77,481	1,641	459,178	449,220	449,077	19,897,969	7,873,572	763,439
Preserved fruits and vegetables	88,073	85,212	3,153	255,298	231,863	208,554	17,735,322	6,913,319	688,708
Grain mill products	143,617	173,811	2,803	400,901	601,781	586,402	18,635,230	10,104,617	806,715
Bakery products	*19,030	35,205	793	238,421	180,605	180,146	9,051,679	4,543,561	306,349
Sugar and confectionery products	84,939	28,585	526	241,261	116,081	112,935	8,128,531	4,793,524	293,406
Malt liquors and malt	1,494	61,778	150	45,630	102,678	91,549	6,639,979	6,466,796	446,267
Alcoholic beverages, except malt liquors and malt	16,205	35,702	*1,774	357,413	207,484	168,091	20,225,755	2,910,758	179,559
Bottled soft drinks, and flavorings	204,016	129,012	1,397	362,687	603,744	601,636	14,679,495	7,612,487	896,448
Other food and kindred products	64,262	148,147	1,792	262,357	255,625	254,957	16,694,109	8,073,647	714,568
Tobacco manufactures	55,810	151,004	*713	778,355	880,910	880,871	35,723,466	9,060,805	756,289
Textile mill products	14,560	125,230	12,481	495,505	342,883	333,165	23,383,034	16,279,483	1,282,501
Weaving mills and textile finishing	9,065	61,136	4,494	173,415	146,368	137,924	9,382,625	7,573,795	574,215
Knitting mills	1,559	11,682	2,063	128,503	70,801	70,633	2,925,902	1,687,108	137,413
Other textile mill products	3,936	52,412	5,925	193,587	125,713	124,608	11,074,507	7,018,580	570,873
Apparel and other textile products	45,607	56,009	17,592	719,939	299,276	290,566	23,578,299	5,723,470	552,991
Men's and boys' clothing	41,078	24,541	6,912	304,284	170,208	162,322	9,479,859	2,293,212	190,509
Women's and children's clothing	4,046	16,246	7,081	265,987	95,141	94,807	8,380,090	1,895,181	211,895
Other apparel and accessories	130	5,552	1,912	65,358	16,670	16,466	2,328,003	572,670	53,681
Miscellaneous fabricated textile products, textile products, not elsewhere classified	*353	9,669	1,687	84,309	17,257	16,971	3,390,348	962,407	96,906
Lumber and wood products	43,789	48,207	5,658	239,618	860,593	221,603	45,642,616	28,304,721	2,291,413
Logging, sawmills, and planing mills	37,707	25,497	730	63,318	420,697	137,685	21,017,880	13,641,609	1,054,176
Millwork, plywood, and related products	673	9,514	1,624	89,884	359,466	37,889	15,950,036	10,500,400	899,342
Other wood products, including wood buildings and mobile homes	*5,409	13,196	3,304	86,416	80,430	46,030	8,674,700	4,162,712	337,896
Furniture and fixtures	4,181	30,402	6,659	358,959	97,616	93,000	9,814,335	4,628,244	374,469
Paper and allied products	461,481	303,157	2,670	835,870	1,336,881	1,267,951	49,454,741	36,419,818	2,725,565
Pulp, paper, and board mills	312,414	196,503	616	296,489	761,843	695,025	34,091,027	26,157,970	1,854,517
Other paper products	149,067	106,653	2,054	539,381	575,038	572,926	15,363,714	10,261,848	871,048
Printing and publishing	86,735	350,008	6,248	1,667,158	1,421,617	1,390,797	55,321,060	27,410,531	2,749,149
Newspapers	23,806	132,812	1,902	824,961	720,529	716,030	21,161,209	11,037,947	1,039,612
Periodicals	37,964	45,060	539	119,331	217,368	217,197	7,565,296	3,069,087	294,877
Books, greeting cards, and miscellaneous publishing	20,232	59,634	686	304,341	240,233	238,536	11,383,560	3,284,087	426,594
Commercial and other printing and printing trade services	4,734	112,502	3,121	418,525	243,487	219,033	15,210,994	10,019,410	988,066
Chemicals and allied products	2,249,921	872,830	5,477	2,786,957	6,274,184	6,218,291	201,196,591	107,445,513	8,148,728
Industrial chemicals, plastics materials and synthetics	1,359,625	544,664	3,188	610,566	2,204,232	2,161,045	115,772,454	71,776,706	5,267,765
Drugs	371,712	134,254	1,047	827,002	2,616,597	2,607,918	37,364,527	12,767,641	987,682
Soap, cleaners, and toilet goods	333,897	107,408	622	908,785	996,984	994,291	21,846,213	8,854,259	807,037
Paints and allied products	4,612	10,540	148	120,380	46,530	46,050	3,529,519	1,582,303	122,407
Agriculture and other chemical products	180,075	75,964	472	320,224	409,841	408,987	22,683,879	12,464,605	963,638
Petroleum (including integrated) and coal products	9,094,074	2,295,569	2,162	5,791,153	10,196,862	9,951,876	412,179,226	198,031,356	12,529,082
Petroleum refining (including integrated)	9,048,170	2,262,244	2,081	5,636,673	10,087,527	9,842,541	406,089,461	195,203,949	12,249,442
Petroleum and coal products, not elsewhere classified	45,904	33,324	*80	154,480	109,336	109,336	6,089,765	2,827,407	279,641
Rubber and miscellaneous plastics products	189,853	111,659	6,348	543,873	368,967	331,250	26,999,550	16,680,739	1,081,005
Rubber products; plastics footwear, hose and belting	188,144	69,747	2,526	344,840	293,268	288,625	18,328,188	11,262,363	583,564
Miscellaneous plastics products	1,708	41,912	3,822	199,033	75,699	42,625	8,671,362	5,418,377	497,441
Leather and leather products	5,074	18,659	3,249	294,745	160,252	158,611	7,264,578	1,983,069	172,062
Footwear, except rubber	4,832	14,074	2,751	240,495	145,641	144,035	5,643,873	1,513,299	123,970
Leather and leather products, not elsewhere classified	*241	4,585	*498	54,250	14,611	14,576	1,620,705	469,770	48,092

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1 — Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Distributions to Stockholders, Total Assets, Depreciable Assets, and Depreciation Deduction, by Minor Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Minor industry	Foreign tax credit	Investment credit	Jobs credit	Total income tax after credits[1]	Distributions to stockholders except in own stock		Total assets	Depreciable assets	Depreciation deduction
					All returns	Returns with net income			
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Manufacturing — Continued									
Stone, clay, and glass products	194,701	148,779	3,892	408,848	948,948	839,211	41,946,040	29,795,559	2,325,335
Glass products	144,175	82,457	1,603	141,273	568,641	566,907	15,628,585	10,660,714	875,415
Cement, hydraulic	—	6,914	14	35,894	99,450	20,915	6,733,990	5,641,784	296,900
Concrete, gypsum, and plaster products	*7,609	40,524	645	109,480	135,421	124,748	11,511,522	7,930,868	680,429
Other nonmetallic mineral products	42,917	18,884	1,631	122,201	145,437	126,641	8,071,943	5,562,193	472,591
Primary metal industries	304,290	649,287	5,704	1,137,644	2,315,998	1,992,301	147,960,727	90,043,262	5,594,986
Ferrous metal industries; miscellaneous primary metal products	127,572	580,897	4,779	686,412	927,675	791,735	82,972,802	59,775,015	3,830,049
Nonferrous metal industries	176,718	68,391	925	451,232	1,388,323	1,200,565	64,987,925	30,268,247	1,764,937
Fabricated metal products	276,736	326,109	11,564	2,220,217	1,287,899	1,237,347	83,275,602	40,681,082	3,418,938
Metal cans and shipping containers	74,408	16,403	251	58,645	187,549	187,079	12,851,260	5,944,188	444,727
Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products	51,858	46,605	1,312	452,862	250,746	249,308	9,923,755	4,963,586	435,041
Plumbing and heating, except electric and warm air	8,751	18,943	480	124,691	54,924	54,087	3,701,003	1,554,448	130,662
Fabricated structural metal products	40,874	113,511	2,349	520,725	293,620	285,938	20,473,889	9,121,234	779,096
Metal forgings and stampings	2,063	30,613	1,741	258,640	84,836	83,994	7,541,849	4,796,148	404,817
Coating, engraving, and allied services	*174	10,984	*377	38,206	37,422	37,422	3,058,428	1,808,083	161,515
Ordnance and accessories, except vehicles and guided missiles	—	2,453	*120	22,611	*6,887	*6,887	486,676	247,689	20,388
Miscellaneous fabricated metal products	98,607	86,597	4,934	743,838	371,915	332,632	25,238,742	12,245,706	1,042,691
Machinery, except electrical	2,229,254	938,863	11,130	3,592,889	4,583,518	4,464,390	175,925,350	75,707,576	8,311,806
Farm machinery	996	25,932	315	57,248	176,901	147,342	15,130,182	4,336,171	399,854
Construction and related machinery	251,626	225,026	1,644	1,110,741	674,652	671,763	32,267,294	14,846,364	1,620,894
Metalworking machinery	44,204	46,244	1,174	352,983	190,563	186,761	11,693,245	5,961,031	524,685
Special industry machinery	89,917	57,779	1,583	312,639	189,616	146,610	14,081,135	5,116,078	509,143
General industrial machinery	74,498	71,735	3,040	358,890	358,472	350,533	17,324,842	7,203,064	612,547
Office, computing, and accounting machines	1,739,381	462,001	1,821	1,068,966	2,827,265	2,801,617	71,598,231	32,475,107	4,038,209
Other machinery, except electrical	28,631	50,147	1,551	331,422	166,048	159,763	13,830,420	5,769,761	606,475
Electrical and electronic equipment	769,561	631,300	17,098	2,307,124	3,195,396	3,105,539	174,065,669	63,871,126	6,688,864
Household appliances	64,163	22,420	1,305	253,656	226,650	204,206	9,377,868	3,313,443	253,799
Radio, television, and communication equipment	102,510	82,413	1,584	304,516	757,222	728,217	54,534,997	14,083,740	1,689,059
Electronic components and accessories	176,899	202,655	9,281	792,251	512,194	475,567	44,908,373	15,708,383	1,680,686
Other electrical equipment	425,988	323,812	4,927	956,700	1,699,330	1,697,549	65,244,431	30,765,559	3,065,320
Motor vehicles and equipment	218,182	739,464	2,607	865,367	1,423,768	1,208,844	153,929,048	59,788,551	6,938,706
Transportation equipment, except motor vehicles	205,249	122,509	3,740	532,725	940,994	531,782	59,635,152	27,365,158	2,415,413
Aircraft, guided missiles and parts	203,831	103,294	1,504	391,656	833,194	462,581	48,800,921	22,661,126	2,023,084
Ship and boat building and repairing	—	11,212	708	93,755	53,053	25,048	6,877,132	2,340,843	206,114
Other transportation equipment, except motor vehicles	1,418	8,003	*1,528	47,314	54,747	44,153	3,957,099	2,363,189	186,215
Instruments and related products	471,917	292,980	2,775	1,104,404	1,201,497	1,145,563	34,959,707	16,374,888	1,564,109
Scientific instruments and measuring devices; watches and clocks	151,375	50,480	838	383,025	219,290	164,225	12,756,845	4,686,295	479,489
Optical, medical, and ophthalmic goods	156,581	51,777	1,031	295,508	362,749	362,739	12,144,159	4,251,828	386,296
Photographic equipment and supplies	*163,961	190,723	907	425,872	619,458	618,598	10,058,704	7,436,766	698,324
Miscellaneous manufacturing and manufacturing not allocable	45,877	82,085	7,522	629,240	359,915	323,278	25,612,866	9,174,541	855,478
Transportation and public utilities	**228,368**	**5,334,230**	**17,116**	**5,065,529**	**19,622,705**	**18,131,396**	**837,300,816**	**764,617,497**	**45,962,323**
Transportation	53,502	671,149	11,505	1,519,091	2,128,021	1,338,535	194,029,311	152,143,888	14,355,284
Railroad transportation	103	131,656	286	150,058	928,199	401,097	68,197,151	55,242,331	5,931,521
Local and interurban passenger transit	15	17,750	*913	36,024	28,195	25,004	2,523,742	2,309,735	268,381
Trucking and warehousing	7,510	183,184	6,965	661,411	359,114	259,788	34,043,868	25,485,789	2,887,120
Water transportation	17,148	62,333	425	158,590	209,863	202,333	16,502,245	12,015,189	918,309
Transportation by air	16,379	82,199	181	103,136	185,492	53,479	41,812,453	36,456,344	2,651,187
Pipelines, except natural gas	*5,207	139,555	—	290,953	231,976	231,359	10,946,844	7,992,007	521,336
Transportation services, not elsewhere classified	7,140	54,473	2,736	118,920	185,182	165,477	20,003,008	12,642,494	1,177,430
Communication	66,678	2,282,770	2,403	1,368,698	5,809,676	5,777,718	222,969,712	210,123,601	16,576,384
Telephone, telegraph, and other communication services	30,358	2,165,285	1,568	925,006	5,518,075	5,508,456	204,462,251	202,059,374	15,574,013
Radio and television broadcasting	36,320	117,485	835	443,692	291,601	269,261	18,507,461	8,064,228	1,002,370
Electric, gas, and sanitary services	108,188	2,380,311	3,207	2,177,740	11,685,008	11,015,143	420,301,793	402,350,008	15,030,655
Electric services	795	1,090,958	1,196	526,470	5,530,236	5,107,877	191,564,738	198,294,508	6,856,572
Gas production and distribution	101,989	491,957	622	967,195	2,011,266	1,870,565	107,261,438	77,455,312	3,840,021
Combination utility services	3,489	743,889	386	543,421	3,898,422	3,791,726	112,739,145	118,649,915	3,825,224
Water supply and other sanitary services	*1,915	53,507	1,003	140,655	245,084	244,976	8,736,472	7,950,273	508,838
Wholesale and retail trade	**420,271**	**1,592,965**	**152,814**	**10,282,598**	**10,034,841**	**9,458,573**	**708,060,408**	**216,666,910**	**21,458,785**
Wholesale trade	264,032	694,936	26,859	5,662,107	6,476,177	6,093,722	379,975,632	86,849,271	8,718,556
Groceries and related products	39,866	127,463	5,392	541,876	318,699	303,364	32,468,200	10,970,034	1,066,768
Machinery, equipment, and supplies	27,547	145,146	4,750	1,111,988	2,003,105	1,985,010	62,029,850	12,661,646	1,595,030
Miscellaneous wholesale trade	196,619	422,327	16,716	4,008,243	4,154,373	3,805,347	285,477,582	63,217,592	6,056,758
Motor vehicles and automotive equipment	*27,513	27,294	2,171	774,310	382,857	355,617	23,115,885	4,462,930	404,723
Furniture and home furnishings	261	3,195	*310	46,644	28,952	28,952	3,237,381	651,687	76,818
Lumber and construction materials	*164	14,733	922	134,961	113,819	109,028	10,251,793	3,058,688	306,836
Sporting, recreational, photographic, and hobby goods, toys, and supplies	*1,173	6,435	*61	87,486	248,223	248,197	4,757,074	519,665	60,477
Metals and minerals, except petroleum and scrap	4,349	22,117	1,801	274,295	345,386	227,198	47,900,920	4,547,704	401,207
Electrical goods	3,624	27,489	1,541	395,663	540,718	530,818	21,031,785	2,971,327	327,190
Hardware, plumbing, and heating equipment and supplies	*195	14,022	480	229,815	94,332	91,795	11,407,717	2,306,872	238,513
Other durable goods	5,959	56,372	2,681	495,378	580,595	573,224	32,251,034	6,863,301	683,163
Paper and paper products	1,098	13,919	436	131,562	134,122	129,051	5,874,414	1,588,416	143,490
Drugs, drug proprietaries, and druggists' sundries	1,128	25,169	448	78,401	82,508	82,022	5,806,214	1,223,165	150,349
Apparel, piece goods, and notions	*1,113	9,886	1,015	225,230	90,520	87,189	10,191,911	1,059,504	128,952
Farm-product raw materials	15,095	55,446	1,149	119,017	296,322	290,498	25,317,954	9,864,243	813,907
Chemicals and allied products	*10,472	15,844	222	106,280	448,970	447,926	9,626,179	1,723,652	176,095
Petroleum and petroleum products	120,639	52,193	1,090	289,239	292,729	147,061	39,107,442	12,426,245	1,065,274
Alcoholic beverages	*276	21,567	320	323,401	126,548	123,608	11,209,510	2,725,947	306,649
Miscellaneous nondurable goods; wholesale trade not allocable	3,560	56,647	2,068	296,560	347,773	333,164	24,390,369	7,224,248	773,115

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 1 — Number of Returns, Selected Receipts, Cost of Sales and Operations, Net Income, Deficit, Total Income Tax, Selected Credits, Distributions to Stockholders, Total Assets, Depreciable Assets, and Depreciation Deduction, by Minor Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Minor industry	Foreign tax credit	Investment credit	Jobs credit	Total income tax after credits[1]	Distributions to stockholders except in own stock		Total assets	Depreciable assets	Depreciation deduction
					All returns	Returns with net income			
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
Wholesale and retail trade — Continued									
Retail trade	156,210	895,358	125,719	4,603,857	3,545,090	3,354,902	326,969,513	129,550,996	12,711,666
Building materials, garden supplies, and mobile home dealers	*36	33,846	2,669	331,883	108,203	93,840	20,963,548	6,740,228	701,601
Building materials dealers	*36	23,155	648	234,424	76,844	63,246	13,606,897	4,720,444	495,922
Hardware stores	—	5,626	1,278	77,647	23,045	22,285	4,136,497	1,028,323	102,225
Garden supplies and mobile home dealers	—	5,065	743	19,811	8,314	8,309	3,220,154	991,461	103,453
General merchandise stores	79,087	221,226	17,352	891,289	1,522,139	1,495,333	99,055,115	30,956,368	2,494,876
Food stores	25,055	215,068	31,032	688,248	446,823	416,211	37,872,161	23,939,083	2,331,839
Grocery stores	25,055	203,805	30,220	647,772	431,573	401,497	34,921,107	21,948,439	2,130,074
Other food stores	—	11,263	812	40,476	15,250	14,714	2,951,054	1,990,643	201,765
Automotive dealers and service stations	*28	79,948	6,249	418,460	235,282	180,862	53,743,183	16,804,048	2,118,715
Motor vehicle dealers	*4	46,285	3,087	228,367	172,036	122,177	37,843,052	10,668,140	1,402,856
Gasoline service stations	(2)	16,221	1,029	73,886	31,930	30,791	6,582,528	3,161,521	322,202
Other automotive dealers	24	17,443	2,133	116,207	31,316	27,894	9,317,603	2,974,386	393,658
Apparel and accessory stores	28,389	37,502	4,428	476,719	286,335	271,970	17,773,052	5,534,708	546,639
Furniture and home furnishings stores	*4,339	21,190	1,489	331,543	54,350	51,619	13,826,155	3,292,256	320,905
Eating and drinking places	10,180	126,439	47,484	491,023	368,296	354,057	30,888,612	23,913,405	2,227,588
Miscellaneous retail stores	9,095	160,137	15,015	974,691	523,663	491,009	52,847,686	18,370,901	1,969,503
Drug stores and proprietary stores	3,447	36,563	3,673	262,278	188,361	185,179	10,334,244	3,878,718	343,486
Liquor stores	—	2,960	*365	25,593	40,515	24,497	2,100,270	787,689	78,605
Other retail stores	5,647	120,614	10,977	686,820	294,787	281,334	40,413,172	13,704,494	1,547,412
Wholesale and retail trade not allocable	30	2,672	*236	16,634	13,574	9,949	1,115,263	266,643	28,563
Finance, insurance, and real estate	**1,190,436**	**887,629**	**24,978**	**6,037,489**	**41,998,295**	**37,726,317**	**4,486,191,441**	**159,682,155**	**13,503,259**
Banking	935,665	350,934	10,258	1,501,457	5,517,413	4,157,825	2,317,424,986	46,502,169	5,693,231
Mutual savings banks	74	2,623	119	12,769	—	—	176,246,890	2,245,298	139,937
Bank holding companies	908,556	267,902	5,985	533,196	3,703,442	2,733,065	1,642,657,878	32,411,320	4,442,373
Banks, except mutual savings banks and bank holding companies	27,034	80,410	4,153	955,493	1,813,971	1,424,760	498,520,219	11,845,551	1,110,922
Credit agencies other than banks	1,517	24,801	1,021	258,658	1,486,404	622,457	789,195,399	15,184,054	1,144,328
Savings and loan associations	*21	2,910	58	37,277	642,804	410,631	619,784,856	10,698,164	577,360
Personal credit institutions	29	12,509	*48	28,817	136,304	21,232	34,528,065	1,330,004	269,013
Business credit institutions	*369	1,910	*151	57,557	36,427	20,365	14,342,448	404,039	160,894
Other credit agencies; finance not allocable	*1,098	7,472	764	135,007	670,870	170,229	120,540,029	2,751,847	137,061
Security, commodity brokers and services	14,199	120,528	461	465,972	313,529	257,348	110,649,130	1,970,372	471,514
Security brokers, dealers, and flotation companies	14,147	113,641	327	380,876	209,056	167,891	103,034,835	1,424,447	407,420
Commodity contracts brokers and dealers; security and commodity exchanges; and allied services	*53	6,887	*135	85,096	104,474	89,457	7,614,295	545,925	64,094
Insurance	187,364	221,123	4,022	1,859,361	4,028,858	3,362,658	770,139,400	13,041,537	1,819,697
Life insurance	88,212	98,674	1,532	1,217,484	1,298,303	1,212,206	532,259,040	3,993,627	811,836
Mutual insurance, except life or marine and certain fire or flood insurance companies	3,108	22,076	695	170,665	*2	*2	60,555,469	654,300	200,799
Other insurance companies	96,044	100,374	1,795	471,213	2,730,553	2,150,450	177,324,891	8,393,610	807,062
Insurance agents, brokers, and service	14,942	60,749	1,788	252,465	418,414	391,239	18,480,486	2,404,654	376,614
Real estate	1,982	72,178	4,761	1,132,404	1,530,927	1,347,064	145,024,219	70,506,486	3,362,012
Real estate operators and lessors of buildings	1,166	30,885	1,170	629,889	909,253	820,372	63,293,420	48,501,808	2,190,617
Lessors of mining, oil, and similar property	71	2,765	22	75,734	77,877	77,523	1,276,907	1,829,586	15,402
Lessors of railroad property, and of real property, not elsewhere classified	*430	1,764	*5	20,494	106,138	104,562	2,259,776	936,467	73,466
Condominium management and cooperative housing associations	—	679	—	5,398	*497	*273	6,344,056	5,428,143	142,899
Subdividers and developers	196	15,799	1,075	237,562	265,302	206,966	44,332,652	6,666,489	374,412
Other real estate	*119	20,286	2,488	163,327	171,860	137,367	27,517,407	7,143,993	565,215
Holding and other investment companies, except bank holding companies	34,767	37,315	2,666	567,172	28,702,750	27,587,724	335,277,822	10,072,883	635,864
Regulated investment companies	—	(2)	—	262	27,040,163	26,135,782	260,067,316	114,006	689
Real estate investment trusts	—	(2)	—	1,637	224,797	177,897	7,242,913	2,970,744	83,660
Small business investment companies	—	*49	—	4,856	15,594	9,736	1,168,607	92,255	10,380
Other holding and investment companies, except bank holding companies	34,767	37,266	2,666	560,416	1,422,195	1,264,309	66,798,987	6,895,878	541,135
Services	**182,831**	**878,057**	**69,489**	**2,943,149**	**2,491,324**	**2,269,005**	**213,724,531**	**126,924,709**	**14,414,123**
Hotels and other lodging places	11,222	61,147	5,163	316,969	337,287	328,084	23,210,125	17,569,566	1,201,686
Personal services	*6,080	35,120	3,003	170,937	134,963	129,369	8,103,563	6,058,564	581,613
Business services	69,561	305,212	26,285	968,216	752,875	708,421	66,961,561	32,550,273	4,526,647
Advertising	34,859	27,210	2,655	143,603	134,028	132,337	7,583,991	2,218,656	251,790
Business services, except advertising	34,702	278,002	23,630	824,612	618,847	576,083	59,377,570	30,331,617	4,274,857
Auto repair; miscellaneous repair services	*192	93,207	4,990	179,089	173,431	121,361	22,608,083	19,021,554	2,995,157
Auto repair and services	*192	73,742	3,805	93,563	135,090	83,709	18,655,030	16,954,320	2,737,115
Miscellaneous repair services	—	19,465	1,185	85,526	38,341	37,651	3,953,053	2,067,234	258,042
Amusement and recreation services	67,401	158,851	2,870	420,154	375,629	328,825	37,464,298	19,553,581	1,774,728
Motion picture production, distribution, and services	59,986	92,132	*326	66,264	118,868	101,539	18,541,830	3,549,955	547,129
Motion picture theaters	*2	8,017	*216	55,790	16,792	14,270	2,490,806	1,912,190	145,885
Amusement and recreation services, except motion pictures	*7,413	58,702	2,328	298,100	239,969	213,016	16,431,662	14,091,436	1,081,715
Other services	28,374	224,520	27,177	887,784	717,139	652,946	55,376,901	32,171,171	3,334,293
Offices of physicians, including osteopathic physicians	—	42,534	3,879	124,647	43,191	25,870	6,904,312	4,550,241	607,754
Offices of dentists	—	15,117	2,129	36,289	15,147	15,094	2,056,687	1,906,707	246,021
Offices of other health practitioners	—	3,066	*261	10,006	*2,391	*2,391	373,221	243,297	33,528
Nursing and personal care facilities	89	10,870	5,718	86,021	106,078	105,553	7,238,819	5,110,861	320,557
Hospitals	*1,613	25,004	3,027	121,819	105,752	105,727	9,066,800	5,654,547	403,929
Medical laboratories	—	5,126	*274	12,708	*9,970	*7,299	898,639	557,009	61,579
Other medical services	2,966	16,454	1,876	57,137	76,875	76,152	2,936,393	1,506,960	162,311
Legal services	—	14,547	*1,221	33,267	43,916	43,855	2,349,564	1,242,278	169,424
Educational services	3,025	11,995	1,695	41,375	30,099	25,980	2,147,363	1,096,844	119,650
Social services	—	*648	—	2,257	*1,229	*518	401,380	266,541	31,054
Membership organizations	*714	2,880	*319	11,335	*6,583	*6,583	1,732,417	799,809	63,592
Architectural and engineering services	13,014	33,126	4,357	180,052	124,098	90,310	6,898,941	2,740,497	374,705
Accounting, auditing, and bookkeeping services	*54	7,016	*914	17,462	*25,259	*25,259	1,131,529	542,447	75,613
Miscellaneous services (including veterinarians), not elsewhere classified	6,899	36,137	1,507	153,411	126,549	122,355	11,240,836	5,953,132	664,576
Nature of business not allocable	***21**	**3,683**	***296**	**32,405**	**33,685**	**24,569**	**2,420,840**	**886,599**	**89,541**

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Credits include foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel and research activities credits.
[2]Less than $500 per return.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All industries	Major industry					
		Agriculture, forestry, and fishing	Mining				
			Total	Metal mining	Coal mining	Oil and gas extraction	Nonmetallic minerals, except fuels
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns, total	**2,812,420**	**85,370**	**33,363**	**1,217**	**3,441**	**24,727**	**3,977**
Total assets	**8,547,161,872**	**46,081,067**	**168,908,241**	**16,561,350**	**15,731,046**	**126,137,640**	**10,478,205**
Cash	533,472,168	2,680,973	5,366,295	181,565	932,800	3,737,773	514,157
Notes and accounts receivable	2,239,832,960	3,909,336	30,846,749	1,145,751	2,265,350	25,637,831	1,797,817
Less: Allowance for bad debts	44,840,794	52,144	171,322	7,338	16,917	129,851	17,216
Inventories	588,219,956	4,592,776	8,186,285	1,085,912	708,170	5,268,453	1,123,750
Investments in Government obligations:							
United States	304,161,714	184,185	759,233	33,566	157,905	536,790	30,972
State and local	210,675,983	31,678	95,378	3	34,988	57,684	*2,703
Other current assets	320,511,852	1,484,367	8,625,500	2,869,471	821,982	4,746,415	187,632
Loans to stockholders	32,042,366	1,016,010	728,151	81,908	66,053	529,430	50,760
Mortgage and real estate loans	933,673,294	701,173	843,350	16,436	*6,209	782,764	37,940
Other investments	1,388,244,142	3,954,721	41,585,066	4,948,043	2,271,239	33,726,794	638,990
Depreciable assets	2,352,655,342	27,314,533	72,142,890	7,038,453	10,140,679	45,886,761	9,076,998
Less: Accumulated depreciation	857,772,979	12,813,274	26,965,628	2,994,635	4,335,880	15,643,165	3,991,948
Depletable assets	84,098,891	295,853	20,402,939	869,545	1,254,103	17,805,972	473,319
Less: Accumulated depletion	21,816,569	63,897	4,538,033	170,923	129,963	4,151,443	85,703
Land	101,946,016	10,740,636	1,928,625	104,676	276,268	1,114,491	433,190
Intangible assets (amortizable)	55,131,152	117,059	2,994,774	220,855	142,548	2,610,341	21,029
Less: Accumulated amortization	20,451,969	39,553	792,515	45,691	26,376	710,498	9,950
Other assets	347,378,352	2,026,636	6,870,503	1,183,752	1,161,888	4,331,098	193,765
Total liabilities	**8,547,161,872**	**46,081,067**	**168,908,241**	**16,561,350**	**15,731,046**	**126,137,640**	**10,478,205**
Accounts payable	619,969,292	2,201,748	21,834,587	993,882	1,597,778	18,289,987	952,940
Mortgages, notes, and bonds payable in less than one year	585,947,678	8,490,107	9,557,640	633,446	1,225,700	7,207,009	491,484
Other current liabilities	2,859,839,215	1,912,713	10,620,871	712,415	1,508,336	7,978,163	421,957
Loans from stockholders	107,229,417	3,099,926	3,629,760	441,851	277,031	2,790,283	120,595
Mortgages, notes, and bonds payable in one year or more	1,058,070,877	14,855,225	39,167,648	3,163,326	3,885,527	29,946,062	2,172,732
Other liabilities	1,072,164,634	1,932,927	13,631,703	1,413,748	1,684,791	9,461,508	1,071,657
Capital stock	532,560,826	6,956,857	6,996,519	806,971	419,204	5,036,211	734,133
Paid-in or capital surplus	670,619,223	3,555,182	25,947,043	1,985,073	1,889,315	21,474,732	597,923
Retained earnings, appropriated	45,939,734	325,416	788,430	239,698	30,097	428,706	89,929
Retained earnings, unappropriated	1,124,012,345	3,236,633	37,830,888	6,210,719	3,287,600	24,378,251	3,954,317
Less: Cost of treasury stock	129,191,347	485,669	1,096,846	39,778	74,333	853,273	129,462
Total receipts	**7,026,351,839**	**65,061,959**	**200,194,751**	**6,273,457**	**18,329,703**	**166,923,286**	**8,668,305**
Business receipts	6,244,678,064	60,907,045	189,552,446	5,618,175	17,401,320	158,352,264	8,180,687
Interest on Government obligations:							
United States	36,638,092	31,063	90,799	13,162	28,503	41,396	7,738
State and local	13,881,460	4,235	12,483	21	4,208	7,121	1,134
Other interest	442,918,194	716,255	2,329,626	141,088	217,913	1,806,700	163,925
Rents	53,805,764	372,800	541,926	5,768	138,680	338,387	59,092
Royalties	13,716,872	153,480	1,647,812	47,035	24,943	1,559,996	15,838
Net short-term capital gain reduced by net long-term capital loss	2,178,572	29,123	257,128	*5,059	*364	249,105	*2,600
Net long-term capital gain reduced by net short-term capital loss	29,064,630	719,344	1,473,508	265,939	193,295	958,977	55,297
Net gain, noncapital assets	16,639,271	284,667	588,146	25,839	43,936	494,939	23,433
Dividends received from domestic corporations	17,442,112	58,474	282,912	52,271	39,615	184,647	6,379
Dividends received from foreign corporations	13,790,320	16,747	256,931	17,288	373	239,009	261
Other receipts	141,598,493	1,768,727	3,161,033	81,812	236,554	2,690,746	151,920
Total deductions	**6,813,841,356**	**64,735,599**	**195,021,576**	**6,253,123**	**18,287,599**	**161,917,225**	**8,563,629**
Cost of sales and operations	4,509,198,199	45,552,234	150,193,394	3,779,585	12,492,885	128,775,670	5,145,254
Compensation of officers	120,324,784	1,422,828	1,636,924	35,847	167,957	1,246,299	186,821
Repairs	70,289,424	1,108,216	1,066,500	52,931	364,566	491,884	157,120
Bad debts	22,286,815	74,144	296,815	16,439	75,107	189,589	15,679
Rent paid on business property	82,412,276	1,345,452	1,000,952	48,110	183,993	693,443	75,407
Taxes paid	170,470,926	1,248,438	4,525,187	373,284	768,684	3,108,102	275,117
Interest paid	476,964,684	2,738,463	6,051,461	362,816	736,538	4,560,546	391,561
Contributions or gifts	2,514,425	15,144	52,672	2,548	7,040	40,385	2,700
Amortization	4,712,864	18,448	80,957	4,975	12,099	61,405	2,479
Depreciation	186,195,048	2,532,362	6,078,518	388,517	903,757	4,190,142	596,102
Depletion	7,929,396	29,571	1,961,534	241,516	398,816	1,023,226	297,976
Advertising	60,094,601	193,825	174,467	2,100	8,667	132,192	31,508
Pension, profit-sharing, stock bonus, and annuity plans	52,952,583	182,729	849,197	51,396	85,257	654,970	57,574
Employee benefit programs	45,795,892	168,501	668,161	47,002	219,918	324,320	76,921
Net loss, noncapital assets	7,943,607	47,304	193,710	11,260	12,373	166,594	3,483
Other deductions	993,755,841	8,057,940	20,191,127	834,799	1,849,943	16,258,457	1,247,928
Total receipts less total deductions	212,510,484	326,360	5,173,175	20,334	42,104	5,006,061	104,676
Constructive taxable income from related foreign corporations	15,019,938	*6,183	460,054	5,793	—	454,126	136
Net income (less deficit)	213,648,962	328,308	5,620,746	26,106	37,896	5,453,066	103,678
Income subject to tax	241,496,368	1,728,769	9,479,222	360,480	413,991	8,420,875	283,876
Income tax, total	102,257,851	557,892	4,245,279	139,764	196,376	3,779,238	129,900
Regular and alternative tax	100,644,417	543,280	4,119,612	123,167	167,504	3,714,686	114,255
Tax from recomputing prior-year investment credit	1,083,547	12,348	31,186	1,226	3,448	25,472	1,040
Additional tax for tax preferences	524,851	2,261	94,308	15,371	25,423	38,908	14,605
Foreign tax credit	21,828,686	3,206	1,958,994	56,268	545	1,901,268	913
U.S. possessions tax credit	1,945,637	6,478	666	—	—	666	—
Investment credit	18,887,286	128,799	582,564	11,348	52,565	493,439	25,213
Work incentive (WIN) credit	38,223	184	385	—	15	*364	6
Jobs credit	472,895	3,659	5,752	2	319	4,463	969
Nonconventional source fuel credit	*622	—	—	—	—	—	—
Alcohol fuel credit	*480	—	—	—	—	—	—
Research activities credit	639,302	1,118	11,425	127	177	10,987	*134
Distributions to stockholders:							
Cash and property except in own stock	120,295,338	512,027	3,278,771	262,398	248,681	2,523,727	243,965
Corporation's own stock	3,634,323	44,912	217,522	4,935	*425	212,032	*130

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued								
	Construction				Manufacturing				
	Total	General building contractors and operative builders	Heavy construction contractors	Special trade contractors	Total	Food and kindred products	Tobacco manufactures	Textile mill products	Apparel and other textile products
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Number of returns, total	**276,395**	**116,039**	**18,495**	**141,861**	**251,294**	**16,425**	**109**	**4,998**	**16,965**
Total assets	**150,764,144**	**81,469,468**	**29,455,596**	**39,839,081**	**1,933,710,383**	**145,842,725**	**35,723,466**	**23,383,034**	**23,578,299**
Cash	14,236,832	6,285,455	2,955,447	4,995,930	55,886,455	8,277,058	211,893	885,010	1,463,431
Notes and accounts receivable	38,373,879	17,093,746	7,967,954	13,312,179	428,450,152	31,150,959	5,931,550	5,910,036	6,758,541
Less: Allowance for bad debts	396,423	77,694	74,607	244,122	9,214,844	427,045	39,870	106,816	162,929
Inventories	23,059,162	15,943,335	1,883,977	5,231,850	285,204,131	23,967,001	6,661,229	5,845,847	8,268,313
Investments in Government obligations:									
United States	833,067	365,304	298,044	169,720	8,361,619	865,815	536	111,311	86,162
State and local	361,451	219,552	83,052	58,847	3,648,883	388,025	21,443	38,204	39,615
Other current assets	15,089,353	9,669,755	2,013,344	3,406,254	78,311,644	5,004,513	461,741	842,944	1,108,537
Loans to stockholders	2,676,637	1,438,190	281,796	956,651	8,275,556	802,196	*204,232	206,230	139,861
Mortgage and real estate loans	2,823,860	2,586,677	84,407	152,776	10,482,822	496,014	5,665	53,671	27,664
Other investments	10,536,415	5,389,662	3,244,099	1,902,654	372,240,118	28,083,953	12,712,030	1,585,864	2,189,532
Depreciable assets	53,115,624	16,887,451	19,871,518	16,356,655	931,304,424	66,534,930	9,060,805	16,279,483	5,723,470
Less: Accumulated depreciation	26,747,129	6,726,647	11,308,575	8,711,907	406,408,697	28,055,373	1,720,179	9,108,752	2,807,478
Depletable assets	493,358	279,793	146,539	67,025	51,757,465	72,263	479,531	185,490	*165
Less: Accumulated depletion	177,631	88,107	59,918	29,606	14,186,161	18,338	—	49,635	*4
Land	5,088,559	3,524,046	739,039	825,474	24,914,120	2,344,504	322,871	176,307	165,006
Intangible assets (amortizable)	710,075	485,422	86,703	137,950	30,921,900	1,036,998	*593,534	99,783	87,408
Less: Accumulated amortization	226,258	151,780	23,264	51,214	12,984,926	195,166	*91,179	27,703	32,349
Other assets	10,913,313	8,345,308	1,266,041	1,301,964	86,745,720	5,514,420	907,635	455,760	523,352
Total liabilities	**150,764,144**	**81,469,468**	**29,455,596**	**39,839,081**	**1,933,710,383**	**145,842,725**	**35,723,466**	**23,383,034**	**23,578,299**
Accounts payable	26,573,650	14,248,732	4,671,276	7,653,643	227,056,361	19,784,145	2,275,179	3,070,616	4,158,223
Mortgages, notes, and bonds payable in less than one year	19,051,910	12,508,595	2,667,155	3,876,160	147,101,812	10,301,725	2,106,538	1,812,308	2,905,332
Other current liabilities	23,267,512	11,751,718	4,124,218	7,391,576	179,227,946	12,178,678	2,531,940	1,923,611	2,297,042
Loans from stockholders	5,008,681	3,045,669	426,633	1,536,378	23,536,508	1,552,802	849,975	481,209	494,193
Mortgages, notes, and bonds payable in one year or more	21,596,688	13,098,598	4,247,994	4,250,095	337,893,659	26,696,016	7,641,231	3,707,943	2,715,451
Other liabilities	18,196,812	13,065,463	2,428,524	2,702,824	170,676,795	8,998,861	2,517,001	808,860	513,626
Capital stock	6,607,863	2,486,315	1,743,214	2,378,333	104,294,746	8,088,864	2,075,654	1,604,449	1,520,003
Paid-in or capital surplus	5,998,300	3,350,737	1,581,520	1,066,044	218,489,216	16,709,511	6,999,900	1,392,697	1,650,501
Retained earnings, appropriated	411,451	176,072	93,005	142,374	8,708,724	1,124,238	*9,117	97,387	106,318
Retained earnings, unappropriated	26,251,439	8,467,717	8,027,172	9,756,549	536,811,169	41,643,001	8,824,427	8,896,956	7,709,518
Less: Cost of treasury stock	2,200,161	730,149	555,116	914,896	20,086,551	1,235,115	107,495	413,002	491,909
Total receipts	**280,172,375**	**120,729,146**	**57,055,276**	**102,387,953**	**2,613,512,581**	**276,674,058**	**29,679,575**	**42,950,663**	**52,458,833**
Business receipts	270,543,236	115,240,308	54,675,550	100,627,378	2,487,695,859	269,403,883	28,164,055	42,249,199	51,480,304
Interest on Government obligations:									
United States	209,966	112,359	60,402	37,205	1,641,789	123,401	3,772	41,173	13,861
State and local	39,480	20,019	12,891	6,570	623,716	29,702	10	1,974	4,968
Other interest	2,873,291	1,677,256	625,001	571,034	36,582,902	2,436,257	555,948	212,870	250,398
Rents	1,247,522	717,065	319,236	211,221	19,155,721	492,476	149,752	32,064	67,154
Royalties	29,867	4,049	24,227	1,590	9,159,697	486,776	145,779	32,658	113,501
Net short-term capital gain reduced by net long-term capital loss	36,827	24,313	8,308	4,205	263,075	30,161	8	*1,183	4,879
Net long-term capital gain reduced by net short-term capital loss	664,912	449,423	128,005	87,485	10,909,903	530,298	28,134	35,733	33,131
Net gain, noncapital assets	1,447,710	1,087,215	254,183	106,312	2,856,551	306,491	169,896	39,421	19,608
Dividends received from domestic corporations	111,870	49,389	39,877	22,603	8,370,328	356,097	246,282	56,885	28,368
Dividends received from foreign corporations	71,927	15,726	53,718	2,482	12,090,792	617,709	24,037	18,448	40,686
Other receipts	2,895,766	1,332,023	853,875	709,867	24,162,248	1,860,808	191,902	229,055	401,975
Total deductions	**276,744,601**	**119,965,585**	**55,934,336**	**100,844,680**	**2,509,134,569**	**267,728,521**	**27,384,983**	**41,925,929**	**50,774,498**
Cost of sales and operations	214,612,975	97,972,632	43,646,217	72,994,127	1,822,985,043	203,179,206	17,135,316	32,911,820	37,304,698
Compensation of officers	9,897,705	3,478,084	1,184,506	5,235,115	21,083,062	1,570,460	89,478	484,136	1,288,598
Repairs	1,475,890	365,794	546,169	563,928	29,226,561	2,214,200	272,691	347,642	124,105
Bad debts	586,338	148,228	88,234	349,876	5,468,119	295,561	23,741	133,327	148,582
Rent paid on business property	2,208,211	613,947	529,474	1,064,789	20,383,954	1,895,185	194,767	297,989	628,224
Taxes paid	5,838,281	1,799,064	1,139,932	2,899,285	80,908,638	5,707,866	1,986,885	1,007,046	1,209,155
Interest paid	5,318,285	3,003,791	1,084,185	1,230,309	73,084,336	4,999,528	1,227,176	896,972	1,077,035
Contributions or gifts	89,857	41,635	17,002	31,220	1,318,276	141,744	22,550	25,244	28,656
Amortization	61,420	25,612	12,897	22,911	1,519,066	106,135	52,595	12,731	15,125
Depreciation	5,555,171	1,619,512	1,849,618	2,086,041	76,600,966	5,824,073	756,289	1,282,501	552,991
Depletion	86,241	29,393	34,351	22,497	4,766,741	62,138	51,761	*2,395	*18
Advertising	746,170	337,344	55,707	353,119	28,708,559	7,559,362	1,878,531	220,687	536,997
Pension, profit-sharing, stock bonus, and annuity plans	1,538,917	495,941	341,806	701,171	23,863,332	1,495,835	285,099	279,542	298,664
Employee benefit programs	1,497,005	334,384	341,277	821,344	25,521,189	1,789,849	272,871	264,235	282,448
Net loss, noncapital assets	69,871	32,123	8,289	29,459	2,557,385	145,791	*9	11,066	26,548
Other deductions	27,162,264	9,668,101	5,054,674	12,439,489	291,139,342	30,741,588	3,135,224	3,748,596	7,252,654
Total receipts less total deductions	3,427,774	763,561	1,120,940	1,543,274	104,378,012	8,945,537	2,294,592	1,024,734	1,684,335
Constructive taxable income from related foreign corporations	66,764	*25,277	40,649	*838	13,021,097	708,813	49,620	13,972	43,015
Net income (less deficit)	3,455,058	768,819	1,148,697	1,537,541	116,775,393	9,624,648	2,344,203	1,036,732	1,722,382
Income subject to tax	6,610,988	2,396,416	1,770,673	2,443,899	133,416,116	10,162,724	2,178,625	1,470,514	2,075,505
Income tax, total	2,360,800	851,701	735,008	774,091	59,554,935	4,573,787	1,003,020	653,221	884,520
Regular and alternative tax	2,316,708	832,654	721,431	762,623	58,820,480	4,509,443	997,332	647,617	880,520
Tax from recomputing prior-year investment credit	35,883	12,335	12,314	11,234	505,377	60,600	5,688	5,365	3,948
Additional tax for tax preferences	8,158	6,677	1,263	218	229,029	3,744	—	239	*52
Foreign tax credit	107,742	36,887	67,680	3,176	17,736,817	769,965	55,810	14,560	45,607
U.S. possessions tax credit	1,991	1,164	614	213	1,867,328	117,222	13,587	1,911	41,962
Investment credit	334,691	89,306	127,463	117,922	9,144,667	850,557	151,004	125,230	56,009
Work incentive (WIN) credit	1,365	238	*95	1,032	20,579	1,675	80	1,027	1,936
Jobs credit	44,015	15,933	6,509	21,573	154,776	19,487	*713	12,481	17,592
Nonconventional source fuel credit	*18	—	*18	—	587	—	—	60	—
Alcohol fuel credit	—	—	—	—	*467	133	—	—	—
Research activities credit	2,864	324	*2,117	424	514,218	9,843	3,470	2,446	1,475
Distributions to stockholders:									
Cash and property except in own stock	889,557	315,811	321,130	252,616	41,434,134	2,936,159	880,910	342,883	299,276
Corporation's own stock	52,208	23,012	*14,321	14,875	963,207	202,113	904	*25,240	24,528

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued								
	Manufacturing — Continued								
	Lumber and wood products	Furniture and fixtures	Paper and allied products	Printing and publishing	Chemicals and allied products	Petroleum (including integrated) and coal products	Rubber and miscellaneous plastics products	Leather and leather products	Stone, clay, and glass products
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Number of returns, total	**15,371**	**6,325**	**3,533**	**36,355**	**10,247**	**2,372**	**9,994**	**1,851**	**9,658**
Total assets	**45,642,616**	**9,814,335**	**49,454,741**	**55,321,060**	**201,196,591**	**412,179,226**	**26,999,550**	**7,264,578**	**41,946,040**
Cash	1,246,579	548,394	917,360	2,825,645	4,134,479	5,220,415	1,111,419	396,631	1,204,098
Notes and accounts receivable	5,698,037	2,483,128	7,774,046	12,376,329	34,447,413	64,772,525	6,761,722	1,686,474	7,203,216
Less: Allowance for bad debts	100,184	62,006	177,378	760,327	812,172	771,623	143,478	38,331	194,796
Inventories	6,041,938	2,787,629	6,491,378	5,380,290	26,372,856	23,945,277	5,144,812	2,159,034	5,894,388
Investments in Government obligations:									
United States	196,273	50,555	348,726	554,457	819,378	653,183	111,590	*24,247	207,241
State and local	22,902	*15,852	36,940	146,588	274,847	823,929	77,323	37,429	25,337
Other current assets	1,377,203	383,225	1,870,280	3,641,175	7,103,472	11,824,028	644,969	390,108	1,344,919
Loans to stockholders	140,949	65,775	156,442	414,382	1,357,047	899,880	112,279	8,825	481,910
Mortgage and real estate loans	1,825,080	15,264	37,529	175,024	85,791	185,241	66,850	*1,610	86,813
Other investments	6,639,038	579,876	6,332,319	6,594,784	48,138,568	119,900,871	3,683,928	1,208,563	6,196,474
Depreciable assets	28,304,721	4,628,244	36,419,818	27,410,531	107,445,513	198,031,356	16,680,739	1,983,069	29,795,559
Less: Accumulated depreciation	12,331,647	2,178,851	15,612,175	11,816,442	47,587,440	74,354,962	8,189,301	865,966	13,164,650
Depletable assets	4,269,341	*3,492	2,349,529	328,681	2,632,924	37,260,030	*17,331	—	910,892
Less: Accumulated depletion	159,387	182	310,583	*35,521	813,131	11,784,377	358	—	150,603
Land	702,755	178,904	1,347,601	951,268	1,947,876	8,186,090	279,733	49,011	922,639
Intangible assets (amortizable)	98,480	44,839	323,893	2,178,145	2,691,012	17,950,721	86,234	82,586	135,709
Less: Accumulated amortization	24,618	17,422	91,308	343,397	638,059	9,989,490	22,875	21,535	36,067
Other assets	1,695,155	287,618	1,240,323	5,299,449	13,596,218	19,426,135	576,632	162,822	1,082,962
Total liabilities	**45,642,616**	**9,814,335**	**49,454,741**	**55,321,060**	**201,196,591**	**412,179,226**	**26,999,550**	**7,264,578**	**41,946,040**
Accounts payable	3,562,908	1,258,958	3,890,143	5,345,802	21,393,184	54,877,899	3,752,123	1,211,358	3,873,583
Mortgages, notes, and bonds payable in less than one year	4,005,765	747,851	2,218,189	2,884,605	7,725,899	13,705,694	1,385,373	645,876	2,499,767
Other current liabilities	3,794,448	978,062	3,816,609	6,168,724	15,525,462	22,903,996	3,375,937	637,948	3,758,085
Loans from stockholders	639,329	186,608	150,607	1,150,529	4,206,130	1,262,999	464,856	27,851	621,353
Mortgages, notes, and bonds payable in one year or more	10,898,711	1,537,164	10,465,822	9,849,446	37,114,084	59,249,090	4,856,523	1,091,853	8,823,249
Other liabilities	2,472,922	226,481	3,177,469	5,018,325	13,510,813	63,453,412	1,278,945	158,819	2,135,518
Capital stock	3,097,765	655,511	3,727,699	2,646,304	11,322,798	16,819,551	1,458,785	788,206	2,488,442
Paid-in or capital surplus	5,351,998	785,478	4,834,237	3,800,528	36,060,866	55,110,146	2,326,450	554,011	4,783,589
Retained earnings, appropriated	293,387	53,625	307,511	97,107	683,648	656,832	60,330	*64,552	252,850
Retained earnings, unappropriated	11,931,652	3,603,084	17,343,895	19,325,939	55,188,089	130,965,283	8,392,863	2,278,343	13,104,947
Less: Cost of treasury stock	406,270	218,487	477,440	966,249	1,534,382	6,825,677	352,635	194,239	395,343
Total receipts	**53,368,452**	**19,549,409**	**63,039,918**	**80,246,749**	**211,260,926**	**692,886,006**	**44,949,374**	**13,242,570**	**50,054,740**
Business receipts	49,184,622	19,153,318	59,771,222	77,374,227	200,695,519	669,106,543	43,455,481	12,941,379	48,107,350
Interest on Government obligations:									
United States	46,703	8,991	42,455	91,972	112,704	498,093	27,983	3,936	21,154
State and local	2,175	1,387	2,958	6,924	15,379	22,810	529	4,215	1,366
Other interest	1,429,829	129,680	461,562	753,422	2,673,592	7,660,416	308,827	113,431	565,898
Rents	140,927	24,878	110,050	263,709	494,760	1,495,636	80,791	14,345	104,197
Royalties	59,370	15,880	302,269	198,019	1,189,589	2,291,084	50,926	5,496	166,524
Net short-term capital gain reduced by net long-term capital loss	5,780	*4,167	7,137	3,920	36,671	40,156	2,475	2	6,841
Net long-term capital gain reduced by net short-term capital loss	1,737,766	20,048	1,232,009	270,024	1,133,026	1,043,226	222,868	15,395	259,678
Net gain, noncapital assets	170,092	21,136	75,714	97,869	262,692	305,266	110,982	8,481	72,627
Dividends received from domestic corporations	103,412	25,727	184,310	128,085	1,063,569	842,901	74,402	62,696	110,985
Dividends received from foreign corporations	84,903	*2,208	584,716	103,031	1,450,099	4,084,560	254,369	2,628	196,716
Other receipts	402,875	141,989	265,518	955,547	2,133,327	5,495,314	359,741	70,565	441,404
Total deductions	**53,736,635**	**18,780,823**	**59,842,651**	**75,857,733**	**199,207,190**	**661,672,626**	**43,299,246**	**12,505,845**	**49,251,347**
Cost of sales and operations	38,624,359	13,449,823	42,638,189	45,368,419	131,941,117	535,703,577	30,787,182	8,992,841	34,035,457
Compensation of officers	758,185	479,552	485,382	2,144,554	1,269,698	438,512	790,304	190,923	679,594
Repairs	721,546	75,943	1,576,227	536,391	3,252,091	5,849,406	638,556	36,585	965,528
Bad debts	123,642	61,661	79,085	547,467	317,841	800,707	135,388	32,880	137,334
Rent paid on business property	454,719	223,077	478,358	1,081,796	1,957,681	3,634,245	469,703	302,800	447,081
Taxes paid	1,211,704	481,554	1,430,603	2,338,471	3,958,394	33,952,502	998,150	311,801	1,291,990
Interest paid	2,330,089	361,966	1,301,353	1,645,252	6,014,581	11,856,911	1,007,793	273,893	1,600,593
Contributions or gifts	13,227	11,834	43,313	86,544	181,154	188,271	22,795	16,629	21,116
Amortization	29,607	6,786	29,191	199,248	125,030	239,120	12,054	3,182	15,768
Depreciation	2,291,413	374,469	2,725,565	2,749,149	8,148,728	12,529,082	1,081,005	172,062	2,325,335
Depletion	926,599	*1,074	459,592	66,205	364,702	1,847,141	5,427	—	169,676
Advertising	229,774	240,205	562,656	1,061,497	5,678,340	1,381,675	440,717	193,361	288,849
Pension, profit-sharing, stock bonus, and annuity plans	249,903	139,990	636,745	915,200	2,496,967	2,347,641	428,993	73,923	581,190
Employee benefit programs	359,929	149,762	525,144	837,521	1,944,714	1,355,243	507,888	78,351	692,801
Net loss, noncapital assets	17,805	6,008	10,611	55,921	173,703	1,761,625	14,185	1,956	44,610
Other deductions	5,394,134	2,717,119	6,860,638	16,224,099	31,382,449	47,786,966	5,959,105	1,824,659	5,954,424
Total receipts less total deductions	- 368,182	768,586	3,197,267	4,389,016	12,053,736	31,213,380	1,650,128	736,725	803,393
Constructive taxable income from related foreign corporations	68,356	*5,104	417,342	97,881	2,598,329	4,472,500	154,399	2,433	191,085
Net income (less deficit)	- 302,001	772,303	3,611,652	4,479,972	14,636,686	35,663,070	1,803,998	734,944	993,112
Income subject to tax	909,561	931,643	3,843,021	4,929,290	15,293,597	37,793,291	2,034,052	754,769	1,728,673
Income tax, total	338,345	402,683	1,617,937	2,119,724	6,895,315	17,283,220	870,615	334,341	764,669
Regular and alternative tax	321,974	400,444	1,574,990	2,102,734	6,786,308	17,202,097	846,252	333,321	727,099
Tax from recomputing prior-year investment credit	9,441	1,819	8,996	14,342	70,675	66,033	18,356	944	25,271
Additional tax for tax preferences	6,930	413	33,952	2,647	38,333	15,090	6,004	76	12,279
Foreign tax credit	43,789	4,181	461,481	86,735	2,249,921	9,094,074	189,853	5,074	194,701
U.S. possessions tax credit	—	265	907	4,059	891,950	24,781	7,873	11,634	3,164
Investment credit	48,207	30,402	303,157	350,008	872,830	2,295,569	111,659	18,659	148,779
Work incentive (WIN) credit	147	556	751	516	3,217	198	707	467	366
Jobs credit	5,658	6,659	2,670	6,248	5,477	2,162	6,348	3,249	3,892
Nonconventional source fuel credit	—	—	—	—	13	478	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—	*32
Research activities credit	926	1,660	13,103	5,000	84,949	74,807	10,302	514	4,887
Distributions to stockholders:									
Cash and property except in own stock	860,593	97,616	1,336,881	1,421,617	6,274,184	10,196,862	368,967	160,252	948,948
Corporation's own stock	*22,405	1,705	*27,863	33,666	65,686	2,883	*16,615	*2,873	13,565

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued							
	Manufacturing — Continued							
	Primary metal industries	Fabricated metal products	Machinery, except electrical	Electrical, and electronic equipment	Motor vehicles and equipment	Transportation equipment, except motor vehicles	Instruments and related products	Miscellaneous manufacturing and manufacturing not allocable
	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
Number of returns, total	**4,833**	**40,400**	**25,484**	**15,076**	**3,166**	**4,606**	**5,897**	**17,632**
Total assets	**147,960,727**	**83,275,602**	**175,925,350**	**174,065,669**	**153,929,048**	**59,635,152**	**34,959,707**	**25,612,866**
Cash	3,272,986	4,341,390	5,874,217	6,536,684	2,405,609	2,745,871	955,211	1,312,074
Notes and accounts receivable	25,336,389	17,810,092	46,168,498	47,379,650	73,903,467	9,699,433	8,461,089	6,737,559
Less: Allowance for bad debts	441,389	388,473	1,889,580	1,197,535	1,031,389	151,015	116,459	202,050
Inventories	20,693,330	17,677,555	38,889,441	30,131,738	16,093,577	18,276,859	8,247,601	6,234,040
Investments in Government obligations:								
United States	1,273,671	459,321	414,259	620,147	934,708	*17,089	533,885	79,064
State and local	737,874	194,817	257,163	174,774	*240,577	2,000	*75,446	*17,797
Other current assets	5,697,548	3,818,624	9,166,702	13,226,548	3,298,909	4,303,512	1,815,817	986,870
Loans to stockholders	268,266	583,105	892,807	1,055,885	334,174	30,963	56,634	63,713
Mortgage and real estate loans	6,032,674	115,608	94,308	228,435	862,909	24,040	48,707	13,925
Other investments	26,564,020	11,962,968	27,439,280	26,642,158	22,458,450	6,572,173	3,547,812	3,207,457
Depreciable assets	90,043,262	40,681,082	75,707,576	63,871,126	59,788,551	27,365,158	16,374,888	9,174,541
Less: Accumulated depreciation	43,270,357	18,434,311	33,732,648	28,495,202	31,546,048	12,075,969	7,194,639	3,866,306
Depletable assets	1,018,472	260,774	368,984	1,200,074	*56,157	182,878	*140,677	*19,780
Less: Accumulated depletion	354,661	28,673	66,733	256,195	*19,063	*44,941	*91,458	*2,318
Land	1,326,446	1,166,439	1,330,606	1,306,478	883,777	552,811	447,493	325,507
Intangible assets (amortizable)	842,403	762,407	1,207,667	1,367,787	242,410	221,863	436,917	431,104
Less: Accumulated amortization	211,295	152,375	332,605	463,051	49,725	18,111	121,405	105,192
Other assets	9,131,087	2,445,252	4,135,409	10,736,168	5,071,996	1,930,538	1,341,489	1,185,301
Total liabilities	**147,960,727**	**83,275,602**	**175,925,350**	**174,065,669**	**153,929,048**	**59,635,152**	**34,959,707**	**25,612,866**
Accounts payable	13,582,213	10,152,208	18,686,657	23,360,809	12,099,046	13,175,587	3,849,236	3,696,482
Mortgages, notes, and bonds payable in less than one year	12,108,652	5,299,108	14,417,484	17,065,926	37,907,832	2,955,761	1,874,390	2,527,737
Other current liabilities	17,368,990	9,068,137	20,492,993	20,912,059	14,277,961	10,574,038	4,254,246	2,388,979
Loans from stockholders	1,286,220	1,326,391	4,597,588	2,076,063	1,180,532	159,679	341,980	479,615
Mortgages, notes, and bonds payable in one year or more	29,790,698	14,186,949	28,572,203	25,553,792	37,973,595	8,887,597	3,498,697	4,783,546
Other liabilities	12,742,201	4,782,261	11,720,316	21,730,815	7,818,967	4,459,700	1,921,900	1,229,583
Capital stock	9,433,606	4,869,560	12,148,130	7,564,760	5,979,656	4,066,594	2,188,906	1,749,502
Paid-in or capital surplus	13,480,954	8,517,756	18,908,446	16,977,640	9,973,185	3,527,166	3,996,625	2,747,533
Retained earnings, appropriated	2,304,534	310,530	326,342	293,379	1,263,688	57,846	248,843	96,658
Retained earnings, unappropriated	36,955,982	26,149,515	47,124,524	40,106,993	25,651,372	12,317,296	13,008,802	6,288,687
Less: Cost of treasury stock	1,093,323	1,386,813	1,069,333	1,576,567	196,786	546,113	223,917	375,457
Total receipts	**157,336,146**	**126,860,087**	**199,132,918**	**183,417,426**	**157,143,030**	**71,377,708**	**47,491,159**	**40,392,833**
Business receipts	148,581,283	122,890,916	175,022,705	170,970,497	147,283,741	67,539,428	45,168,765	39,151,423
Interest on Government obligations:								
United States	85,795	85,355	82,030	106,259	128,531	46,177	60,147	11,299
State and local	163,214	10,822	75,431	227,733	*39,841	2,328	7,053	2,899
Other interest	3,257,187	1,088,008	3,956,506	4,086,564	4,583,075	1,075,665	466,163	517,602
Rents	366,310	284,735	11,947,546	1,694,817	845,982	338,815	119,921	86,858
Royalties	134,699	152,636	2,465,059	732,537	198,221	129,090	213,458	76,126
Net short-term capital gain reduced by net long-term capital loss	34,527	5,233	4,233	37,682	12,138	*5,182	4,302	16,398
Net long-term capital gain reduced by net short-term capital loss	1,872,922	373,589	313,256	597,895	766,902	269,258	74,978	79,767
Net gain, noncapital assets	165,510	175,991	289,670	261,885	169,225	64,145	29,714	40,136
Dividends received from domestic corporations	480,861	220,090	1,022,039	1,133,656	598,764	1,128,878	432,039	70,282
Dividends received from foreign corporations	327,317	385,398	1,791,277	736,978	740,035	227,932	364,579	53,167
Other receipts	1,866,522	1,187,314	2,163,167	2,830,924	1,776,575	550,810	550,040	286,876
Total deductions	**153,423,612**	**121,415,846**	**186,978,733**	**175,321,123**	**154,901,077**	**72,372,984**	**43,706,365**	**39,046,803**
Cost of sales and operations	113,633,030	87,613,632	120,669,463	115,056,499	108,277,452	51,708,474	27,030,883	26,923,606
Compensation of officers	953,457	3,122,732	2,480,195	1,615,581	405,563	472,856	495,617	867,686
Repairs	6,024,901	1,021,518	1,503,328	1,187,395	1,272,478	679,297	694,214	232,519
Bad debts	263,084	345,196	519,286	568,031	495,280	197,436	77,274	165,317
Rent paid on business property	958,943	1,166,367	2,125,376	1,737,924	947,258	556,761	433,947	391,752
Taxes paid	3,650,735	3,098,227	5,285,655	4,706,021	4,138,202	2,027,822	1,165,914	949,941
Interest paid	6,331,760	2,934,139	7,078,536	7,801,045	10,086,031	2,104,577	884,767	1,270,340
Contributions or gifts	72,216	66,277	132,239	113,191	30,926	25,767	47,383	27,202
Amortization	69,947	74,453	161,973	184,456	42,000	22,178	37,751	79,736
Depreciation	5,594,986	3,418,938	8,311,806	6,688,864	6,938,706	2,415,413	1,564,109	855,478
Depletion	550,464	40,594	41,515	138,246	6,362	27,803	*3,042	*1,985
Advertising	456,223	969,306	1,393,102	2,262,334	1,345,593	304,222	986,741	718,385
Pension, profit-sharing, stock bonus, and annuity plans	2,579,126	1,174,043	2,667,521	2,509,432	2,130,376	1,507,766	777,465	287,915
Employee benefit programs	2,029,350	1,384,520	2,871,508	2,959,244	4,931,163	1,164,196	709,318	411,132
Net loss, noncapital assets	40,250	37,149	55,966	40,772	46,640	29,680	20,124	16,967
Other deductions	10,215,140	14,948,754	31,681,264	27,752,088	13,807,048	9,128,735	8,777,814	5,846,843
Total receipts less total deductions	3,912,534	5,444,241	12,154,185	8,096,303	2,241,953	- 995,276	3,784,794	1,346,030
Constructive taxable income from related foreign corporations	402,925	279,150	1,905,919	580,333	245,533	205,273	523,762	55,352
Net income (less deficit)	4,152,246	5,712,569	13,984,673	8,448,903	2,447,645	- 792,331	4,301,503	1,398,484
Income subject to tax	5,064,920	6,697,950	15,219,045	9,561,013	4,292,441	2,005,329	4,531,016	1,939,138
Income tax, total	2,121,986	2,868,769	6,897,102	4,281,659	1,869,043	880,459	2,057,441	837,079
Regular and alternative tax	2,006,411	2,839,850	6,822,450	4,235,659	1,840,364	866,109	2,048,652	830,852
Tax from recomputing prior-year investment credit	34,456	24,218	68,890	37,893	23,136	11,322	7,956	6,027
Additional tax for tax preferences	81,119	4,701	5,748	8,107	5,543	3,022	832	200
Foreign tax credit	304,290	276,736	2,229,254	769,561	218,182	205,249	471,917	45,877
U.S. possessions tax credit	4,414	19,828	36,044	473,236	5,938	297	144,342	63,914
Investment credit	649,287	326,109	938,863	631,300	739,464	122,509	292,980	82,085
Work incentive (WIN) credit	1,027	928	1,012	2,659	1,154	617	982	557
Jobs credit	5,704	11,564	11,130	17,098	2,607	3,740	2,775	7,522
Nonconventional source fuel credit	—	36	—	—	—	—	—	—
Alcohol fuel credit	—	—	*68	235	—	—	—	—
Research activities credit	19,620	13,350	87,841	80,449	36,332	15,322	40,039	7,884
Distributions to stockholders:								
Cash and property except in own stock	2,315,998	1,287,899	4,583,518	3,195,396	1,423,768	940,994	1,201,497	359,915
Corporation's own stock	65,863	97,087	220,356	63,751	609	10,116	14,908	50,471

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued								
	Transportation and public utilities				Wholesale and retail trade				
						Wholesale trade			
	Total	Transportation	Communication	Electric, gas, and sanitary services	Total	Total	Groceries and related products	Machinery, equipment, and supplies	Miscellaneous wholesale trade
	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
Number of returns, total	**109,127**	**86,650**	**10,915**	**11,562**	**816,836**	**279,003**	**22,697**	**49,181**	**207,126**
Total assets	**837,300,816**	**194,029,311**	**222,969,712**	**420,301,793**	**708,060,408**	**379,975,632**	**32,468,200**	**62,029,850**	**285,477,582**
Cash	11,191,169	7,269,779	1,683,924	2,237,466	39,958,553	21,360,575	2,087,274	3,168,929	16,104,372
Notes and accounts receivable	75,009,876	27,849,460	15,744,832	31,415,584	178,348,645	115,522,139	9,968,396	20,033,231	85,520,513
Less: Allowance for bad debts	923,077	369,324	211,665	342,089	3,906,249	2,210,300	266,944	352,644	1,590,712
Inventories	31,851,445	6,546,581	6,536,631	18,768,232	211,130,734	108,602,873	7,704,820	19,185,276	81,712,776
Investments in Government obligations:									
United States	5,600,799	1,646,385	1,970,779	1,983,635	8,241,391	7,477,826	66,188	69,240	7,342,398
State and local	431,744	363,479	6,491	61,773	5,292,001	493,914	10,488	6,719	476,707
Other current assets	25,670,392	9,838,460	4,566,363	11,265,569	23,583,889	14,343,859	1,589,719	2,716,088	10,038,052
Loans to stockholders	1,295,627	954,456	199,632	141,538	6,656,876	3,531,543	240,852	303,222	2,987,468
Mortgage and real estate loans	2,934,042	498,744	347,004	2,088,294	6,303,363	2,445,830	108,121	97,027	2,240,681
Other investments	70,070,603	27,013,439	20,302,026	22,755,137	64,810,410	39,448,701	3,311,361	6,397,958	29,739,382
Depreciable assets	764,617,497	152,143,888	210,123,601	402,350,008	216,666,910	86,849,271	10,970,034	12,661,646	63,217,592
Less: Accumulated depreciation	192,723,415	51,576,403	44,991,078	96,155,934	90,800,358	36,685,325	4,851,950	5,322,267	26,511,108
Depletable assets	6,161,804	436,498	*12,225	5,713,081	3,152,420	2,801,878	15,147	98,539	2,688,192
Less: Accumulated depletion	1,946,964	146,536	*3,719	1,796,708	603,827	502,485	*3,588	31,887	467,010
Land	5,330,839	2,550,677	745,141	2,035,022	14,237,798	5,291,322	430,563	709,212	4,151,547
Intangible assets (amortizable)	5,449,439	2,954,388	1,699,941	795,110	5,792,159	2,509,551	486,333	257,871	1,765,347
Less: Accumulated amortization	1,757,434	1,131,980	460,214	165,239	1,691,549	597,211	103,629	70,813	422,769
Other assets	29,036,432	7,187,321	4,697,796	17,151,315	20,887,241	9,291,671	705,014	2,102,502	6,484,154
Total liabilities	**837,300,816**	**194,029,311**	**222,969,712**	**420,301,793**	**708,060,408**	**379,975,632**	**32,468,200**	**62,029,850**	**285,477,582**
Accounts payable	53,353,462	19,040,021	7,394,599	26,918,842	127,761,622	79,990,184	7,947,555	10,753,344	61,289,285
Mortgages, notes, and bonds payable in less than one year	36,716,076	11,771,322	6,993,100	17,951,654	117,414,476	69,053,053	4,367,028	9,972,119	54,713,907
Other current liabilities	71,822,148	19,532,413	27,201,994	25,087,741	71,945,447	35,505,003	2,780,352	5,332,866	27,391,784
Loans from stockholders	6,899,653	2,960,377	820,967	3,118,309	22,113,139	9,097,297	740,435	1,215,593	7,141,270
Mortgages, notes, and bonds payable in one year or more	226,827,497	52,353,688	23,096,131	151,377,679	106,765,438	45,082,400	4,166,007	7,174,282	33,742,111
Other liabilities	120,819,394	19,518,589	62,042,007	39,258,799	26,256,773	10,366,409	1,318,400	1,669,925	7,378,084
Capital stock	113,453,430	12,712,828	24,164,121	76,576,481	41,824,467	21,142,034	1,707,970	2,728,698	16,705,365
Paid-in or capital surplus	81,557,429	20,256,347	29,239,340	32,061,743	34,999,665	17,586,838	1,952,777	2,570,410	13,063,652
Retained earnings, appropriated	1,647,727	527,169	244,235	876,323	2,940,111	1,916,594	126,675	125,805	1,664,113
Retained earnings, unappropriated	126,355,373	36,704,829	42,337,840	47,312,704	164,047,085	94,133,174	7,767,347	21,180,952	65,184,875
Less: Cost of treasury stock	2,151,373	1,348,270	564,620	238,483	8,007,815	3,897,354	406,347	694,145	2,796,862
Total receipts	**598,507,994**	**228,760,154**	**116,742,957**	**253,004,883**	**2,039,628,384**	**1,141,440,589**	**161,208,876**	**119,312,281**	**860,919,432**
Business receipts	575,602,089	216,101,420	113,964,544	245,536,125	1,997,262,710	1,119,777,059	158,973,883	115,025,399	845,777,777
Interest on Government obligations:									
United States	480,624	270,652	66,224	143,748	601,696	439,487	48,978	46,879	343,629
State and local	55,593	49,304	2,799	3,490	53,003	37,167	960	8,247	27,960
Other interest	7,512,529	2,953,940	997,014	3,561,575	13,664,578	8,012,356	543,381	1,584,527	5,884,448
Rents	3,475,188	2,334,313	569,106	571,769	5,759,876	1,916,496	190,821	684,047	1,041,628
Royalties	361,874	212,413	74,271	75,191	464,502	210,126	7,911	79,751	122,464
Net short-term capital gain reduced by net long-term capital loss	78,278	46,379	3,602	28,297	182,669	101,551	4,221	7,320	90,010
Net long-term capital gain reduced by net short-term capital loss	2,623,247	1,732,024	256,106	635,117	2,219,477	1,007,887	79,590	152,873	775,424
Net gain, noncapital assets	1,352,528	1,041,690	83,475	227,363	1,261,444	607,496	66,866	147,545	393,085
Dividends received from domestic corporations	422,068	152,832	178,530	90,706	1,179,886	810,089	44,929	124,667	640,494
Dividends received from foreign corporations	214,863	70,879	57,269	86,715	445,370	220,021	41,425	9,779	168,817
Other receipts	6,329,115	3,794,308	490,019	2,044,787	16,533,174	8,300,853	1,205,912	1,441,245	5,653,695
Total deductions	**579,172,068**	**226,448,591**	**109,184,654**	**243,538,823**	**2,006,891,471**	**1,119,176,346**	**159,472,400**	**112,619,015**	**847,084,931**
Cost of sales and operations	358,354,512	146,770,675	42,427,989	169,155,848	1,594,256,679	958,303,231	138,559,737	86,710,148	733,033,346
Compensation of officers	4,071,924	2,772,455	617,125	682,343	29,050,214	14,498,017	1,473,968	2,633,435	10,390,615
Repairs	24,307,480	4,088,305	13,854,313	6,364,862	7,014,867	2,634,728	492,643	345,851	1,796,233
Bad debts	2,162,885	490,279	944,013	728,593	4,653,614	2,561,290	246,727	383,057	1,931,506
Rent paid on business property	10,022,524	7,341,451	1,734,109	946,965	26,175,464	6,335,126	928,822	879,344	4,526,960
Taxes paid	26,640,891	7,152,473	7,136,948	12,351,470	25,424,761	10,023,096	1,141,620	1,309,149	7,572,328
Interest paid	34,085,384	7,446,494	7,512,649	19,126,241	30,997,865	15,224,925	1,105,912	2,467,913	11,651,100
Contributions or gifts	199,297	40,100	72,910	86,287	406,430	189,248	24,209	34,978	130,061
Amortization	760,769	191,795	243,609	325,366	577,431	200,346	29,777	23,816	146,753
Depreciation	45,962,323	14,355,284	16,576,384	15,030,655	21,458,785	8,718,556	1,066,768	1,595,030	6,056,758
Depletion	604,027	133,878	*607	469,542	237,136	211,486	1,204	44,792	165,490
Advertising	2,294,037	1,122,604	969,741	201,692	18,600,504	4,791,660	755,095	567,371	3,469,194
Pension, profit-sharing, stock bonus, and annuity plans	8,113,305	2,140,535	4,007,331	1,965,439	5,667,140	2,890,895	396,201	480,304	2,014,390
Employee benefit programs	5,568,650	2,243,743	2,156,611	1,168,296	6,058,280	2,248,230	333,539	420,045	1,494,645
Net loss, noncapital assets	646,213	226,150	91,859	328,203	565,477	170,073	11,962	29,428	128,683
Other deductions	55,377,848	29,932,372	10,838,455	14,607,021	235,746,825	90,175,439	12,904,216	14,694,354	62,576,870
Total receipts less total deductions	19,335,925	2,311,563	7,558,302	9,466,060	32,736,913	22,264,243	1,736,476	6,693,266	13,834,502
Constructive taxable income from related foreign corporations	293,384	109,044	104,292	80,049	636,492	429,337	55,491	11,000	362,845
Net income (less deficit)	19,573,717	2,371,303	7,659,795	9,542,619	33,320,403	22,656,413	1,791,007	6,696,019	14,169,387
Income subject to tax	23,842,821	5,413,171	8,112,793	10,316,857	32,359,741	16,966,076	1,765,057	3,291,339	11,909,680
Income tax, total	10,727,390	2,257,160	3,789,293	4,680,937	12,515,795	6,700,332	716,043	1,293,377	4,690,911
Regular and alternative tax	10,481,203	2,217,232	3,656,801	4,607,170	12,329,212	6,610,833	708,956	1,271,574	4,630,303
Tax from recomputing prior-year investment credit	215,622	33,277	126,720	55,625	159,615	78,898	6,863	19,534	52,501
Additional tax for tax preferences	30,326	6,428	5,766	18,132	26,612	10,321	216	2,269	7,836
Foreign tax credit	228,368	53,502	66,678	108,188	420,271	264,032	39,866	27,547	196,619
U.S. possessions tax credit	21,737	9	21,719	9	40,916	37,893	24	98	37,772
Investment credit	5,334,230	671,149	2,282,770	2,380,311	1,592,965	694,936	127,463	145,146	422,327
Work incentive (WIN) credit	1,018	392	286	339	8,604	3,012	239	785	1,988
Jobs credit	17,116	11,505	2,403	3,207	152,814	26,859	5,392	4,750	16,716
Nonconventional source fuel credit	1	1	—	—	—	—	—	—	—
Alcohol fuel credit	1	—	—	1	13	13	—	—	13
Research activities credit	59,390	1,510	46,739	11,142	17,615	11,481	1,184	3,063	7,234
Distributions to stockholders:									
Cash and property except in own stock	19,622,705	2,128,021	5,809,676	11,685,008	10,034,841	6,476,177	318,699	2,003,105	4,154,373
Corporation's own stock	324,091	123,773	39,411	160,907	497,359	311,864	18,383	39,581	253,900

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued									
	Wholesale and retail trade — Continued									
	Retail trade									
	Total	Building materials, garden supplies, and mobile home dealers	General merchandise stores	Food stores	Automotive dealers and service stations	Apparel and accessory stores	Furniture and home furnishings stores	Eating and drinking places	Miscellaneous retail stores	Wholesale and retail trade not allocable
	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)
Number of returns, total	**534,080**	**42,149**	**11,252**	**43,094**	**81,970**	**43,568**	**34,190**	**108,441**	**169,416**	**3,753**
Total assets	**326,969,513**	**20,963,548**	**99,055,115**	**37,872,161**	**53,743,183**	**17,773,052**	**13,826,155**	**30,888,612**	**52,847,686**	**1,115,263**
Cash	18,478,206	1,503,044	2,160,214	2,874,869	3,254,454	1,371,262	990,451	2,219,174	4,104,737	119,772
Notes and accounts receivable	62,460,412	4,204,767	31,753,169	2,411,281	7,518,268	2,762,388	3,415,450	1,882,186	8,512,905	366,093
Less: Allowance for bad debts	1,691,339	297,919	595,317	30,415	192,125	82,982	121,656	63,067	307,856	4,609
Inventories	102,211,183	8,366,892	20,471,398	11,236,543	27,193,351	7,167,430	5,654,148	1,520,554	20,600,868	316,678
Investments in Government obligations:										
United States	763,114	20,998	142,496	226,760	78,217	83,233	65,813	36,561	109,035	*450
State and local	4,798,087	*713	4,671,309	69,078	13,346	11,014	*14,281	*5,847	12,498	—
Other current assets	9,199,919	823,877	1,686,780	1,364,511	1,590,595	662,284	455,200	1,066,497	1,550,175	40,111
Loans to stockholders	3,113,439	208,216	185,566	220,360	548,585	259,822	156,355	756,034	778,501	11,894
Mortgage and real estate loans	3,857,492	150,829	2,902,721	119,435	211,985	25,161	29,326	254,164	163,872	41
Other investments	25,311,706	1,149,339	10,941,035	2,654,703	1,608,987	1,289,002	670,607	3,167,360	3,830,673	50,003
Depreciable assets	129,550,996	6,740,228	30,956,368	23,939,083	16,804,048	5,534,708	3,292,256	23,913,405	18,370,901	266,643
Less: Accumulated depreciation	54,016,296	3,246,054	11,566,853	10,341,266	7,862,865	2,465,611	1,426,130	8,891,291	8,216,226	98,738
Depletable assets	350,542	34,681	*183,713	*11,880	17,008	*3,302	*9,199	45,296	45,462	—
Less: Accumulated depletion	101,342	9,091	*55,512	*155	8,244	*1,863	*1,973	*11,283	13,221	—
Land	8,930,353	726,179	1,863,822	1,199,423	1,604,311	220,584	240,510	2,164,597	910,928	16,123
Intangible assets (amortizable)	3,280,776	227,918	312,976	517,173	158,721	124,553	53,343	1,101,531	784,560	1,831
Less: Accumulated amortization	1,093,566	81,424	68,916	191,352	57,037	39,096	17,466	357,488	280,787	771
Other assets	11,565,829	440,356	3,110,146	1,590,250	1,261,577	847,860	346,440	2,078,537	1,890,662	29,742
Total liabilities	**326,969,513**	**20,963,548**	**99,055,115**	**37,872,161**	**53,743,183**	**17,773,052**	**13,826,155**	**30,888,612**	**52,847,686**	**1,115,263**
Accounts payable	47,508,411	3,021,099	10,205,606	8,439,553	6,275,041	3,252,808	2,346,535	3,083,400	10,884,369	263,027
Mortgages, notes, and bonds payable in less than one year	48,239,103	2,939,147	13,643,441	1,298,191	20,677,089	1,116,232	1,276,436	2,075,992	5,212,576	122,319
Other current liabilities	36,360,008	1,497,870	17,152,349	4,079,539	3,771,225	1,536,256	1,310,532	2,609,701	4,402,537	80,436
Loans from stockholders	12,953,354	1,020,478	620,545	970,532	2,369,346	725,612	752,948	3,107,452	3,386,440	62,488
Mortgages, notes, and bonds payable in one year or more	61,533,609	3,725,165	20,257,062	6,973,151	7,316,439	3,296,550	1,872,410	9,689,998	8,402,835	149,429
Other liabilities	15,810,566	410,451	7,224,902	2,750,341	981,728	561,881	616,639	1,738,113	1,526,511	79,798
Capital stock	20,600,867	1,742,395	3,783,623	2,129,126	3,957,708	1,549,214	1,208,355	2,380,715	3,849,732	81,566
Paid-in or capital surplus	17,366,652	705,960	5,868,161	2,211,308	1,174,590	1,054,424	619,027	2,258,549	3,474,633	46,176
Retained earnings, appropriated	1,023,135	25,622	277,723	43,438	168,569	77,263	173,991	63,881	192,649	*382
Retained earnings, unappropriated	69,678,684	6,229,083	20,485,706	9,451,612	7,826,327	4,944,577	3,903,747	4,514,235	12,323,398	235,226
Less: Cost of treasury stock	4,104,877	353,721	464,004	474,630	774,878	341,766	254,464	633,422	807,992	5,584
Total receipts	**894,362,172**	**50,685,340**	**139,783,526**	**200,719,085**	**224,385,948**	**40,930,806**	**29,501,823**	**68,558,949**	**139,796,695**	**3,825,623**
Business receipts	873,727,731	49,213,064	133,872,068	198,443,747	220,354,806	39,866,224	28,693,412	66,119,542	137,164,868	3,757,920
Interest on Government obligations:										
United States	161,014	8,307	25,576	43,618	19,355	12,278	9,737	16,582	25,560	*1,195
State and local	15,835	*191	940	6,228	1,061	2,006	1,295	1,284	2,830	—
Other interest	5,634,179	438,667	2,466,991	379,853	838,328	270,955	235,625	330,317	673,443	18,043
Rents	3,839,640	288,335	1,030,989	377,916	775,716	118,514	76,772	781,708	389,691	3,739
Royalties	254,283	4,969	9,324	26,808	932	23,412	4,726	147,386	36,725	*92
Net short-term capital gain reduced by net long-term capital loss	80,844	5,064	50,600	2,466	7,245	*2,448	*1,253	4,930	6,839	*274
Net long-term capital gain reduced by net short-term capital loss	1,206,363	102,919	369,029	151,759	146,927	50,395	84,990	140,475	159,869	*5,227
Net gain, noncapital assets	648,034	60,963	118,196	63,543	174,468	16,125	7,920	107,839	98,980	*5,914
Dividends received from domestic corporations	369,226	8,872	209,421	32,819	17,850	42,812	16,454	11,070	29,928	*571
Dividends received from foreign corporations	225,348	*129	*121,580	*38,274	*113	*50,549	*128	*2,286	12,290	—
Other receipts	8,199,673	553,859	1,508,811	1,152,054	2,049,147	475,088	369,510	895,532	1,195,671	32,648
Total deductions	**883,934,013**	**50,136,672**	**137,434,485**	**198,825,849**	**223,982,734**	**39,795,879**	**28,702,646**	**67,624,553**	**137,431,195**	**3,781,112**
Cost of sales and operations	632,863,920	35,795,623	86,889,326	154,230,438	188,531,648	23,584,353	18,233,119	29,772,686	95,826,727	3,089,529
Compensation of officers	14,473,535	1,403,858	508,982	1,320,473	2,995,920	1,185,422	1,024,221	2,100,000	3,934,660	78,662
Repairs	4,369,037	252,710	711,336	1,051,588	530,541	154,654	119,122	972,579	576,507	11,102
Bad debts	2,086,433	234,793	555,146	231,406	292,070	121,893	149,878	106,009	395,238	5,891
Rent paid on business property	19,779,991	770,312	3,493,453	2,878,088	2,014,436	2,390,108	944,298	3,717,122	3,572,174	60,346
Taxes paid	15,360,841	920,566	3,126,130	2,471,744	2,236,937	920,556	592,765	2,600,751	2,491,392	40,823
Interest paid	15,748,897	1,150,973	5,566,710	905,382	3,721,783	713,425	450,328	1,408,615	1,831,681	24,043
Contributions or gifts	216,609	13,195	56,973	31,710	19,796	24,027	10,167	18,625	42,116	574
Amortization	376,498	8,342	39,383	33,780	34,635	22,872	7,193	121,895	108,398	588
Depreciation	12,711,666	701,601	2,494,876	2,331,839	2,118,715	546,639	320,905	2,227,588	1,969,503	28,563
Depletion	25,649	3,133	*2,024	3,448	3,646	*1,946	*1,407	*1,594	8,451	—
Advertising	13,791,683	714,252	3,541,239	2,032,970	1,714,775	971,671	1,094,485	1,469,311	2,252,980	17,161
Pension, profit-sharing, stock bonus, and annuity plans	2,759,901	177,331	740,398	585,415	262,317	169,411	99,341	212,216	513,474	16,344
Employee benefit programs	3,801,665	164,008	650,905	1,372,690	602,761	121,379	99,955	306,733	483,233	8,385
Net loss, noncapital assets	395,126	45,198	24,759	78,082	38,705	10,200	9,084	135,079	54,019	*278
Other deductions	145,172,562	7,780,778	29,032,848	29,266,795	18,864,050	8,857,322	5,546,377	22,453,751	23,370,641	398,823
Total receipts less total deductions	10,428,159	548,668	2,349,041	1,893,236	403,214	1,134,927	799,177	934,396	2,365,500	44,511
Constructive taxable income from related foreign corporations	207,155	—	113,280	*22,066	3	43,035	11,868	2,944	13,960	—
Net income (less deficit)	10,619,479	548,477	2,461,380	1,909,075	402,156	1,175,956	809,750	936,056	2,376,630	44,511
Income subject to tax	15,334,357	1,096,622	2,768,885	2,368,211	1,577,542	1,466,151	1,000,390	1,785,608	3,270,947	59,308
Income tax, total	5,795,891	369,647	1,211,560	963,859	505,030	547,704	359,478	677,947	1,160,667	19,572
Regular and alternative tax	5,698,852	365,837	1,183,444	952,081	491,635	544,948	356,823	657,710	1,146,374	19,527
Tax from recomputing prior-year investment credit	80,673	3,692	16,492	10,952	13,082	2,486	1,187	19,148	13,633	*44
Additional tax for tax preferences	16,291	*116	11,624	826	313	269	*1,468	1,089	585	—
Foreign tax credit	156,210	*36	79,087	25,055	*28	28,389	*4,339	10,180	9,095	30
U.S. possessions tax credit	3,022	205	—	2,234	—	230	—	290	63	—
Investment credit	895,358	33,846	221,226	215,068	79,948	37,502	21,190	126,439	160,137	2,672
Work incentive (WIN) credit	5,592	777	923	1,233	264	*162	136	1,611	486	—
Jobs credit	125,719	2,669	17,352	31,032	6,249	4,428	1,489	47,484	15,015	*236
Nonconventional source fuel credit	—	—	—	—	—	—	—	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—	—	—
Research activities credit	6,134	*231	1,681	988	*80	*273	*781	920	1,180	—
Distributions to stockholders:										
Cash and property except in own stock	3,545,090	108,203	1,522,139	446,823	235,282	286,335	54,350	368,296	523,663	13,574
Corporation's own stock	179,528	*15,408	68,455	*41,742	8,858	398	2,216	*8,997	33,455	*5,967

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued							
	Finance, insurance, and real estate							
	Total	Banking	Credit agencies other than banks	Security, commodity brokers and services	Insurance	Insurance agents, brokers, and service	Real estate	Holding and other investment companies, except bank holding companies
	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
Number of returns, total	**469,795**	**14,828**	**35,949**	**11,253**	**10,212**	**49,422**	**302,508**	**45,623**
Total assets	**4,486,191,441**	**2,317,424,986**	**789,195,399**	**110,649,130**	**770,139,400**	**18,480,486**	**145,024,219**	**335,277,822**
Cash	384,213,439	312,297,537	23,514,287	2,180,459	10,621,373	3,145,089	7,378,472	25,076,223
Notes and accounts receivable	1,447,691,222	1,248,216,281	81,314,221	59,523,032	24,676,980	5,646,685	14,313,350	14,000,673
Less: Allowance for bad debts	28,939,476	13,022,756	13,860,361	81,815	1,363,001	70,868	354,654	186,021
Inventories	12,829,156	1,076,632	1,517,549	1,503,826	1,586,553	19,422	5,146,775	1,978,400
Investments in Government obligations:								
United States	279,054,986	175,175,918	26,074,107	8,235,153	39,182,154	479,926	852,344	29,055,383
State and local	200,278,247	123,538,310	3,862,698	839,148	64,588,782	403,533	225,298	6,820,477
Other current assets	154,090,835	64,179,017	11,853,162	24,153,924	30,467,401	880,734	9,912,061	12,644,536
Loans to stockholders	7,220,045	1,512,862	1,819,893	101,069	362,814	371,056	2,205,628	846,723
Mortgage and real estate loans	906,443,153	165,503,622	586,796,648	146,919	139,439,188	78,669	9,584,167	4,893,941
Other investments	798,181,977	133,640,408	41,805,772	8,735,097	362,079,754	4,498,428	21,445,266	225,977,253
Depreciable assets	159,682,155	46,502,169	15,184,054	1,970,372	13,041,537	2,404,654	70,506,486	10,072,883
Less: Accumulated depreciation	49,831,449	12,474,124	4,156,177	751,312	3,097,947	1,017,044	25,480,446	2,854,399
Depletable assets	1,273,619	77,053	42,507	*20,857	*92,264	*4,171	405,017	631,750
Less: Accumulated depletion	231,222	5,936	1,058	*3,747	*5,322	*596	109,429	105,133
Land	31,782,124	3,462,431	3,007,007	76,308	703,000	113,990	21,716,237	2,703,150
Intangible assets (amortizable)	4,134,303	1,042,517	850,192	216,602	409,575	420,469	688,575	506,372
Less: Accumulated amortization	878,834	178,671	119,415	41,143	81,337	132,196	220,521	105,550
Other assets	179,197,162	66,881,718	9,690,312	3,824,379	87,435,635	1,234,363	6,809,594	3,321,161
Total liabilities	**4,486,191,441**	**2,317,424,986**	**789,195,399**	**110,649,130**	**770,139,400**	**18,480,486**	**145,024,219**	**335,277,822**
Accounts payable	140,246,805	53,636,770	6,502,616	40,799,063	21,343,205	6,415,742	5,350,129	6,199,279
Mortgages, notes, and bonds payable in less than one year	225,363,500	83,972,277	93,479,427	14,087,140	8,689,583	943,182	18,499,054	5,692,837
Other current liabilities	2,474,888,006	1,790,085,105	525,266,419	36,107,583	103,972,970	2,274,033	7,159,406	10,022,491
Loans from stockholders	33,254,665	15,161,763	3,513,385	494,142	2,016,511	392,142	8,688,342	2,988,381
Mortgages, notes, and bonds payable in one year or more	249,604,965	50,391,822	106,358,294	2,421,697	11,909,782	1,644,477	60,778,298	16,100,595
Other liabilities	706,643,942	158,599,852	20,999,615	8,379,333	501,102,222	1,103,634	9,708,218	6,751,069
Capital stock	238,686,511	28,357,153	7,421,997	1,255,999	6,923,719	1,040,080	11,823,557	181,864,006
Paid-in or capital surplus	280,498,305	52,949,012	7,954,949	2,952,123	21,301,163	1,364,362	14,440,853	179,535,843
Retained earnings, appropriated	30,334,224	3,756,590	5,652,645	49,151	18,589,674	63,838	742,059	1,480,266
Retained earnings, unappropriated	197,895,236	81,486,302	12,520,031	4,277,855	75,294,726	3,670,116	9,490,543	11,155,664
Less: Cost of treasury stock	91,224,698	971,658	473,980	174,956	1,004,153	431,103	1,656,238	86,512,610
Total receipts	**877,808,946**	**298,734,868**	**90,926,153**	**25,513,152**	**333,255,350**	**16,062,589**	**53,602,991**	**59,713,843**
Business receipts	330,631,846	21,022,803	10,620,893	12,790,257	217,528,884	14,652,033	32,329,779	21,687,196
Interest on Government obligations:								
United States	33,338,396	20,260,315	3,340,125	1,863,939	3,791,358	65,987	168,710	3,847,962
State and local	13,048,198	8,323,549	223,930	73,454	3,880,360	37,702	35,427	473,776
Other interest	374,772,421	232,007,960	73,061,031	4,748,625	38,208,150	719,508	3,278,314	22,748,833
Rents	19,391,007	3,881,633	673,606	170,263	3,522,822	54,029	10,184,880	903,774
Royalties	736,133	20,705	20,223	1,231	58,943	*3,789	208,306	422,936
Net short-term capital gain reduced by net long-term capital loss	1,253,147	114,250	55,602	143,349	194,864	1,265	129,961	613,857
Net long-term capital gain reduced by net short-term capital loss	9,387,955	1,082,751	441,393	283,068	1,329,760	52,133	1,799,419	4,399,430
Net gain, noncapital assets	7,995,019	511,958	359,914	3,979,613	359,252	17,429	2,696,430	70,423
Dividends received from domestic corporations	6,642,080	653,075	66,669	176,050	3,316,789	74,825	174,512	2,180,161
Dividends received from foreign corporations	569,658	238,086	42,425	13,571	93,299	24,288	5,449	152,540
Other receipts	80,043,087	10,617,782	2,020,342	1,269,733	60,970,868	359,602	2,591,806	2,212,955
Total deductions	**838,764,803**	**289,159,533**	**100,913,881**	**24,223,212**	**324,463,738**	**15,168,792**	**53,102,467**	**31,733,180**
Cost of sales and operations	162,447,596	3,488,942	2,776,978	3,502,430	121,993,093	2,917,056	11,856,979	15,912,117
Compensation of officers	16,363,815	6,482,569	1,373,357	1,739,767	859,445	2,315,018	3,000,174	593,485
Repairs	2,948,703	1,130,832	283,497	50,196	150,083	59,672	1,132,993	141,430
Bad debts	7,802,917	5,694,661	939,640	112,437	535,708	114,935	259,121	146,415
Rent paid on business property	8,787,899	3,394,727	636,178	571,236	1,861,936	528,749	1,499,990	295,083
Taxes paid	14,434,292	3,972,116	913,416	552,634	4,577,351	472,277	3,295,695	650,802
Interest paid	314,128,780	209,789,894	78,868,142	6,082,426	7,640,466	381,738	8,474,767	2,891,337
Contributions or gifts	282,666	130,030	6,416	14,669	64,509	13,410	34,508	19,124
Amortization	623,038	162,864	55,864	31,746	159,353	50,083	105,812	57,315
Depreciation	13,503,259	5,693,231	1,144,328	471,514	1,819,697	376,614	3,362,012	635,864
Depletion	211,554	9,173	3,373	3,182	36,244	*213	66,579	92,790
Advertising	5,286,763	1,649,937	920,006	244,409	1,029,496	151,276	820,662	470,975
Pension, profit-sharing, stock bonus, and annuity plans	4,880,695	1,795,994	317,009	308,590	1,730,037	313,729	298,619	116,716
Employee benefit programs	3,564,046	1,537,201	289,453	143,755	1,079,585	188,582	191,385	134,085
Net loss, noncapital assets	3,556,132	1,648,330	1,300,343	89,277	23,805	10,471	263,981	219,925
Other deductions	279,942,652	42,579,033	11,085,880	10,304,944	180,902,930	7,274,958	18,439,190	9,355,717
Total receipts less total deductions	39,044,142	9,575,335	- 9,987,728	1,289,939	8,791,611	893,797	500,524	27,980,663
Constructive taxable income from related foreign corporations	350,550	175,023	*50,760	9,926	60,200	15,079	*36	39,526
Net income (less deficit)	26,346,494	1,426,809	- 10,160,898	1,226,412	4,971,452	871,174	465,133	27,546,413
Income subject to tax	21,903,437	7,663,797	767,917	1,441,228	5,321,032	915,367	3,986,309	1,807,788
Income tax, total	8,159,015	2,803,050	287,702	604,080	2,277,423	331,056	1,212,295	643,409
Regular and alternative tax	7,968,422	2,711,430	278,953	600,596	2,222,946	328,320	1,196,247	629,929
Tax from recomputing prior-year investment credit	62,108	19,243	3,229	1,348	22,494	2,721	7,728	5,346
Additional tax for tax preferences	124,426	72,312	5,130	2,136	31,983	15	6,947	5,903
Foreign tax credit	1,190,436	935,665	1,517	14,199	187,364	14,942	1,982	34,767
U.S. possessions tax credit	3,274	—	1,435	895	—	—	754	190
Investment credit	887,629	350,934	24,801	120,528	221,123	60,749	72,178	37,315
Work incentive (WIN) credit	1,065	352	4	24	393	*94	*171	*28
Jobs credit	24,978	10,258	1,021	461	4,022	1,788	4,761	2,666
Nonconventional source fuel credit	—	—	—	—	—	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—
Research activities credit	14,145	4,385	*266	2,001	5,159	1,018	*45	1,271
Distributions to stockholders:								
Cash and property except in own stock	41,998,295	5,517,413	1,486,404	313,529	8,526,211	418,414	1,530,927	28,702,750
Corporation's own stock	1,457,830	673,102	82,922	50,297	89,266	*7,554	113,643	441,046

Footnote at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 2 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued							
	Services							Nature of business not allocable
	Total	Hotels and other lodging places	Personal services	Business services	Auto repair; miscellaneous repair services	Amusement and recreation services	Other services	
	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)
Number of returns, total	**752,813**	**18,089**	**48,146**	**196,042**	**71,941**	**56,719**	**361,876**	**17,427**
Total assets	**213,724,531**	**23,210,125**	**8,103,563**	**66,961,561**	**22,608,083**	**37,464,298**	**55,376,901**	**2,420,840**
Cash	19,723,171	1,227,325	960,368	6,222,563	1,522,589	2,215,157	7,575,168	215,281
Notes and accounts receivable	36,801,225	1,622,223	1,364,401	15,923,286	4,103,007	4,409,768	9,378,539	401,877
Less: Allowance for bad debts	1,214,608	67,191	35,465	310,083	119,182	174,975	507,712	22,651
Inventories	11,030,812	416,164	561,719	2,970,709	1,930,746	3,119,538	2,031,937	335,454
Investments in Government obligations:								
United States	1,112,047	28,377	66,914	404,035	179,231	171,476	262,013	*14,387
State and local	521,205	51,894	*52,813	235,277	*19,282	42,920	119,019	*15,396
Other current assets	13,514,380	659,506	401,494	4,760,843	698,240	3,930,734	3,063,563	141,492
Loans to stockholders	4,011,538	338,658	147,969	1,075,810	221,748	294,522	1,932,831	161,926
Mortgage and real estate loans	3,097,537	421,176	66,175	861,614	88,049	1,187,076	473,446	43,993
Other investments	26,655,529	3,272,449	496,445	10,618,984	880,346	6,211,029	5,176,275	209,305
Depreciable assets	126,924,709	17,569,566	6,058,564	32,550,273	19,021,554	19,553,581	32,171,171	886,599
Less: Accumulated depreciation	51,061,941	6,011,720	3,104,031	13,679,107	7,528,190	8,715,355	12,023,536	421,089
Depletable assets	553,909	*145,520	*5,442	70,043	26,450	*12,820	293,633	*7,524
Less: Accumulated depletion	67,620	*8,518	—	11,568	*5,883	*5,870	35,781	*1,215
Land	7,791,180	2,022,312	382,052	1,125,436	709,875	1,670,034	1,881,470	132,134
Intangible assets (amortizable)	4,977,179	316,215	196,753	1,367,243	325,416	1,814,679	956,873	34,264
Less: Accumulated amortization	2,077,274	111,076	75,712	347,942	47,758	1,225,839	268,947	3,627
Other assets	11,431,555	1,317,244	557,662	3,124,145	582,563	2,953,002	2,896,939	269,789
Total liabilities	**213,724,531**	**23,210,125**	**8,103,563**	**66,961,561**	**22,608,083**	**37,464,298**	**55,376,901**	**2,420,840**
Accounts payable	20,503,756	1,068,814	671,431	8,358,428	1,952,094	3,503,220	4,949,769	437,302
Mortgages, notes, and bonds payable in less than one year	21,877,026	1,478,096	625,181	8,483,201	3,927,640	2,742,143	4,620,765	375,131
Other current liabilities	26,014,905	1,349,106	928,868	7,422,839	1,934,850	6,848,693	7,530,549	139,668
Loans from stockholders	9,559,397	1,491,400	436,017	2,508,417	608,632	1,864,896	2,650,034	127,687
Mortgages, notes, and bonds payable in one year or more	60,919,966	10,467,035	1,901,253	17,149,992	7,827,769	8,958,892	14,615,025	439,791
Other liabilities	13,798,633	1,442,187	451,164	4,608,283	1,002,066	2,659,772	3,635,161	207,655
Capital stock	13,475,705	1,747,095	731,924	3,604,966	926,324	2,820,698	3,644,698	264,729
Paid-in or capital surplus	19,444,574	2,184,423	404,250	6,694,776	847,605	4,257,029	5,056,491	129,508
Retained earnings, appropriated	769,263	29,191	38,015	216,534	79,857	99,341	306,325	*14,387
Retained earnings, unappropriated	31,243,904	2,528,666	2,229,174	9,040,926	3,744,565	4,333,257	9,367,316	340,619
Less: Cost of treasury stock	3,882,598	575,888	313,715	1,126,800	243,318	623,643	999,233	55,637
Total receipts	**346,846,723**	**20,633,561**	**15,007,392**	**107,732,569**	**33,120,657**	**35,592,030**	**134,760,514**	**4,618,127**
Business receipts	328,053,889	18,470,652	14,428,723	101,625,379	31,442,221	31,863,706	130,223,209	4,428,945
Interest on Government obligations:								
United States	240,391	10,631	7,482	83,097	21,141	40,390	77,650	3,369
State and local	44,171	3,855	2,504	22,515	1,089	5,286	8,922	*581
Other interest	4,411,446	368,255	159,045	1,667,043	382,974	708,959	1,125,170	55,146
Rents	3,838,447	790,773	106,880	1,257,409	480,747	508,350	694,286	23,277
Royalties	1,162,603	173,861	*29,317	161,091	24,250	656,018	118,065	*904
Net short-term capital gain reduced by net long-term capital loss	77,878	2,525	*657	31,717	3,993	15,526	23,461	*447
Net long-term capital gain reduced by net short-term capital loss	1,058,181	223,892	41,130	322,818	54,867	239,224	176,250	8,103
Net gain, noncapital assets	832,327	98,718	37,357	291,806	261,707	50,121	92,619	20,878
Dividends received from domestic corporations	366,981	33,434	18,110	144,570	9,215	77,964	83,688	*7,513
Dividends received from foreign corporations	124,031	*1,148	8,236	86,041	300	25,131	3,175	—
Other receipts	6,636,378	455,818	167,950	2,039,083	438,151	1,401,356	2,134,019	68,964
Total deductions	**338,790,049**	**19,918,674**	**14,441,315**	**105,529,409**	**32,575,868**	**34,738,174**	**131,586,608**	**4,586,619**
Cost of sales and operations	157,886,393	8,522,317	6,589,114	57,217,836	16,992,228	16,257,143	52,307,756	2,909,373
Compensation of officers	36,586,578	400,772	1,087,377	6,548,324	1,732,130	1,510,055	25,307,920	211,733
Repairs	3,116,634	492,930	195,552	678,954	438,552	466,580	844,066	24,573
Bad debts	1,216,252	64,466	59,959	402,229	174,229	132,352	383,016	25,731
Rent paid on business property	12,394,686	1,036,309	647,632	3,317,047	991,151	1,215,561	5,186,986	93,134
Taxes paid	11,329,900	991,090	620,344	3,137,568	994,871	1,157,245	4,428,782	120,538
Interest paid	10,472,892	1,300,449	336,072	3,449,683	1,734,744	1,438,101	2,213,842	87,218
Contributions or gifts	148,658	10,677	8,474	37,656	8,574	25,625	57,652	1,425
Amortization	1,070,214	30,172	22,713	187,278	18,842	690,229	120,980	1,520
Depreciation	14,414,123	1,201,686	581,613	4,526,647	2,995,157	1,774,728	3,334,293	89,541
Depletion	31,455	865	*465	14,657	*1,006	1,546	12,915	*1,137
Advertising	4,050,302	418,010	267,899	1,157,471	314,777	1,112,337	779,807	39,975
Pension, profit-sharing, stock bonus, and annuity plans	7,825,297	54,883	106,437	1,081,365	116,223	377,544	6,088,845	31,971
Employee benefit programs	2,731,922	158,891	100,038	850,759	193,079	216,024	1,213,130	18,139
Net loss, noncapital assets	306,335	24,829	9,506	150,611	12,931	72,291	36,168	*1,180
Other deductions	75,208,411	5,210,327	3,808,119	22,771,326	5,857,376	8,290,813	29,270,451	929,432
Total receipts less total deductions	8,056,674	714,887	566,076	2,203,160	544,788	853,856	3,173,906	31,507
Constructive taxable income from related foreign corporations	185,413	*6,664	7,321	86,102	231	*57,908	27,187	—
Net income (less deficit)	8,197,916	717,696	570,893	2,266,748	543,931	906,478	3,192,171	30,927
Income subject to tax	12,034,108	986,953	635,068	3,838,284	872,885	1,617,147	4,083,771	121,168
Income tax, total	4,100,151	395,653	215,965	1,385,812	277,886	651,405	1,173,430	36,595
Regular and alternative tax	4,029,725	389,294	211,301	1,357,908	271,117	646,399	1,153,707	35,775
Tax from recomputing prior-year investment credit	60,657	5,058	4,656	25,983	6,061	3,979	14,919	751
Additional tax for tax preferences	9,661	1,302	—	1,877	*653	1,026	4,803	*69
Foreign tax credit	182,831	11,222	*6,080	69,561	*192	67,401	28,374	*21
U.S. possessions tax credit	3,116	593	—	2,222	28	160	113	133
Investment credit	878,057	61,147	35,120	305,212	93,207	158,851	224,520	3,683
Work incentive (WIN) credit	5,021	485	557	1,765	*77	602	1,535	2
Jobs credit	69,489	5,163	3,003	26,285	4,990	2,870	27,177	*296
Nonconventional source fuel credit	16	—	—	16	—	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—
Research activities credit	18,472	74	*268	12,534	*303	1,367	3,926	*55
Distributions to stockholders:								
Cash and property except in own stock	2,491,324	337,287	134,963	752,875	173,431	375,629	717,139	33,685
Corporation's own stock	77,195	*8,887	*3,437	14,883	*23,419	*6,491	20,077	—

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

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	All industries	Major industry					
		Agriculture, forestry, and fishing	Mining				
			Total	Metal mining	Coal mining	Oil and gas extraction	Nonmetallic minerals, except fuels
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns with net income	**1,597,298**	**44,948**	**17,634**	**200**	**1,679**	**13,270**	**2,486**
Total assets	**5,979,621,364**	**26,160,709**	**113,614,576**	**6,107,886**	**9,063,738**	**94,861,512**	**3,581,440**
Cash	408,493,416	2,025,217	3,551,183	90,439	530,531	2,517,637	412,576
Notes and accounts receivable	1,694,365,801	2,317,551	23,092,666	470,535	1,325,286	20,698,865	597,980
Less: Allowance for bad debts	24,047,249	25,605	98,549	1,427	13,987	75,552	7,582
Inventories	429,774,592	2,475,361	4,956,945	485,374	339,324	3,783,234	349,013
Investments in Government obligations:							
United States	192,437,906	166,723	728,446	22,390	154,256	526,239	*25,562
State and local	143,337,915	26,615	92,930	—	32,546	57,681	*2,703
Other current assets	241,780,768	822,757	4,313,671	419,580	480,999	3,315,009	98,082
Loans to stockholders	20,502,005	639,088	483,165	74,010	53,025	316,249	39,881
Mortgage and real estate loans	218,690,963	414,995	703,974	3,460	*2,736	675,396	22,383
Other investments	1,073,101,314	2,372,667	33,426,447	2,073,320	1,529,111	29,621,544	202,471
Depreciable assets	1,850,673,579	14,964,831	49,266,004	3,422,216	6,088,016	36,567,134	3,188,637
Less: Accumulated depreciation	669,056,568	7,356,596	19,440,291	1,536,430	2,711,331	13,394,984	1,797,546
Depletable assets	60,445,270	195,796	7,828,303	198,695	467,447	6,973,406	188,756
Less: Accumulated depletion	17,576,207	28,381	2,095,707	58,559	74,562	1,910,308	52,278
Land	64,990,409	5,946,233	1,181,208	16,107	175,279	773,223	216,599
Intangible assets (amortizable)	41,353,265	52,644	2,133,972	65,535	35,135	2,025,489	7,813
Less: Accumulated amortization	16,709,045	17,565	655,519	26,837	7,915	618,375	2,392
Other assets	267,063,232	1,168,377	4,145,728	389,477	657,842	3,009,625	88,783
Total liabilities	**5,979,621,364**	**26,160,709**	**113,614,576**	**6,107,886**	**9,063,738**	**94,861,512**	**3,581,440**
Accounts payable	481,463,468	1,164,273	15,007,740	231,584	663,798	13,849,716	262,641
Mortgages, notes, and bonds payable in less than one year	341,302,267	3,460,528	5,476,544	251,150	668,206	4,369,783	187,405
Other current liabilities	1,650,816,602	1,148,954	7,431,041	277,624	886,661	6,098,114	168,641
Loans from stockholders	57,464,400	1,186,759	1,016,442	182,157	99,020	691,010	44,255
Mortgages, notes, and bonds payable in one year or more	667,819,862	6,307,229	22,148,509	1,032,456	2,010,132	18,463,943	641,979
Other liabilities	876,937,980	1,121,339	8,915,968	542,551	983,156	7,296,199	94,063
Capital stock	435,710,969	4,159,805	3,900,772	251,900	249,667	3,151,713	247,492
Paid-in or capital surplus	515,238,840	1,476,594	18,594,520	1,086,362	908,330	16,414,004	185,823
Retained earnings, appropriated	32,180,195	260,292	470,460	124	*24,531	378,944	66,861
Retained earnings, unappropriated	1,040,311,875	6,176,235	31,373,387	2,285,371	2,626,440	24,673,424	1,788,153
Less: Cost of treasury stock	119,625,075	301,298	720,807	33,394	56,203	525,337	105,873
Total receipts	**5,461,362,076**	**40,063,517**	**166,388,716**	**3,545,454**	**10,403,964**	**148,066,237**	**4,373,062**
Business receipts	4,924,810,699	37,252,231	158,015,399	3,118,002	9,749,100	141,012,056	4,136,241
Interest on Government obligations:							
United States	23,937,054	25,720	63,886	*4,049	22,153	31,762	5,923
State and local	8,894,788	3,074	9,094	—	3,970	4,864	*260
Other interest	273,418,103	498,055	1,608,985	75,407	157,412	1,308,299	67,867
Rents	40,453,218	241,027	433,842	4,726	118,870	274,091	36,155
Royalties	12,522,992	134,828	1,511,812	37,681	20,575	1,449,323	4,233
Net short-term capital gain reduced by net long-term capital loss	1,579,296	17,610	221,287	4,836	*359	215,730	*362
Net long-term capital gain reduced by net short-term capital loss	23,455,031	533,528	1,197,407	239,833	130,003	801,053	26,518
Net gain, noncapital assets	12,151,119	163,583	387,634	2,454	22,042	353,408	9,730
Dividends received from domestic corporations	14,022,552	44,179	225,095	20,469	28,594	172,251	3,781
Dividends received from foreign corporations	12,859,456	13,750	249,363	11,190	83	237,830	261
Other receipts	113,257,771	1,135,932	2,464,911	26,807	150,804	2,205,570	81,729
Total deductions	**5,165,557,162**	**37,510,693**	**156,222,705**	**3,127,566**	**9,842,027**	**139,219,008**	**4,034,103**
Cost of sales and operations	3,530,190,166	27,223,660	127,312,872	1,893,888	6,524,745	116,230,647	2,663,592
Compensation of officers	89,235,596	976,231	1,088,509	16,705	115,125	861,620	95,060
Repairs	57,988,287	627,806	718,900	42,299	202,034	384,604	89,963
Bad debts	14,685,920	35,543	135,459	388	28,447	96,920	9,705
Rent paid on business property	59,066,990	705,343	674,046	27,543	137,414	488,454	20,634
Taxes paid	140,167,675	733,157	3,274,935	260,450	422,931	2,459,532	132,022
Interest paid	278,945,221	1,140,251	3,392,558	157,140	430,971	2,700,525	103,923
Contributions or gifts	2,460,900	13,971	52,130	2,547	6,932	40,232	2,419
Amortization	3,042,469	8,975	57,587	2,293	5,249	48,839	1,206
Depreciation	142,381,637	1,388,822	4,222,285	200,129	536,638	3,212,402	273,117
Depletion	5,741,668	19,840	1,301,247	198,412	250,680	738,890	113,265
Advertising	47,419,166	118,026	132,428	961	6,384	101,943	23,141
Pension, profit-sharing, stock bonus, and annuity plans	43,963,025	132,858	720,584	28,966	46,426	614,576	30,615
Employee benefit programs	35,694,068	109,966	459,974	12,453	137,576	269,103	40,842
Net loss, noncapital assets	1,784,959	8,539	64,809	*1,324	904	60,033	2,548
Other deductions	712,789,421	4,267,705	12,614,380	282,068	989,573	10,910,689	432,051
Total receipts less total deductions	295,804,915	2,552,823	10,166,011	417,887	561,936	8,847,228	338,959
Constructive taxable income from related foreign corporations	14,530,651	2,238	454,692	5,219	—	449,473	—
Net income	301,440,778	2,551,988	10,611,609	423,106	557,967	9,291,837	338,699
Income subject to tax	240,171,617	1,728,769	9,479,222	360,480	413,991	8,420,875	283,876
Income tax, total	101,989,453	555,356	4,223,979	134,450	191,690	3,776,774	121,066
Regular and alternative tax	100,580,974	543,280	4,119,612	123,167	167,504	3,714,686	114,255
Tax from recomputing prior-year investment credit	938,623	9,860	26,132	78	1,277	23,980	797
Additional tax for tax preferences	465,264	2,213	78,199	11,205	22,908	38,071	6,014
Foreign tax credit	21,827,707	3,206	1,958,994	56,268	545	1,901,268	913
U.S. possessions tax credit	1,945,637	6,478	666	—	—	666	—
Investment credit	18,862,325	128,799	582,564	11,348	52,565	493,439	25,213
Work incentive (WIN) credit	38,181	184	385	—	15	*364	6
Jobs credit	472,636	3,659	5,752	2	319	4,463	969
Nonconventional source fuel credit	*622	—	—	—	—	—	—
Alcohol fuel credit	*480	—	—	—	—	—	—
Research activities credit	639,066	1,118	11,425	127	177	10,987	134
Distributions to stockholders:							
Cash and property except in own stock	110,555,189	441,172	2,899,210	213,365	125,792	2,415,678	144,374
Corporation's own stock	3,022,616	43,586	175,541	4,935	*425	*170,051	*130

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued								
	Construction				Manufacturing				
	Total	General building contractors and operative builders	Heavy construction contractors	Special trade contractors	Total	Food and kindred products	Tobacco manufactures	Textile mill products	Apparel and other textile products
	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Number of returns with net income	**145,206**	**55,600**	**11,097**	**78,509**	**149,964**	**10,133**	**78**	**3,197**	**9,941**
Total assets	**98,817,038**	**50,947,989**	**19,882,665**	**27,986,385**	**1,598,004,537**	**128,074,119**	**35,665,043**	**19,037,203**	**19,643,649**
Cash	11,390,649	4,856,982	2,382,007	4,151,660	47,665,885	7,865,638	210,736	770,546	1,261,113
Notes and accounts receivable	25,520,586	10,634,055	5,517,382	9,369,150	349,987,405	27,525,689	5,922,296	5,121,645	5,771,408
Less: Allowance for bad debts	230,458	41,338	45,456	143,664	7,560,314	331,039	39,772	83,711	127,734
Inventories	12,637,578	7,863,707	1,135,089	3,638,783	223,871,245	19,826,331	6,639,222	4,749,925	6,902,897
Investments in Government obligations:									
United States	666,097	269,443	261,852	134,803	7,421,463	756,124	536	93,284	45,996
State and local	303,359	190,791	55,858	56,710	3,465,508	374,817	21,443	38,204	*23,214
Other current assets	9,235,340	5,808,006	1,272,392	2,154,942	64,170,309	4,227,181	459,288	642,991	886,706
Loans to stockholders	1,770,841	888,047	177,762	705,031	5,700,491	756,017	203,504	24,519	113,377
Mortgage and real estate loans	1,218,838	1,042,787	57,438	118,612	2,593,163	455,443	5,665	48,897	23,866
Other investments	7,481,758	3,551,770	2,533,608	1,396,379	322,330,457	26,023,919	12,707,117	1,278,178	1,783,794
Depreciable assets	34,123,232	11,195,747	12,434,151	10,493,334	768,281,966	57,052,205	9,019,301	13,473,499	4,630,081
Less: Accumulated depreciation	16,924,097	4,384,648	6,992,113	5,547,335	332,089,752	23,880,750	1,694,138	7,672,138	2,231,630
Depletable assets	304,368	188,552	110,732	*5,084	44,690,880	35,935	479,531	185,490	*158
Less: Accumulated depletion	92,848	41,951	48,091	*2,805	13,032,774	9,360	—	49,635	—
Land	2,693,926	1,659,212	470,269	564,445	20,786,328	1,994,777	322,072	120,655	115,350
Intangible assets (amortizable)	568,068	422,667	49,835	95,566	27,659,815	746,511	593,346	42,964	62,428
Less: Accumulated amortization	184,940	131,130	19,686	34,124	12,040,545	141,272	91,132	11,401	23,874
Other assets	8,334,741	6,975,291	529,636	829,814	74,103,007	4,795,953	906,027	263,291	406,500
Total liabilities	**98,817,038**	**50,947,989**	**19,882,665**	**27,986,385**	**1,598,004,537**	**128,074,119**	**35,665,043**	**19,037,203**	**19,643,649**
Accounts payable	16,604,293	8,680,454	2,885,342	5,038,498	179,413,571	17,236,264	2,269,016	2,410,577	3,444,254
Mortgages, notes, and bonds payable in less than one year	8,406,858	4,988,102	1,478,264	1,940,492	103,867,778	6,578,922	2,080,584	1,309,271	2,076,768
Other current liabilities	15,871,833	8,038,074	2,919,033	4,914,726	143,521,046	10,708,861	2,528,270	1,561,913	1,876,168
Loans from stockholders	2,353,772	1,404,990	205,684	743,098	14,374,213	1,102,061	849,975	65,089	269,024
Mortgages, notes, and bonds payable in one year or more	10,518,147	5,696,545	2,392,448	2,429,154	253,214,470	22,500,170	7,633,398	2,697,778	1,997,396
Other liabilities	14,056,039	10,204,342	1,831,082	2,020,616	150,127,032	8,012,455	2,516,635	606,826	351,219
Capital stock	4,076,860	1,388,820	1,147,908	1,540,132	80,915,369	6,500,209	2,061,801	1,243,023	1,137,529
Paid-in or capital surplus	3,546,218	2,083,432	913,421	549,364	176,162,616	14,796,202	6,999,647	1,096,043	983,955
Retained earnings, appropriated	331,424	140,660	78,221	112,543	6,676,904	938,849	8,834	87,640	106,019
Retained earnings, unappropriated	24,503,100	8,789,559	6,366,965	9,346,577	507,296,656	40,766,849	8,811,869	8,317,618	7,768,707
Less: Cost of treasury stock	1,451,507	466,990	335,701	648,815	17,565,118	1,066,723	94,985	358,575	367,390
Total receipts	**200,496,170**	**85,270,793**	**41,485,837**	**73,739,540**	**2,208,479,339**	**233,679,279**	**29,405,762**	**35,334,765**	**44,683,325**
Business receipts	193,969,163	81,894,247	39,639,452	72,435,464	2,103,513,861	227,228,801	27,891,639	34,762,857	43,872,701
Interest on Government obligations:									
United States	152,276	71,930	53,110	27,237	1,401,373	112,496	3,772	35,987	11,887
State and local	29,430	13,572	9,599	6,259	486,492	28,933	10	1,801	1,762
Other interest	2,029,503	1,067,148	486,731	475,624	27,603,609	2,244,476	555,219	177,183	205,435
Rents	766,185	383,935	239,582	142,668	17,368,201	418,348	149,633	25,301	46,087
Royalties	25,646	3,464	20,937	1,245	8,682,850	478,630	145,779	14,019	106,418
Net short-term capital gain reduced by net long-term capital loss	25,845	18,578	3,705	3,562	224,883	28,391	8	*1,149	356
Net long-term capital gain reduced by net short-term capital loss	458,486	322,230	78,156	58,099	8,779,840	479,291	27,999	32,939	18,991
Net gain, noncapital assets	896,448	651,621	174,616	70,211	2,335,739	257,576	169,894	34,260	13,620
Dividends received from domestic corporations	95,505	41,806	33,760	19,939	6,815,927	322,272	246,138	51,498	23,319
Dividends received from foreign corporations	71,241	*15,078	53,693	2,470	11,358,777	607,313	24,037	15,309	40,686
Other receipts	1,976,442	787,185	692,496	496,762	19,907,786	1,472,753	191,633	182,461	342,062
Total deductions	**192,236,277**	**82,155,904**	**39,512,574**	**70,567,799**	**2,082,547,030**	**223,689,509**	**27,107,641**	**33,798,099**	**42,450,702**
Cost of sales and operations	152,200,375	69,523,791	31,036,089	51,640,495	1,517,838,134	168,970,783	16,882,609	26,797,834	31,511,146
Compensation of officers	6,942,176	2,407,215	831,316	3,703,645	16,801,731	1,322,471	84,735	392,473	1,091,868
Repairs	951,382	230,685	351,639	369,059	24,877,559	1,940,855	272,373	292,530	100,712
Bad debts	330,824	77,236	47,516	206,072	3,905,309	202,157	23,732	65,382	107,578
Rent paid on business property	1,397,503	377,768	366,035	653,700	16,867,642	1,608,800	194,100	232,632	480,666
Taxes paid	4,080,242	1,221,976	778,610	2,079,656	71,881,982	4,909,716	1,985,455	833,195	988,466
Interest paid	2,512,593	1,264,848	585,902	661,843	53,527,944	3,915,496	1,223,185	568,061	751,810
Contributions or gifts	85,532	40,355	15,608	29,568	1,306,262	141,146	22,550	25,200	28,518
Amortization	37,723	16,195	7,649	13,879	1,113,096	82,997	52,558	5,329	13,082
Depreciation	3,540,475	1,031,796	1,178,667	1,330,012	63,323,139	5,109,705	753,568	1,043,635	443,363
Depletion	53,103	25,125	23,773	4,205	3,625,777	52,147	51,761	*2,395	*18
Advertising	433,580	170,661	35,553	227,365	25,306,519	6,724,981	1,878,353	179,078	468,976
Pension, profit-sharing, stock bonus, and annuity plans	1,245,831	406,159	250,078	589,593	20,266,434	1,313,003	284,321	251,069	269,470
Employee benefit programs	1,006,057	224,506	193,450	588,101	20,362,647	1,485,752	272,481	207,108	248,428
Net loss, noncapital assets	20,978	6,261	2,767	11,949	389,858	100,134	*5	4,275	4,754
Other deductions	17,397,903	5,131,325	3,807,922	8,458,656	241,152,998	25,809,366	3,125,855	2,897,902	5,941,848
Total receipts less total deductions	8,259,893	3,114,889	1,973,263	3,171,741	125,932,309	9,989,770	2,298,121	1,536,666	2,232,622
Constructive taxable income from related foreign corporations	65,483	*24,070	40,576	*838	12,769,722	686,974	49,620	12,285	42,962
Net income	8,295,947	3,125,386	2,004,240	3,166,320	138,215,539	10,647,812	2,347,732	1,547,150	2,273,823
Income subject to tax	6,610,988	2,396,416	1,770,673	2,443,899	133,416,116	10,162,724	2,178,625	1,470,514	2,075,505
Income tax, total	2,351,122	848,216	731,292	771,614	59,483,536	4,565,635	1,003,020	652,871	883,292
Regular and alternative tax	2,316,708	832,654	721,431	762,623	58,820,480	4,509,443	997,332	647,617	880,520
Tax from recomputing prior-year investment credit	27,384	9,720	8,884	8,781	446,160	53,379	5,688	5,066	2,734
Additional tax for tax preferences	6,979	5,806	977	*195	216,874	2,813	—	*189	*37
Foreign tax credit	107,742	36,887	67,680	3,176	17,736,817	769,965	55,810	14,560	45,607
U.S. possessions tax credit	1,991	1,164	614	213	1,867,328	117,222	13,587	1,911	41,962
Investment credit	334,691	89,306	127,463	117,922	9,144,667	850,557	151,004	125,230	56,009
Work incentive (WIN) credit	1,365	238	*95	1,032	20,579	1,675	80	1,027	1,936
Jobs credit	44,015	15,933	6,509	21,573	154,776	19,487	*713	12,481	17,592
Nonconventional source fuel credit	*18	—	*18	—	587	—	—	60	—
Alcohol fuel credit	—	—	—	—	*467	133	—	—	—
Research activities credit	2,864	324	2,117	424	514,218	9,843	3,470	2,446	1,475
Distributions to stockholders:									
Cash and property except in own stock	805,408	284,904	282,557	237,947	38,799,539	2,813,302	880,871	333,165	290,566
Corporation's own stock	49,521	*22,735	*12,433	14,353	801,846	195,341	904	*25,197	24,017

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued								
	Manufacturing — Continued								
	Lumber and wood products	Furniture and fixtures	Paper and allied products	Printing and publishing	Chemicals and allied products	Petroleum (including integrated) and coal products	Rubber and miscellaneous plastics products	Leather and leather products	Stone, clay, and glass products
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)
Number of returns with net income	**7,450**	**3,475**	**2,694**	**22,680**	**6,104**	**1,173**	**6,504**	**1,175**	**5,972**
Total assets	**13,317,648**	**7,765,463**	**43,326,703**	**47,907,040**	**185,007,863**	**386,065,010**	**23,642,671**	**6,168,030**	**27,890,881**
Cash	830,799	473,730	791,979	2,503,999	3,753,922	4,690,626	1,022,004	378,780	925,032
Notes and accounts receivable	2,103,838	2,001,413	6,878,475	10,539,861	32,411,307	58,783,747	5,975,665	1,377,849	5,223,985
Less: Allowance for bad debts	40,212	47,265	164,331	662,594	750,516	703,964	117,911	27,879	124,987
Inventories	2,395,079	2,136,976	5,719,281	4,472,844	24,152,603	21,428,923	4,490,358	1,793,038	3,906,329
Investments in Government obligations:									
United States	143,942	44,412	348,726	535,924	792,913	638,539	111,469	*24,247	190,179
State and local	21,995	*15,833	26,812	129,742	273,423	812,631	*77,272	37,429	17,472
Other current assets	394,607	280,282	1,552,390	3,166,045	6,617,174	11,355,238	532,735	305,725	765,460
Loans to stockholders	72,777	53,592	142,474	361,433	1,331,590	374,627	96,507	8,308	113,166
Mortgage and real estate loans	26,329	14,132	24,703	168,655	85,751	163,894	50,682	*1,308	29,387
Other investments	1,160,959	501,083	5,424,718	6,037,365	43,487,033	112,098,727	3,422,121	1,061,461	4,692,811
Depreciable assets	8,530,992	3,633,185	32,670,989	23,616,302	99,936,671	190,151,960	14,552,494	1,655,713	19,624,690
Less: Accumulated depreciation	3,752,213	1,691,597	14,139,557	10,256,279	44,907,575	72,210,602	7,288,862	697,529	9,073,606
Depletable assets	862,294	*3,492	1,775,522	237,911	2,345,801	35,906,363	*17,331	—	481,748
Less: Accumulated depletion	97,338	182	302,120	*35,458	722,126	11,162,764	358	—	111,130
Land	285,063	134,814	1,269,345	857,115	1,755,525	7,728,586	237,219	34,335	508,541
Intangible assets (amortizable)	41,432	24,546	276,980	1,757,388	2,308,141	17,432,417	46,741	81,100	80,687
Less: Accumulated amortization	13,513	8,281	75,736	245,822	587,763	9,733,835	12,301	21,276	28,509
Other assets	350,818	195,298	1,106,053	4,722,608	12,723,987	18,309,898	429,505	155,423	669,625
Total liabilities	**13,317,648**	**7,765,463**	**43,326,703**	**47,907,040**	**185,007,863**	**386,065,010**	**23,642,671**	**6,168,030**	**27,890,881**
Accounts payable	1,211,641	895,559	3,379,959	4,201,157	19,502,846	50,096,044	3,136,712	1,065,831	2,697,048
Mortgages, notes, and bonds payable in less than one year	837,087	411,582	1,634,187	1,986,339	6,442,046	12,525,282	891,659	465,601	985,136
Other current liabilities	1,292,477	830,278	3,406,056	5,451,311	14,603,988	22,028,886	3,110,368	527,353	2,284,642
Loans from stockholders	175,627	87,604	96,550	773,519	2,001,687	686,502	298,569	17,193	211,356
Mortgages, notes, and bonds payable in one year or more	2,599,673	1,044,946	8,199,545	7,625,770	33,659,415	51,364,842	3,873,346	749,961	5,172,517
Other liabilities	486,982	185,783	2,813,044	4,312,307	12,802,487	61,417,354	1,059,981	136,848	1,297,470
Capital stock	759,109	480,313	3,249,819	2,199,505	10,447,342	15,427,419	1,155,861	633,857	1,577,138
Paid-in or capital surplus	889,996	647,681	4,057,674	2,976,940	31,788,061	49,138,697	1,904,477	355,253	2,828,062
Retained earnings, appropriated	276,045	*28,296	297,341	87,423	657,805	578,753	57,302	*64,465	226,346
Retained earnings, unappropriated	4,962,824	3,314,323	16,629,682	19,149,152	54,524,093	129,564,426	8,462,913	2,290,968	10,902,670
Less: Cost of treasury stock	173,813	160,903	437,154	856,383	1,421,909	6,763,194	308,517	139,300	291,503
Total receipts	**21,591,331**	**15,606,063**	**56,377,772**	**68,413,696**	**197,312,028**	**655,234,612**	**39,395,435**	**11,447,167**	**37,098,680**
Business receipts	20,422,122	15,268,892	53,348,813	65,896,816	187,242,532	632,609,596	38,018,673	11,180,994	35,690,674
Interest on Government obligations:									
United States	35,119	7,394	42,048	89,433	107,111	436,633	27,585	3,924	10,337
State and local	2,133	1,329	2,957	5,567	15,315	22,485	518	*4,212	725
Other interest	203,779	115,950	405,821	657,985	2,490,482	6,905,574	289,773	96,855	287,205
Rents	76,279	19,058	87,386	246,142	477,226	1,373,845	61,739	11,711	51,649
Royalties	24,040	14,783	298,928	187,789	1,142,529	2,279,317	48,558	5,496	156,128
Net short-term capital gain reduced by net long-term capital loss	196	*4,152	7,022	3,177	34,208	38,995	2,472	2	*4,914
Net long-term capital gain reduced by net short-term capital loss	478,930	17,115	1,127,972	255,985	1,109,827	1,019,486	208,070	13,037	191,463
Net gain, noncapital assets	60,362	14,969	72,837	74,219	252,625	288,294	92,860	7,200	53,779
Dividends received from domestic corporations	26,287	21,954	170,958	122,371	1,022,142	829,366	69,965	62,605	103,172
Dividends received from foreign corporations	72,692	*2,041	581,166	102,738	1,446,273	4,065,368	253,234	2,628	193,908
Other receipts	189,389	118,427	231,864	771,474	1,971,759	5,365,653	321,988	58,503	354,726
Total deductions	**20,619,507**	**14,632,041**	**52,873,722**	**63,239,538**	**184,274,974**	**621,123,360**	**37,356,134**	**10,619,394**	**35,429,391**
Cost of sales and operations	15,416,744	10,524,767	37,558,027	37,765,123	121,973,119	502,108,359	26,739,274	7,700,411	24,628,011
Compensation of officers	460,282	360,677	433,081	1,743,786	1,089,753	341,781	663,764	166,535	489,556
Repairs	226,353	56,808	1,453,311	477,510	3,151,044	5,723,914	597,957	34,919	772,922
Bad debts	43,987	42,300	67,920	464,399	273,861	565,205	100,359	20,987	78,576
Rent paid on business property	160,139	169,828	438,222	899,273	1,802,892	3,490,718	379,639	266,920	327,516
Taxes paid	451,731	386,149	1,304,268	2,019,681	3,711,507	33,623,560	877,492	266,042	984,927
Interest paid	445,448	231,773	1,003,720	1,195,766	5,246,691	10,312,094	780,943	197,610	744,806
Contributions or gifts	13,209	11,834	43,143	86,436	181,020	188,263	22,785	16,629	21,104
Amortization	9,269	4,683	25,400	147,242	97,876	181,578	9,297	2,619	9,544
Depreciation	628,967	304,734	2,397,322	2,366,276	7,616,805	11,862,096	891,125	150,441	1,678,830
Depletion	273,342	*1,071	286,237	56,091	344,925	1,822,049	5,416	—	104,888
Advertising	90,157	189,454	540,901	918,388	5,457,261	1,344,390	388,129	163,613	240,821
Pension, profit-sharing, stock bonus, and annuity plans	119,381	128,500	603,322	867,736	2,412,946	2,287,897	406,450	63,733	495,257
Employee benefit programs	100,808	119,650	480,578	708,362	1,776,953	1,291,651	450,542	69,876	528,298
Net loss, noncapital assets	2,258	4,056	1,219	13,534	62,477	45,677	9,212	886	3,981
Other deductions	2,177,434	2,095,758	6,237,050	13,509,935	29,075,845	45,934,129	5,033,751	1,498,174	4,320,356
Total receipts less total deductions	971,823	974,022	3,504,049	5,174,158	13,037,054	34,111,252	2,039,300	827,772	1,669,290
Constructive taxable income from related foreign corporations	44,472	*5,104	416,101	93,147	2,593,049	4,432,048	151,016	2,433	182,152
Net income	1,014,162	977,797	3,917,193	5,261,738	15,614,789	38,520,815	2,189,798	825,993	1,850,716
Income subject to tax	909,561	931,643	3,843,021	4,929,290	15,293,597	37,793,291	2,034,052	754,769	1,728,673
Income tax, total	331,210	401,874	1,617,313	2,115,895	6,892,175	17,280,859	869,792	334,340	746,920
Regular and alternative tax	321,974	400,444	1,574,990	2,102,734	6,786,308	17,202,097	846,252	333,321	727,099
Tax from recomputing prior-year investment credit	4,009	1,110	8,381	10,686	68,644	64,039	17,621	944	10,046
Additional tax for tax preferences	5,226	*321	33,942	2,474	37,223	14,723	5,916	75	9,775
Foreign tax credit	43,789	4,181	461,481	86,735	2,249,921	9,094,074	189,853	5,074	194,701
U.S. possessions tax credit	—	265	907	4,059	891,950	24,781	7,873	11,634	3,164
Investment credit	48,207	30,402	303,157	350,008	872,830	2,295,569	111,659	18,659	148,779
Work incentive (WIN) credit	147	556	751	516	3,217	198	707	467	366
Jobs credit	5,658	6,659	2,670	6,248	5,477	2,162	6,348	3,249	3,892
Nonconventional source fuel credit	—	—	—	—	13	478	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—	*32
Research activities credit	* 926	1,660	13,103	5,000	84,949	74,807	10,302	514	4,887
Distributions to stockholders:									
Cash and property except in own stock	221,603	93,000	1,267,951	1,390,797	6,218,291	9,951,876	331,250	158,611	839,211
Corporation's own stock	—	1,705	*11,951	*19,647	62,323	247	*12,393	*2,873	11,472

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued							
	Manufacturing — Continued							
	Primary metal industries	Fabricated metal products	Machinery, except electrical	Electrical and electronic equipment	Motor vehicles and equipment	Transportation equipment, except motor vehicles	Instruments and related products	Miscellaneous manufacturing and manufacturing not allocable
	(26)	(27)	(28)	(29)	(30)	(31)	(32)	(33)
Number of returns with net income	**3,500**	**25,286**	**15,121**	**8,566**	**1,426**	**2,587**	**3,960**	**8,941**
Total assets	**103,984,993**	**68,580,139**	**152,895,207**	**154,887,502**	**96,328,153**	**25,429,506**	**31,875,205**	**20,512,511**
Cash	2,363,432	3,846,361	5,219,172	6,028,692	1,264,608	1,508,796	833,142	1,122,779
Notes and accounts receivable	18,542,165	14,430,950	38,999,671	43,002,206	46,512,588	5,414,374	7,703,399	5,744,874
Less: Allowance for bad debts	306,170	309,497	1,691,329	1,068,775	629,425	80,536	90,578	162,089
Inventories	14,231,788	14,145,723	32,940,639	24,612,168	9,778,893	7,253,779	7,282,303	5,012,147
Investments in Government obligations:								
United States	843,160	453,981	382,191	587,355	815,535	*16,609	518,717	77,625
State and local	736,811	194,376	254,578	174,032	*142,183	—	*75,446	*17,797
Other current assets	4,198,918	3,332,375	8,169,923	11,991,766	1,543,600	1,434,680	1,624,171	689,052
Loans to stockholders	88,509	466,628	477,735	781,849	123,825	19,667	51,154	39,233
Mortgage and real estate loans	221,194	104,519	87,501	225,016	777,130	23,916	48,431	6,744
Other investments	21,279,410	10,063,707	24,931,981	24,477,948	13,639,132	2,605,583	3,262,945	2,390,465
Depreciable assets	62,753,970	33,060,640	67,470,378	57,084,113	35,902,942	10,735,477	15,513,762	7,212,601
Less: Accumulated depreciation	30,193,741	14,757,960	30,139,205	25,839,502	17,147,373	4,591,379	6,822,494	3,101,620
Depletable assets	519,791	177,047	345,274	1,182,831	*1,999	*100,293	*12,289	*19,780
Less: Accumulated depletion	160,263	24,481	63,277	256,026	*1,442	*30,698	*3,799	*2,318
Land	835,513	910,685	1,143,060	1,101,467	491,100	249,370	414,784	276,953
Intangible assets (amortizable)	618,080	616,152	961,820	1,049,801	198,880	40,411	344,393	335,597
Less: Accumulated amortization	164,966	122,055	265,799	287,612	28,367	9,287	97,192	70,550
Other assets	7,577,392	1,990,990	3,670,893	10,040,174	2,942,345	738,450	1,204,331	903,443
Total liabilities	**103,984,993**	**68,580,139**	**152,895,207**	**154,887,502**	**96,328,153**	**25,429,506**	**31,875,205**	**20,512,511**
Accounts payable	8,148,243	7,777,709	15,794,801	20,573,421	5,924,967	3,019,283	3,553,748	3,074,488
Mortgages, notes, and bonds payable in less than one year	8,872,866	3,147,345	11,302,571	15,482,833	22,390,678	1,325,534	1,510,430	1,611,058
Other current liabilities	9,481,445	7,817,565	17,745,776	18,253,383	9,234,341	4,986,294	3,876,020	1,915,650
Loans from stockholders	544,843	774,475	4,063,285	1,569,885	406,749	69,556	101,284	209,383
Mortgages, notes, and bonds payable in one year or more	18,569,825	10,154,104	22,412,183	22,272,017	21,121,796	3,761,483	2,723,925	3,080,382
Other liabilities	10,161,943	4,141,796	10,774,648	18,731,654	6,258,467	1,307,764	1,777,169	974,199
Capital stock	6,554,038	3,633,529	10,323,694	6,014,225	1,992,282	2,471,546	1,877,701	1,175,429
Paid-in or capital surplus	10,373,312	7,077,159	14,810,182	13,178,806	5,533,154	1,480,493	3,188,181	2,058,640
Retained earnings, appropriated	1,747,412	272,490	305,667	285,388	288,194	36,461	237,188	88,986
Retained earnings, unappropriated	30,168,903	24,938,375	46,245,073	39,965,470	23,319,570	7,295,500	13,238,866	6,658,806
Less: Cost of treasury stock	637,838	1,154,409	882,673	1,439,580	142,046	324,408	209,307	334,508
Total receipts	**109,852,832**	**105,177,827**	**173,719,618**	**163,448,870**	**94,721,465**	**38,604,906**	**43,097,594**	**34,276,315**
Business receipts	102,755,630	101,814,090	151,088,637	151,860,371	91,417,164	36,887,972	41,003,640	33,251,247
Interest on Government obligations:								
United States	50,655	81,044	80,021	95,913	101,818	3,829	55,347	9,021
State and local	41,182	9,377	75,177	226,974	*34,310	2,030	7,051	2,645
Other interest	2,502,199	934,386	3,399,082	3,893,984	849,412	535,872	394,464	458,471
Rents	316,221	215,455	11,670,228	1,572,784	277,481	95,239	107,327	69,061
Royalties	80,397	139,500	2,421,743	632,423	155,069	91,486	208,646	51,172
Net short-term capital gain reduced by net long-term capital loss	34,268	4,130	2,581	35,175	7,847	*1,503	2,287	*12,052
Net long-term capital gain reduced by net short-term capital loss	1,649,041	308,387	278,642	560,723	668,814	225,174	49,738	58,216
Net gain, noncapital assets	130,480	141,301	268,477	240,830	79,628	46,459	15,073	20,996
Dividends received from domestic corporations	376,938	195,186	940,245	1,059,571	460,024	237,038	412,968	61,911
Dividends received from foreign corporations	253,802	377,656	1,783,624	714,301	185,295	223,577	362,470	50,660
Other receipts	1,662,019	957,316	1,711,160	2,555,822	484,604	254,729	478,583	230,862
Total deductions	**104,679,667**	**98,384,548**	**159,976,279**	**153,846,987**	**90,536,503**	**36,681,329**	**38,981,003**	**32,246,702**
Cost of sales and operations	75,898,084	71,528,396	103,060,346	101,161,544	63,534,784	27,392,256	24,138,175	22,548,343
Compensation of officers	606,989	2,561,193	1,953,430	1,310,113	305,635	294,188	421,268	708,152
Repairs	4,839,602	870,321	1,322,607	1,104,269	369,549	395,338	679,371	195,294
Bad debts	204,678	259,971	429,390	492,611	232,034	49,539	56,207	124,436
Rent paid on business property	687,054	900,322	1,764,243	1,488,660	583,291	313,062	368,604	311,060
Taxes paid	2,480,480	2,555,382	4,691,094	4,212,501	2,708,221	1,030,726	1,055,678	805,711
Interest paid	4,387,656	2,001,106	5,643,103	7,027,694	5,331,800	962,651	660,989	895,541
Contributions or gifts	63,610	65,216	132,213	112,301	30,903	25,743	47,240	27,200
Amortization	55,292	59,804	132,463	133,816	27,495	13,500	26,067	23,186
Depreciation	3,987,791	2,805,410	7,458,302	6,080,387	4,729,548	879,208	1,461,634	673,992
Depletion	398,884	39,359	40,216	138,246	*1,177	*2,829	*2,939	1,789
Advertising	365,896	859,514	1,120,439	1,994,132	638,215	207,593	918,369	617,862
Pension, profit-sharing, stock bonus, and annuity plans	2,119,626	1,029,525	2,494,869	2,376,866	1,028,967	701,331	749,972	262,194
Employee benefit programs	1,579,415	1,104,731	2,478,688	2,594,637	3,250,383	699,917	610,475	303,915
Net loss, noncapital assets	28,321	13,521	40,685	15,070	9,485	20,444	6,180	3,684
Other deductions	6,976,289	11,730,777	27,214,192	23,604,141	7,755,017	3,693,003	7,777,835	4,744,343
Total receipts less total deductions	5,173,166	6,793,279	13,743,338	9,601,883	4,184,962	1,923,577	4,116,591	2,029,612
Constructive taxable income from related foreign corporations	353,202	276,433	1,885,584	571,429	222,181	174,860	520,283	54,384
Net income	5,485,186	7,060,335	15,553,746	9,946,338	4,372,832	2,096,407	4,629,823	2,081,352
Income subject to tax	5,064,920	6,697,950	15,219,045	9,561,013	4,292,441	2,005,329	4,531,016	1,939,138
Income tax, total	2,117,995	2,864,871	6,892,810	4,279,342	1,867,143	875,023	2,056,139	835,016
Regular and alternative tax	2,006,411	2,839,850	6,822,450	4,235,659	1,840,364	866,109	2,048,652	830,852
Tax from recomputing prior-year investment credit	32,315	20,401	64,722	35,662	21,455	8,564	6,713	3,980
Additional tax for tax preferences	79,270	4,620	5,624	8,021	5,325	*342	773	*184
Foreign tax credit	304,290	276,736	2,229,254	769,561	218,182	205,249	471,917	45,877
U.S. possessions tax credit	4,414	19,828	36,044	473,236	5,938	297	144,342	63,914
Investment credit	649,287	326,109	938,863	631,300	739,464	122,509	292,980	82,085
Work incentive (WIN) credit	1,027	928	1,012	2,659	1,154	617	982	557
Jobs credit	5,704	11,564	11,130	17,098	2,607	3,740	2,775	7,522
Nonconventional source fuel credit	—	36	—	—	—	—	—	—
Alcohol fuel credit	—	—	*68	235	—	—	—	—
Research activities credit	19,620	13,350	87,841	80,449	36,332	15,322	40,039	7,884
Distributions to stockholders:								
Cash and property except in own stock	1,992,301	1,237,347	4,464,390	3,105,539	1,208,844	531,782	1,145,563	323,278
Corporation's own stock	*33,478	58,263	219,148	57,476	609	1,350	13,536	*49,913

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued								
	Transportation and public utilities				Wholesale and retail trade				
						Wholesale trade			
	Total	Transportation	Communication	Electric, gas, and sanitary services	Total	Total	Groceries and related products	Machinery, equipment, and supplies	Miscellaneous wholesale trade
	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
Number of returns with net income	**56,480**	**42,907**	**6,218**	**7,355**	**476,877**	**180,416**	**14,987**	**32,643**	**132,786**
Total assets	**690,885,246**	**96,171,968**	**213,298,539**	**381,414,740**	**521,481,142**	**263,431,840**	**26,103,511**	**48,519,742**	**188,808,587**
Cash	8,060,664	4,732,341	1,481,286	1,847,036	33,624,046	18,028,632	1,861,694	2,790,203	13,376,735
Notes and accounts receivable	59,668,866	16,514,945	14,975,644	28,178,277	141,836,216	88,330,035	7,438,567	16,120,926	64,770,542
Less: Allowance for bad debts	683,200	191,235	180,053	311,913	2,681,074	1,525,270	199,511	227,150	1,098,609
Inventories	27,104,359	3,204,427	6,428,442	17,471,490	145,593,262	70,312,892	6,371,213	14,044,349	49,897,330
Investments in Government obligations:									
United States	4,701,254	885,543	1,946,160	1,869,552	1,844,562	1,143,592	59,927	67,722	1,015,943
State and local	121,332	53,187	6,372	61,773	5,049,595	260,331	*8,454	6,316	245,561
Other current assets	21,027,465	6,329,803	4,251,020	10,446,643	16,477,257	9,901,887	943,060	2,117,137	6,841,691
Loans to stockholders	899,891	703,702	96,574	99,615	4,012,633	1,710,214	201,401	212,545	1,296,267
Mortgage and real estate loans	806,067	281,208	287,461	237,398	4,207,966	684,788	101,981	32,529	550,278
Other investments	50,997,137	12,711,707	18,245,389	20,040,041	50,007,489	28,903,525	2,933,966	5,755,046	20,214,513
Depreciable assets	650,909,423	70,240,672	204,505,103	376,163,647	159,972,167	60,187,324	9,192,123	9,040,785	41,954,416
Less: Accumulated depreciation	160,102,656	25,288,987	43,492,355	91,321,315	67,536,065	26,517,754	4,082,591	3,878,687	18,556,477
Depletable assets	5,809,159	381,547	*8,753	5,418,860	879,597	598,162	9,511	73,382	515,269
Less: Accumulated depletion	1,860,963	134,458	2,802	1,723,702	245,539	167,337	672	22,619	144,046
Land	3,851,227	1,489,107	585,943	1,776,178	10,530,584	3,525,128	354,712	511,224	2,659,192
Intangible assets (amortizable)	2,836,080	1,169,894	1,009,714	656,471	3,606,228	1,539,173	419,994	186,864	932,315
Less: Accumulated amortization	1,100,253	619,530	323,198	157,526	1,145,620	409,303	69,213	57,441	282,649
Other assets	17,839,394	3,708,095	3,469,086	10,662,214	15,447,639	6,925,822	558,894	1,746,612	4,620,316
Total liabilities	**690,885,246**	**96,171,968**	**213,298,539**	**381,414,740**	**521,481,142**	**263,431,840**	**26,103,511**	**48,519,742**	**188,808,587**
Accounts payable	42,042,977	11,190,411	6,833,793	24,018,773	93,333,665	57,408,954	6,394,017	8,171,082	42,843,855
Mortgages, notes, and bonds payable in less than one year	27,940,103	5,693,787	6,183,118	16,063,198	63,968,225	32,830,490	2,011,299	6,158,524	24,660,666
Other current liabilities	57,358,535	9,707,761	26,568,010	21,082,764	51,890,585	20,982,332	2,424,145	4,117,224	14,440,963
Loans from stockholders	1,914,210	1,131,968	252,729	529,512	11,141,298	4,341,101	420,579	715,754	3,204,768
Mortgages, notes, and bonds payable in one year or more	178,429,603	24,203,607	18,871,835	135,354,161	69,000,425	25,154,877	3,274,477	4,531,281	17,349,119
Other liabilities	104,954,701	7,407,889	60,781,994	36,764,819	20,127,378	6,743,075	1,070,660	971,307	4,701,109
Capital stock	100,243,086	4,905,383	23,696,058	71,641,644	28,812,569	14,773,884	1,347,019	2,005,208	11,421,656
Paid-in or capital surplus	65,586,541	7,926,996	27,871,528	29,788,017	22,819,727	10,224,368	1,670,361	1,658,584	6,895,423
Retained earnings, appropriated	1,208,344	377,902	233,778	596,664	2,340,873	1,414,347	105,135	117,096	1,192,117
Retained earnings, unappropriated	112,910,752	24,642,149	42,516,324	45,752,279	164,107,262	92,568,220	7,713,853	20,612,660	64,241,707
Less: Cost of treasury stock	1,703,606	1,015,886	510,629	177,091	6,060,864	3,009,808	328,034	538,978	2,142,796
Total receipts	**478,997,866**	**133,372,013**	**112,735,196**	**232,890,657**	**1,547,841,491**	**869,293,374**	**136,676,488**	**98,388,225**	**634,228,661**
Business receipts	462,689,666	126,317,652	110,272,650	226,099,364	1,515,328,009	852,866,493	134,840,739	94,893,682	623,132,072
Interest on Government obligations:									
United States	304,402	111,013	61,104	132,285	342,945	196,043	13,796	43,221	139,026
State and local	30,072	26,287	2,014	1,771	47,064	32,836	716	7,867	24,252
Other interest	5,783,388	1,864,962	840,055	3,078,372	11,110,310	6,367,458	487,143	1,383,771	4,496,544
Rents	2,209,858	1,112,721	547,084	550,054	4,213,114	1,345,138	153,205	485,368	706,564
Royalties	212,343	81,776	73,968	56,598	353,594	164,722	6,315	70,332	88,076
Net short-term capital gain reduced by net long-term capital loss	37,995	16,076	2,917	19,002	107,414	72,424	3,447	4,158	64,819
Net long-term capital gain reduced by net short-term capital loss	2,153,016	1,303,209	226,644	623,164	1,605,442	628,462	56,887	129,742	441,834
Net gain, noncapital assets	894,193	611,280	75,602	207,311	896,812	427,491	35,117	109,043	283,330
Dividends received from domestic corporations	366,120	105,239	176,275	84,607	959,466	618,726	37,209	102,912	478,605
Dividends received from foreign corporations	202,713	64,240	57,269	81,204	379,293	167,896	38,598	9,708	119,591
Other receipts	4,114,100	1,757,559	399,616	1,956,925	12,498,028	6,405,684	1,003,317	1,148,420	4,253,947
Total deductions	**453,482,149**	**126,929,822**	**104,460,303**	**222,092,024**	**1,500,668,285**	**839,795,143**	**134,503,569**	**90,691,686**	**614,599,887**
Cost of sales and operations	279,597,044	84,721,538	40,768,632	154,106,874	1,193,123,678	722,085,811	117,400,579	71,465,388	533,219,845
Compensation of officers	2,972,912	1,908,582	481,400	582,931	22,257,515	11,663,364	1,231,362	2,109,430	8,322,572
Repairs	21,699,952	1,926,342	13,801,960	5,971,650	5,272,984	1,943,745	420,328	265,895	1,257,522
Bad debts	1,791,090	218,826	887,732	684,533	2,898,859	1,481,948	175,788	260,127	1,046,033
Rent paid on business property	6,199,071	3,672,456	1,641,026	885,589	19,219,422	4,542,115	756,812	623,475	3,161,828
Taxes paid	22,410,110	3,796,135	6,962,730	11,651,245	19,584,858	7,788,044	966,704	1,006,905	5,814,435
Interest paid	27,508,801	3,421,136	6,877,339	17,210,326	19,726,210	8,909,733	763,976	1,504,927	6,640,831
Contributions or gifts	194,928	37,368	71,300	86,260	396,831	184,233	23,168	32,657	128,409
Amortization	473,095	82,119	179,078	211,897	379,978	121,463	20,914	16,099	84,450
Depreciation	36,494,710	6,498,749	16,039,279	13,956,681	15,645,791	6,100,139	887,748	1,108,577	4,103,814
Depletion	525,231	108,003	519	416,709	65,822	51,005	613	9,835	40,557
Advertising	1,593,515	518,355	889,456	185,704	14,154,275	3,605,922	633,335	414,600	2,557,987
Pension, profit-sharing, stock bonus, and annuity plans	7,117,346	1,273,861	3,993,585	1,849,900	5,002,242	2,513,989	357,467	431,672	1,724,851
Employee benefit programs	4,573,086	1,345,835	2,127,890	1,099,361	4,644,384	1,674,584	281,157	317,334	1,076,093
Net loss, noncapital assets	186,621	25,711	85,378	75,532	215,910	61,554	6,217	13,489	41,848
Other deductions	40,144,637	17,374,806	9,652,999	13,116,832	178,079,527	67,067,494	10,577,401	11,111,279	45,378,814
Total receipts less total deductions	25,515,716	6,442,190	8,274,893	10,798,633	47,173,207	29,498,231	2,172,919	7,696,538	19,628,774
Constructive taxable income from related foreign corporations	253,643	75,741	104,292	73,610	531,232	329,044	55,176	10,995	262,873
Net income	25,739,287	6,491,645	8,377,170	10,870,471	47,657,374	29,794,439	2,227,379	7,699,666	19,867,394
Income subject to tax	23,842,821	5,413,171	8,112,793	10,316,857	32,359,741	16,966,076	1,765,057	3,291,339	11,909,680
Income tax, total	10,717,503	2,249,142	3,788,699	4,679,661	12,477,579	6,677,246	715,104	1,290,148	4,671,994
Regular and alternative tax	10,481,203	2,217,232	3,656,801	4,607,170	12,329,212	6,610,833	708,956	1,271,574	4,630,303
Tax from recomputing prior-year investment credit	207,553	26,278	126,176	55,100	124,347	58,216	5,985	16,474	35,757
Additional tax for tax preferences	28,515	5,411	5,717	17,387	23,880	8,133	*154	2,100	5,879
Foreign tax credit	228,368	53,502	66,678	108,188	420,271	264,032	39,866	27,547	196,619
U.S. possessions tax credit	21,737	9	21,719	9	40,916	37,893	24	98	37,772
Investment credit	5,334,230	671,149	2,282,770	2,380,311	1,592,965	694,936	127,463	145,146	422,327
Work incentive (WIN) credit	1,018	392	286	339	8,604	3,012	239	785	1,988
Jobs credit	17,116	11,505	2,403	3,207	152,814	26,859	5,392	4,750	16,716
Nonconventional source fuel credit	1	1	—	—	—	—	—	—	—
Alcohol fuel credit	1	—	—	1	13	13	—	—	13
Research activities credit	59,390	1,510	46,739	11,142	17,615	11,481	1,184	3,063	1,234
Distributions to stockholders:									
Cash and property except in own stock	18,131,396	1,338,535	5,777,718	11,015,143	9,458,573	6,093,722	303,364	19,851,010	3,805,347
Corporation's own stock	258,068	58,014	39,218	160,836	444,022	268,314	18,383	39,581	210,350

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued									
	Wholesale and retail trade — Continued									
	Retail trade									Wholesale and retail trade not allocable
	Total	Building materials, garden supplies, and mobile home dealers	General merchandise stores	Food stores	Automotive dealers and service stations	Apparel and accessory stores	Furniture and home furnishings stores	Eating and drinking places	Miscellaneous retail stores	
	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)	(52)
Number of returns with net income	**295,162**	**26,010**	**7,782**	**23,211**	**42,773**	**27,277**	**19,585**	**51,196**	**97,327**	**1,299**
Total assets	**257,194,339**	**13,993,931**	**92,324,446**	**31,453,414**	**31,256,002**	**14,396,594**	**10,813,416**	**23,059,429**	**39,897,107**	**854,963**
Cash	15,488,376	1,252,986	1,975,124	2,552,851	2,415,286	1,165,083	856,540	1,866,293	3,404,212	107,038
Notes and accounts receivable	53,204,709	2,828,864	30,899,332	1,989,985	4,660,822	2,287,483	2,714,367	1,337,645	6,486,210	301,472
Less: Allowance for bad debts	1,153,008	76,392	573,646	19,849	115,039	72,861	94,070	19,924	181,227	2,796
Inventories	75,077,846	5,615,065	18,559,362	9,162,826	15,058,121	5,755,239	4,226,449	1,093,032	15,607,753	202,524
Investments in Government obligations:										
United States	700,520	*15,558	130,782	225,411	59,984	82,563	65,106	36,378	84,738	*450
State and local	4,789,264	*713	4,671,281	*62,454	*12,424	9,845	*14,274	*5,847	12,426	—
Other current assets	6,545,242	341,643	1,298,199	1,190,828	948,109	537,020	371,216	746,376	1,111,852	30,127
Loans to stockholders	2,294,793	127,213	166,291	178,156	324,602	205,425	120,262	561,668	611,177	7,626
Mortgage and real estate loans	3,523,136	110,895	2,876,223	97,584	115,895	16,769	27,086	166,804	111,880	41
Other investments	21,061,341	630,800	10,057,537	2,189,712	1,107,279	1,138,010	575,570	2,872,288	2,490,144	42,624
Depreciable assets	99,590,738	4,482,632	27,884,634	20,183,609	9,158,105	4,283,220	2,518,079	16,919,057	14,161,202	194,105
Less: Accumulated depreciation	40,955,190	2,120,673	10,411,237	8,710,881	4,129,285	1,890,546	1,060,479	6,278,939	6,353,150	63,120
Depletable assets	281,435	29,256	*183,694	*11,880	6,570	*53	*3,287	*26,638	20,057	—
Less: Accumulated depletion	78,201	8,071	*55,508	*155	*4,770	—	*1,077	*3,350	5,271	—
Land	6,993,219	525,732	1,640,791	1,064,638	947,706	157,109	181,744	1,746,751	728,747	12,237
Intangible assets (amortizable)	2,066,261	26,360	194,706	393,797	73,343	78,117	36,428	730,451	533,060	*794
Less: Accumulated amortization	735,882	12,310	47,027	154,915	28,884	26,223	11,526	253,891	201,106	*435
Other assets	8,499,742	223,658	2,873,907	1,035,282	645,735	670,289	270,162	1,506,306	1,274,405	22,275
Total liabilities	**257,194,339**	**13,993,931**	**92,324,446**	**31,453,414**	**31,256,002**	**14,396,594**	**10,813,416**	**23,059,429**	**39,897,107**	**854,963**
Accounts payable	35,724,125	1,968,355	9,230,020	6,913,749	3,604,974	2,519,157	1,631,336	1,990,061	7,866,474	200,586
Mortgages, notes, and bonds payable in less than one year	31,063,786	1,314,815	12,787,051	892,357	10,301,060	634,418	813,483	1,091,755	3,228,847	73,950
Other current liabilities	30,839,631	1,000,376	16,618,174	3,339,161	2,223,515	1,290,985	1,076,417	1,847,664	3,443,338	68,622
Loans from stockholders	6,761,130	595,662	429,651	448,981	1,107,439	388,249	436,504	1,379,089	1,975,556	39,067
Mortgages, notes, and bonds payable in one year or more	43,748,533	1,787,061	17,834,540	5,270,492	3,421,324	2,519,731	1,296,422	6,397,539	5,221,425	97,015
Other liabilities	13,320,088	271,576	6,970,115	2,166,387	682,328	474,227	495,203	1,286,664	973,587	64,216
Capital stock	13,987,513	1,156,040	3,263,262	1,693,758	2,036,097	1,136,720	815,542	1,393,350	2,492,745	51,172
Paid-in or capital surplus	12,571,395	397,722	5,173,881	1,459,841	613,909	598,209	445,806	1,545,551	2,336,476	*23,963
Retained earnings, appropriated	926,144	18,757	267,718	41,910	138,339	68,055	166,764	53,663	170,938	*382
Retained earnings, unappropriated	71,298,353	5,723,436	20,157,998	9,644,211	7,607,186	5,029,640	3,823,584	6,499,272	12,813,025	240,689
Less: Cost of treasury stock	3,046,358	239,868	407,964	417,434	480,169	262,797	187,646	425,177	625,303	*4,699
Total receipts	**675,227,486**	**34,582,900**	**127,874,764**	**164,611,193**	**131,966,630**	**33,104,774**	**23,353,393**	**48,999,780**	**110,734,054**	**3,320,631**
Business receipts	659,199,987	33,804,319	122,510,545	162,731,767	129,540,391	32,227,305	22,717,746	46,988,793	108,679,121	3,261,530
Interest on Government obligations:										
United States	145,747	4,949	23,472	42,761	16,025	11,351	9,013	15,101	23,074	*1,156
State and local	14,228	*187	928	5,692	948	1,745	1,295	1,281	2,151	—
Other interest	4,726,980	230,480	2,362,356	319,064	552,292	233,607	206,312	290,167	532,702	15,872
Rents	2,864,237	123,971	879,477	316,317	440,815	67,029	53,567	693,641	289,420	3,739
Royalties	188,779	4,630	9,300	19,228	*424	22,635	*4,410	112,364	15,788	*92
Net short-term capital gain reduced by net long-term capital loss	34,715	4,637	*11,452	1,653	5,734	*765	*1,231	3,300	5,943	*274
Net long-term capital gain reduced by net short-term capital loss	972,066	48,772	329,515	121,112	118,334	46,056	72,556	105,643	130,078	*4,914
Net gain, noncapital assets	463,511	42,223	89,744	43,522	102,684	14,540	6,492	92,249	72,057	*5,810
Dividends received from domestic corporations	340,170	6,571	208,795	17,419	15,970	41,840	16,185	10,628	22,762	*571
Dividends received from foreign corporations	211,397	*129	*121,575	*29,321	*63	*50,549	104	2,285	7,371	—
Other receipts	6,065,671	312,033	1,327,606	963,338	1,172,949	387,351	264,481	684,328	953,586	26,674
Total deductions	**657,624,211**	**33,316,094**	**124,925,891**	**162,010,273**	**130,049,544**	**31,482,958**	**22,216,843**	**46,719,644**	**106,902,965**	**3,248,931**
Cost of sales and operations	468,294,044	24,192,075	78,856,651	126,233,207	109,528,541	18,926,149	14,234,386	20,800,219	75,522,816	2,743,823
Compensation of officers	10,533,169	1,026,405	418,872	1,031,018	2,005,737	907,294	776,707	1,425,042	2,942,093	60,982
Repairs	3,320,396	158,027	641,698	894,290	318,293	114,506	88,825	664,183	440,576	8,843
Bad debts	1,412,459	136,939	511,308	92,961	161,644	82,304	106,524	41,046	279,734	4,451
Rent paid on business property	14,640,446	478,357	3,116,839	2,244,849	1,132,904	1,858,712	692,379	2,515,188	2,601,218	36,861
Taxes paid	11,766,592	643,881	2,658,626	2,010,533	1,359,422	720,743	470,045	1,743,106	1,960,236	30,222
Interest paid	10,799,470	465,006	5,156,522	648,176	1,761,219	470,284	285,168	890,924	1,122,171	17,008
Contributions or gifts	212,105	13,030	56,320	31,465	19,502	22,452	9,999	18,461	40,876	492
Amortization	258,285	4,371	35,030	24,820	16,550	10,229	3,819	87,509	75,957	231
Depreciation	9,525,362	410,024	2,304,906	1,956,741	1,155,766	426,556	243,252	1,543,238	1,484,879	20,290
Depletion	14,817	1,809	*1,764	1,025	2,379	1,752	*1,214	*313	4,560	—
Advertising	10,535,943	442,898	3,224,330	1,581,881	982,435	763,469	854,635	1,060,133	1,626,163	12,410
Pension, profit-sharing, stock bonus, and annuity plans	2,473,501	146,430	711,116	517,242	204,326	145,563	89,900	200,187	458,737	14,752
Employee benefit programs	2,963,444	98,870	580,551	1,124,329	342,379	100,363	75,778	233,463	407,711	6,356
Net loss, noncapital assets	154,109	36,942	9,388	48,392	12,824	3,241	2,318	24,317	16,688	*247
Other deductions	110,720,070	5,061,029	26,441,971	23,569,346	11,045,624	6,929,341	4,281,895	15,472,316	17,918,549	291,963
Total receipts less total deductions	17,603,275	1,266,806	2,948,874	2,600,919	1,917,087	1,621,816	1,136,549	2,280,136	3,831,089	71,700
Constructive taxable income from related foreign corporations	202,188	—	113,280	*21,897	3	43,035	11,868	2,782	9,323	—
Net income	17,791,235	1,266,618	3,061,225	2,617,125	1,916,141	1,663,106	1,147,122	2,281,637	3,838,261	71,700
Income subject to tax	15,334,357	1,096,622	2,768,885	2,368,211	1,577,542	1,466,151	1,000,390	1,785,608	3,270,947	59,308
Income tax, total	5,780,761	367,988	1,210,212	962,356	500,511	547,355	359,337	676,758	1,156,243	19,572
Regular and alternative tax	5,698,852	365,837	1,183,444	952,081	491,635	544,948	356,823	657,710	1,146,374	19,527
Tax from recomputing prior-year investment credit	66,087	2,048	15,399	9,524	8,577	2,140	1,050	17,999	9,350	*44
Additional tax for tax preferences	15,746	*102	11,369	751	300	267	*1,465	1,049	444	—
Foreign tax credit	156,210	*36	79,087	25,055	*28	28,389	*4,339	10,180	9,095	30
U.S. possessions tax credit	3,022	205	—	2,234	—	230	—	290	63	—
Investment credit	895,358	33,846	221,226	215,068	79,948	37,502	21,190	126,439	160,137	2,672
Work incentive (WIN) credit	5,592	777	923	1,233	264	*162	136	1,611	486	—
Jobs credit	125,719	2,669	17,352	31,032	6,249	4,428	1,489	47,484	15,015	*236
Nonconventional source fuel credit	—	—	—	—	—	—	—	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—	—	—
Research activities credit	6,134	231	1,681	988	80	273	781	920	1,180	—
Distributions to stockholders:										
Cash and property except in own stock	3,354,902	93,840	1,495,333	416,211	180,862	271,970	51,619	354,057	491,009	9,949
Corporation's own stock	169,741	*11,380	68,403	*41,642	*8,834	398	2,216	*8,997	27,873	*5,967

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued							
	Finance, insurance, and real estate							
	Total	Banking	Credit agencies other than banks	Security, commodity brokers and services	Insurance	Insurance agents, brokers, and service	Real estate	Holding and other investment companies, except bank holding companies
	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
Number of returns with net income	**258,622**	**10,272**	**18,103**	**5,601**	**6,684**	**31,824**	**157,865**	**28,274**
Total assets	**2,784,926,417**	**1,618,925,805**	**93,552,957**	**95,319,532**	**616,183,155**	**14,463,774**	**70,438,941**	**276,042,253**
Cash	286,278,521	241,236,117	4,751,061	1,759,525	8,095,448	2,669,499	4,883,399	22,883,471
Notes and accounts receivable	1,065,477,877	939,535,567	36,120,003	49,484,139	18,019,385	4,545,162	8,182,056	9,591,564
Less: Allowance for bad debts	11,922,304	8,520,865	1,707,673	64,515	1,266,518	51,155	183,189	128,390
Inventories	5,691,062	322,503	172,983	1,186,036	1,345,312	12,987	1,554,906	1,096,334
Investments in Government obligations:								
United States	175,979,624	109,020,974	2,298,727	7,464,035	29,391,539	331,269	613,435	26,859,645
State and local	133,882,798	77,462,908	238,470	797,006	51,263,970	346,902	195,568	3,577,974
Other current assets	115,716,584	52,400,273	2,020,884	22,399,891	23,903,371	628,209	4,237,715	10,126,240
Loans to stockholders	4,041,530	1,033,313	860,848	66,204	72,532	256,159	1,146,471	606,004
Mortgage and real estate loans	206,376,930	46,933,273	34,294,455	136,737	117,770,772	34,142	4,579,570	2,627,982
Other investments	588,029,550	82,921,015	11,074,330	7,168,274	281,512,125	3,474,056	10,300,650	191,579,099
Depreciable assets	89,736,375	31,191,795	2,134,267	1,753,009	8,266,498	1,849,812	39,336,879	5,204,116
Less: Accumulated depreciation	30,568,372	8,166,136	619,122	688,319	1,417,666	795,258	17,237,507	1,644,363
Depletable assets	563,040	5,643	12,630	*16,021	*91,433	*282	259,205	177,827
Less: Accumulated depletion	184,243	*1,648	*310	*1,832	*5,307	*110	80,836	94,200
Land	15,014,785	2,196,028	592,852	67,079	482,114	91,007	10,083,250	1,502,456
Intangible assets (amortizable)	1,883,119	423,726	151,405	189,075	355,026	257,019	295,560	211,308
Less: Accumulated amortization	512,683	92,113	62,305	32,851	67,858	86,091	122,097	49,368
Other assets	139,442,225	51,023,431	1,219,452	3,620,020	78,370,980	899,880	2,393,909	1,914,553
Total liabilities	**2,784,926,417**	**1,618,925,805**	**93,552,957**	**95,319,532**	**616,183,155**	**14,463,774**	**70,438,941**	**276,042,253**
Accounts payable	119,094,028	51,317,317	2,709,201	35,837,492	17,208,303	5,068,265	2,624,841	4,328,610
Mortgages, notes, and bonds payable in less than one year	116,627,130	63,567,281	24,669,446	11,309,481	6,929,533	581,648	6,856,483	2,713,259
Other current liabilities	1,353,861,760	1,195,912,460	34,819,951	33,515,982	77,097,387	1,722,870	3,485,146	7,307,965
Loans from stockholders	21,776,861	14,934,887	2,098,138	355,609	615,964	170,543	3,122,475	479,244
Mortgages, notes, and bonds payable in one year or more	95,352,870	38,032,926	15,506,184	1,929,679	7,590,695	970,014	23,911,018	7,412,353
Other liabilities	569,265,769	139,302,543	3,231,118	4,882,270	411,351,999	937,228	4,891,711	4,668,898
Capital stock	205,010,706	19,917,989	3,991,270	836,700	5,022,769	750,906	6,119,389	168,371,683
Paid-in or capital surplus	215,585,553	37,127,318	2,091,733	2,481,902	14,922,115	857,757	5,607,957	152,496,770
Retained earnings, appropriated	20,277,570	2,045,902	547,149	*46,138	15,894,416	59,886	495,578	1,188,501
Retained earnings, unappropriated	156,815,634	57,315,123	4,171,730	4,253,150	60,390,022	3,666,476	14,457,389	12,561,743
Less: Cost of treasury stock	88,741,446	547,941	282,962	128,872	840,049	321,803	1,133,045	85,486,774
Total receipts	**555,995,170**	**206,381,363**	**13,755,584**	**22,169,470**	**223,506,142**	**12,334,498**	**31,751,741**	**46,096,372**
Business receipts	204,398,751	14,477,897	2,909,516	10,703,936	134,221,297	11,136,167	17,788,957	13,160,980
Interest on Government obligations:								
United States	21,453,943	13,265,924	311,553	1,555,337	2,639,474	56,795	106,788	3,518,073
State and local	8,258,460	5,083,257	32,745	62,856	2,854,169	34,100	31,120	160,214
Other interest	221,527,063	160,026,180	9,480,753	4,323,027	25,552,331	621,654	1,826,932	19,696,187
Rents	12,595,971	2,801,517	168,458	162,800	1,823,538	44,891	7,008,719	586,048
Royalties	602,471	15,309	12,375	*1,073	36,603	*3,512	192,455	341,144
Net short-term capital gain reduced by net long-term capital loss	891,210	69,868	13,619	115,324	120,724	1,029	84,890	485,756
Net long-term capital gain reduced by net short-term capital loss	7,927,799	814,176	203,655	263,604	1,081,362	48,628	1,434,899	4,081,473
Net gain, noncapital assets	5,936,854	298,436	73,464	3,702,352	309,988	13,732	1,491,761	47,121
Dividends received from domestic corporations	5,198,628	351,128	24,903	146,959	2,432,852	68,874	145,953	2,027,958
Dividends received from foreign corporations	477,168	217,935	1,158	13,562	84,442	20,810	4,379	134,881
Other receipts	66,726,853	8,959,735	523,384	1,118,641	52,349,361	284,306	1,634,890	1,856,536
Total deductions	**495,025,378**	**194,374,047**	**12,666,014**	**20,351,106**	**213,124,723**	**11,095,239**	**26,413,264**	**17,000,984**
Cost of sales and operations	112,727,211	2,996,306	758,843	2,590,552	89,067,405	1,778,497	6,177,245	9,358,363
Compensation of officers	10,918,230	4,447,345	351,610	1,476,553	600,380	1,808,858	1,813,330	420,154
Repairs	1,682,139	715,633	31,039	44,541	113,181	47,598	657,256	72,891
Bad debts	4,827,026	3,865,728	243,157	65,395	424,047	78,349	92,313	58,037
Rent paid on business property	5,496,941	2,346,944	98,701	499,522	1,362,371	408,915	618,202	162,286
Taxes paid	9,597,758	2,638,317	180,495	507,630	3,498,578	373,805	1,962,532	436,400
Interest paid	165,060,574	140,214,405	8,661,381	5,302,107	6,259,180	262,473	3,235,925	1,145,104
Contributions or gifts	268,370	125,129	5,909	14,661	59,161	13,199	31,438	18,873
Amortization	308,118	100,886	26,979	25,841	37,975	30,854	46,867	38,715
Depreciation	8,175,836	3,965,511	219,536	399,599	1,136,451	299,890	1,848,426	306,422
Depletion	126,542	3,730	2,982	3,173	30,209	*35	43,664	42,748
Advertising	2,953,032	985,380	62,751	220,056	798,254	107,466	376,079	403,046
Pension, profit-sharing, stock bonus, and annuity plans	3,503,165	1,257,349	58,878	262,947	1,363,417	280,110	198,559	81,906
Employee benefit programs	2,418,926	1,025,675	44,857	127,988	897,359	151,235	107,986	63,825
Net loss, noncapital assets	811,514	702,753	16,692	24,874	17,835	5,044	28,606	15,710
Other deductions	166,129,998	28,982,955	1,902,205	8,785,669	107,458,920	5,448,910	9,174,837	4,376,503
Total receipts less total deductions	60,969,792	12,007,316	1,089,570	1,818,364	10,381,419	1,239,258	5,338,477	29,095,388
Constructive taxable income from related foreign corporations	306,673	172,321	*28,478	9,926	44,799	14,401	*36	36,711
Net income	53,018,005	7,096,380	1,085,303	1,765,434	7,572,049	1,219,559	5,307,394	28,971,885
Income subject to tax	20,578,686	6,519,927	767,917	1,441,228	5,140,152	915,367	3,986,309	1,807,788
Income tax, total	8,057,076	2,779,521	284,079	604,000	2,208,020	330,343	1,210,030	641,083
Regular and alternative tax	7,904,979	2,707,301	278,953	600,596	2,163,632	328,320	1,196,247	629,929
Tax from recomputing prior-year investment credit	47,511	15,606	964	1,268	17,860	2,007	6,059	3,747
Additional tax for tax preferences	100,585	56,598	3,781	2,136	26,528	15	6,350	5,176
Foreign tax credit	1,189,456	935,303	1,517	14,199	186,746	14,942	1,982	34,767
U.S. possessions tax credit	3,274	—	1,435	895	—	—	754	190
Investment credit	862,668	349,072	24,801	120,528	198,025	60,749	72,178	37,315
Work incentive (WIN) credit	1,023	317	4	24	385	*94	*171	*28
Jobs credit	24,719	10,175	1,021	461	3,845	1,788	4,761	2,666
Nonconventional source fuel credit	—	—	—	—	—	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—
Research activities credit	13,909	4,385	266	2,001	4,924	1,018	45	1,271
Distributions to stockholders:								
Cash and property except in own stock	37,726,317	4,157,825	622,457	257,348	3,362,658	391,239	1,347,064	27,587,724
Corporation's own stock	1,196,967	524,163	28,346	42,294	77,415	*7,150	83,424	434,176

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 3 — Balance Sheets and Income Statements, by Major Industry — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Major industry — Continued							
	Services							Nature of business not allocable
	Total	Hotels and other lodging places	Personal services	Business services	Auto repair; miscellaneous repair services	Amusement and recreation services	Other services	
	(61)	(62)	(63)	(64)	(65)	(66)	(67)	(68)
Number of returns with net income	**441,100**	**9,931**	**28,357**	**108,508**	**42,941**	**27,775**	**223,589**	**6,466**
Total assets	**144,550,098**	**15,979,112**	**6,026,112**	**44,238,068**	**13,216,735**	**23,524,919**	**41,565,152**	**1,181,600**
Cash	15,735,838	940,485	793,971	4,789,678	1,198,090	1,768,710	6,244,904	161,413
Notes and accounts receivable	26,210,052	1,156,970	1,048,944	11,513,195	2,366,704	2,998,590	7,125,648	254,581
Less: Allowance for bad debts	842,150	45,655	28,581	188,960	40,628	128,629	409,697	3,593
Inventories	7,195,261	211,191	401,447	1,822,663	1,293,728	2,099,872	1,366,359	249,519
Investments in Government obligations:								
United States	920,157	13,828	*56,780	348,814	*166,356	99,208	235,171	9,578
State and local	389,046	*40,108	*52,813	144,259	*19,137	*41,030	91,699	*6,732
Other current assets	9,960,321	433,816	317,821	3,355,547	450,385	3,155,629	2,247,123	57,065
Loans to stockholders	2,936,450	224,114	108,278	798,798	159,090	201,062	1,445,109	17,915
Mortgage and real estate loans	2,327,807	313,564	49,537	480,446	47,002	1,133,884	303,375	41,223
Other investments	18,396,517	2,780,180	383,195	7,256,935	622,066	3,520,556	3,833,585	59,293
Depreciable assets	82,972,264	11,780,482	4,476,587	20,590,073	10,233,016	11,804,995	24,087,110	447,317
Less: Accumulated depreciation	34,823,207	4,463,155	2,420,738	9,548,744	4,145,516	5,454,866	8,790,188	215,532
Depletable assets	173,973	*72,522	*5,442	17,661	*19,623	*7,874	50,852	*152
Less: Accumulated depletion	35,667	5,169	—	*1,233	*3,884	*5,870	19,511	*86
Land	4,946,828	1,314,041	268,173	702,800	422,099	913,743	1,325,971	39,290
Intangible assets (amortizable)	2,585,513	239,653	116,901	721,867	79,589	845,638	581,866	27,826
Less: Accumulated amortization	1,049,448	87,831	56,876	198,034	25,426	524,573	156,707	2,473
Other assets	6,550,543	1,059,967	452,419	1,632,304	355,303	1,048,067	2,002,482	31,380
Total liabilities	**144,550,098**	**15,979,112**	**6,026,112**	**44,238,068**	**13,216,735**	**23,524,919**	**41,565,152**	**1,181,600**
Accounts payable	14,584,955	675,880	432,011	6,245,794	1,240,853	2,395,422	3,594,995	217,967
Mortgages, notes, and bonds payable in less than one year	11,461,316	805,000	404,667	4,689,454	1,847,264	1,017,603	2,697,326	93,785
Other current liabilities	19,635,732	1,006,777	752,331	5,180,497	1,578,833	5,419,053	5,698,241	97,116
Loans from stockholders	3,649,424	587,778	208,439	1,035,470	241,602	428,230	1,147,905	51,422
Mortgages, notes, and bonds payable in one year or more	32,641,898	6,404,893	1,077,611	8,066,614	3,473,786	3,461,292	10,157,702	206,712
Other liabilities	8,340,310	1,151,533	292,714	2,490,146	405,925	1,498,305	2,501,687	29,442
Capital stock	8,497,635	1,092,030	500,351	2,123,747	598,633	1,846,592	2,336,282	94,167
Paid-in or capital surplus	11,436,198	1,411,738	300,004	3,809,157	584,288	1,992,059	3,338,952	30,873
Retained earnings, appropriated	600,066	*21,059	24,120	143,822	57,376	94,154	259,536	*14,263
Retained earnings, unappropriated	36,738,170	3,222,456	2,323,981	11,392,951	3,348,438	5,834,231	10,616,114	390,677
Less: Cost of treasury stock	3,035,606	400,032	290,117	939,584	160,262	462,022	783,588	44,823
Total receipts	**259,939,760**	**15,969,439**	**11,130,767**	**82,207,983**	**22,725,559**	**25,432,212**	**102,473,800**	**3,160,048**
Business receipts	246,600,873	14,217,761	10,645,270	78,223,443	21,783,711	22,758,731	98,971,959	3,042,747
Interest on Government obligations:								
United States	190,619	8,895	5,850	61,619	18,251	34,317	61,685	*1,890
State and local	30,737	2,897	2,504	11,142	*948	5,279	7,967	*364
Other interest	3,228,527	292,655	124,134	1,088,916	200,285	602,727	919,809	28,663
Rents	2,611,338	602,037	81,398	783,078	250,241	350,890	543,694	13,682
Royalties	998,691	*159,568	*29,251	88,674	*11,475	610,014	99,708	*757
Net short-term capital gain reduced by net long-term capital loss	52,916	1,177	*657	18,879	*3,422	7,952	20,829	*136
Net long-term capital gain reduced by net short-term capital loss	791,769	208,062	38,359	210,937	42,104	145,484	146,823	7,744
Net gain, noncapital assets	620,950	88,129	32,457	236,656	156,225	33,066	74,418	18,906
Dividends received from domestic corporations	312,145	25,351	18,025	120,592	7,131	71,099	69,947	*5,487
Dividends received from foreign corporations	107,151	*940	7,548	73,164	177	*22,312	3,010	—
Other receipts	4,394,044	361,966	145,313	1,290,882	251,590	790,342	1,553,952	39,673
Total deductions	**244,873,440**	**14,720,236**	**10,347,092**	**77,530,255**	**21,565,603**	**23,504,362**	**97,205,891**	**2,991,205**
Cost of sales and operations	118,219,852	6,528,749	4,778,793	44,458,160	11,995,031	11,416,371	39,042,748	1,947,340
Compensation of officers	27,133,077	332,596	789,500	4,845,775	1,166,178	1,152,859	18,846,170	145,214
Repairs	2,143,884	360,707	151,099	474,523	244,410	305,733	607,412	13,681
Bad debts	757,022	39,000	48,100	211,370	107,821	79,141	271,590	4,789
Rent paid on business property	8,448,550	754,720	400,626	2,157,414	691,869	750,528	3,693,394	58,472
Taxes paid	8,526,702	732,645	452,262	2,421,865	706,309	816,933	3,396,688	77,931
Interest paid	6,015,583	769,977	199,310	1,965,691	759,771	810,553	1,510,282	40,706
Contributions or gifts	141,467	9,105	8,379	36,815	8,480	25,581	53,108	1,409
Amortization	662,596	12,718	14,709	96,529	12,599	460,716	65,325	1,300
Depreciation	9,539,677	836,778	423,767	3,053,648	1,556,865	1,184,257	2,484,361	50,902
Depletion	23,712	619	*412	11,488	*1,006	1,473	8,715	*394
Advertising	2,694,414	299,991	173,920	668,218	209,320	806,129	536,836	33,377
Pension, profit-sharing, stock bonus, and annuity plans	5,944,968	47,130	78,460	892,564	94,726	264,121	4,567,966	29,597
Employee benefit programs	2,107,640	119,981	67,067	638,469	132,206	162,733	987,184	11,388
Net loss, noncapital assets	86,525	5,112	4,019	43,726	2,751	11,615	19,302	*204
Other deductions	52,427,772	3,870,408	2,756,670	15,554,001	3,876,262	5,255,622	21,114,809	574,501
Total receipts less total deductions	15,066,321	1,249,202	783,675	4,677,729	1,159,955	1,927,850	5,267,909	168,842
Constructive taxable income from related foreign corporations	146,968	*6,664	6,908	58,744	231	*47,234	27,187	—
Net income	15,182,552	1,252,969	788,079	4,725,331	1,159,238	1,969,805	5,287,129	168,479
Income subject to tax	12,034,108	986,953	635,068	3,838,284	872,885	1,617,147	4,083,771	121,168
Income tax, total	4,086,975	394,819	215,391	1,380,059	275,516	649,980	1,171,211	36,327
Regular and alternative tax	4,029,725	389,294	211,301	1,357,908	271,117	646,399	1,153,707	35,775
Tax from recomputing prior-year investment credit	49,191	4,571	4,082	20,320	4,213	3,190	12,816	484
Additional tax for tax preferences	7,952	955	—	1,787	*132	391	4,687	*69
Foreign tax credit	182,831	11,222	*6,080	69,561	*192	67,401	28,374	*21
U.S. possessions tax credit	3,116	593	—	2,222	28	160	113	133
Investment credit	878,057	61,147	35,120	305,212	93,207	158,851	224,520	3,683
Work incentive (WIN) credit	5,021	485	557	1,765	*77	602	1,535	2
Jobs credit	69,489	5,163	3,003	26,285	4,990	2,870	27,177	*296
Nonconventional source fuel credit	16	—	—	16	—	—	—	—
Alcohol fuel credit	—	—	—	—	—	—	—	—
Research activities credit	18,472	74	268	12,534	303	1,367	3,926	55
Distributions to stockholders:								
Cash and property except in own stock	2,269,005	328,084	129,369	708,421	121,361	328,825	652,946	24,569
Corporation's own stock	53,064	*8,616	—	*7,739	17,681	*3,988	15,039	—

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

RETURNS OF ACTIVE CORPORATIONS

Table 4. — Balance Sheets and Income Statements, by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total returns of active corporations	Size of total assets				
		Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	**2,812,420**	**114,240**	**1,455,263**	**515,966**	**295,683**	**192,441**
Total assets	**8,547,161,872**	**—**	**49,712,690**	**83,108,897**	**104,273,577**	**134,805,485**
Cash	533,472,168	—	8,856,957	11,700,732	12,202,778	13,393,793
Notes and accounts receivable	2,239,832,960	—	6,413,320	14,096,041	19,668,773	27,953,238
Less: Allowance for bad debts	44,840,794	—	140,058	196,909	315,098	478,482
Inventories	588,219,956	—	6,449,820	13,524,120	18,992,260	27,081,223
Investments in Government obligations:						
United States	304,161,714	—	113,560	288,731	381,742	569,432
State and local	210,675,983	—	36,456	62,216	137,260	136,532
Other current assets	320,511,852	—	2,414,561	3,683,384	4,800,627	6,097,840
Loans to stockholders	32,042,366	—	2,873,411	3,262,026	2,654,606	2,272,119
Mortgage and real estate loans	933,673,294	—	431,027	1,211,696	1,702,593	2,027,098
Other investments	1,388,244,142	—	2,005,965	4,350,675	6,697,639	8,533,690
Depreciable assets	2,352,655,342	—	34,114,593	46,768,462	52,760,256	64,239,039
Less: Accumulated depreciation	857,772,979	—	18,560,166	24,314,634	26,007,930	30,730,164
Depletable assets	84,098,891	—	194,304	238,947	338,530	400,133
Less: Accumulated depletion	21,816,569	—	79,374	95,547	89,372	89,407
Land	101,946,016	—	1,860,265	4,699,949	6,494,271	8,514,799
Intangible assets (amortizable)	55,131,152	—	981,067	1,038,323	936,446	1,129,607
Less: Accumulated amortization	20,451,969	—	476,833	410,968	358,264	427,568
Other assets	347,378,352	—	2,223,815	3,201,652	3,276,460	4,182,564
Total liabilities	**8,547,161,872**	**—**	**49,712,690**	**83,108,897**	**104,273,577**	**134,805,485**
Accounts payable	619,969,292	—	7,626,135	11,700,355	15,194,351	20,482,950
Mortgages, notes, and bonds payable in less than one year	585,947,676	—	5,977,560	8,391,191	12,251,481	19,039,323
Other current liabilities	2,859,839,215	—	5,776,978	6,785,730	7,986,887	11,022,637
Loans from stockholders	107,229,417	—	11,645,017	9,666,863	8,222,121	7,855,523
Mortgages, notes, and bonds payable in one year or more	1,058,070,877	—	9,788,689	16,191,521	20,737,673	26,800,774
Other liabilities	1,072,164,634	—	1,661,521	2,720,658	3,130,738	3,990,425
Capital stock	532,560,826	—	10,372,882	11,139,090	10,819,036	11,943,033
Paid-in or capital surplus	670,619,223	—	3,665,802	3,665,717	4,406,941	6,410,714
Retained earnings, appropriated	45,939,734	—	214,077	375,745	507,647	696,784
Retained earnings, unappropriated	1,124,012,345	—	-5,321,187	14,589,034	23,834,601	29,814,189
Less: Cost of treasury stock	129,191,347	—	1,694,767	2,117,007	2,817,898	3,250,867
Total receipts	**7,026,351,839**	**93,807,569**	**212,281,029**	**225,289,170**	**245,168,357**	**302,616,587**
Business receipts	6,244,678,064	60,516,118	206,662,812	218,525,319	236,838,856	293,234,220
Interest on Government obligations:						
United States	36,638,092	1,070,427	52,935	72,582	94,979	143,391
State and local	13,881,460	125,295	6,142	6,415	13,055	17,094
Other interest	442,918,194	27,885,065	800,392	1,435,725	1,621,038	2,061,640
Rents	53,805,764	518,163	1,240,918	1,727,936	2,161,337	2,426,329
Royalties	13,716,872	68,709	127,227	163,038	217,583	145,041
Net short-term capital gain reduced by net long-term capital loss	2,178,572	53,280	53,597	15,328	56,494	95,822
Net long-term capital gain reduced by net short-term capital loss	29,064,630	934,086	320,654	506,542	551,429	696,251
Net gain, noncapital assets	16,639,271	528,391	367,076	369,166	666,811	780,570
Dividends received from domestic corporations	17,442,112	150,087	47,379	89,446	110,426	141,147
Dividends received from foreign corporations	13,790,320	386,326	3,101	6,135	3,256	3,053
Other receipts	141,598,493	1,571,623	2,598,795	2,371,539	2,833,093	2,872,030
Total deductions	**6,813,841,356**	**94,098,409**	**212,655,450**	**222,601,701**	**241,357,594**	**298,081,747**
Cost of sales and operations	4,509,198,199	43,441,554	107,006,553	136,650,000	161,754,672	212,018,401
Compensation of officers	120,324,784	1,207,472	28,252,010	17,441,524	13,241,599	11,707,752
Repairs	70,289,424	516,965	1,589,056	1,804,113	1,807,403	2,017,912
Bad debts	22,286,815	727,865	462,491	563,196	706,983	931,485
Rent paid on business property	82,412,276	1,262,881	7,759,200	5,913,169	4,828,115	4,698,702
Taxes paid	170,470,926	2,048,587	6,196,138	5,941,549	5,827,682	6,513,134
Interest paid	476,964,684	29,210,443	2,220,918	3,320,595	4,214,062	5,777,952
Contributions or gifts	2,514,425	25,133	45,223	55,522	68,765	71,316
Amortization	4,712,864	77,168	148,182	142,911	123,161	132,373
Depreciation	186,195,048	1,589,993	4,326,424	4,939,739	5,434,331	6,284,519
Depletion	7,929,396	112,330	88,596	43,967	59,284	48,794
Advertising	60,094,601	562,703	1,963,100	1,863,913	2,150,262	2,158,159
Pension, profit-sharing, stock bonus, and annuity plans	52,952,583	280,416	4,340,619	2,373,950	1,606,723	1,683,383
Employee benefit programs	45,795,892	268,534	1,078,400	901,827	1,049,574	1,196,406
Net loss, noncapital assets	7,943,607	500,972	256,585	112,304	130,658	140,258
Other deductions	993,755,841	12,265,395	46,921,957	40,533,422	38,354,323	42,701,200
Total receipts less total deductions	212,510,484	-290,840	-374,420	2,687,468	3,810,762	4,534,840
Constructive taxable income from related foreign corporations	15,019,938	232,494	2,760	519	—	*1,081
Net income (less deficit), total	213,648,962	-183,641	-377,802	2,681,573	3,797,707	4,518,827
Income subject to tax, total	241,496,368	3,986,198	3,649,129	5,178,239	6,096,936	7,162,885
Income tax, total	102,257,851	1,669,902	675,764	1,046,776	1,425,222	2,035,914
Regular and alternative tax	100,644,417	1,615,433	658,711	1,021,323	1,396,835	1,999,555
Tax from recomputing prior-year investment credit	1,083,547	35,773	16,690	22,638	25,011	34,440
Additional tax for tax preferences	524,851	18,414	*37	*2,239	2,446	1,318
Foreign tax credit	21,828,686	687,629	*3,067	*3,868	2,166	4,686
U.S. possessions tax credit	1,945,637	3,888	275	468	314	4,061
Investment credit	18,887,286	99,992	155,899	221,840	287,382	366,895
Work incentive (WIN) credit	38,223	460	*985	3,547	1,470	1,872
Jobs credit	472,895	9,866	23,568	37,321	36,092	39,510
Nonconventional source fuel credit	*622	—	—	—	—	—
Alcohol fuel credit	*480	—	—	—	—	*32
Research activities credit	639,302	1,640	*617	*500	*2,078	4,640
Distributions to stockholders:						
Cash and property except in own stock	120,295,338	3,238,004	1,433,870	986,145	1,020,563	975,722
Corporation's own stock	3,634,323	61,380	*79,182	8,600	30,691	18,060

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 4. — Balance Sheets and Income Statements, by Size of Total Assets — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Size of total assets—Continued						
	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	**177,424**	**23,739**	**17,480**	**8,385**	**5,226**	**3,412**	**3,141**
Total assets	**361,000,303**	**165,091,661**	**275,266,279**	**296,242,293**	**372,028,106**	**540,443,289**	**6,165,189,292**
Cash	29,648,059	12,321,302	18,881,837	17,886,617	20,019,073	25,663,868	362,897,150
Notes and accounts receivable	81,335,773	42,114,454	81,115,951	96,268,078	109,836,103	125,185,476	1,635,845,752
Less: Allowance for bad debts	1,745,503	945,235	1,578,489	1,934,313	2,857,689	4,515,780	30,133,240
Inventories	76,795,073	29,715,399	34,048,504	23,822,654	26,140,504	37,456,609	294,193,790
Investments in Government obligations:							
United States	2,473,829	4,403,116	16,820,784	22,653,548	25,115,730	29,380,067	201,961,174
State and local	831,914	1,548,927	7,298,392	13,822,098	16,996,400	18,763,556	151,042,231
Other current assets	17,494,647	8,884,436	12,457,395	11,522,158	12,799,048	19,352,009	221,005,747
Loans to stockholders	3,981,671	1,063,049	1,103,502	754,771	829,846	1,419,474	11,827,892
Mortgage and real estate loans	5,330,190	4,055,735	14,765,089	29,733,463	63,118,992	120,448,345	690,849,066
Other investments	27,576,473	14,743,035	29,064,095	31,082,828	40,794,138	74,774,647	1,148,620,956
Depreciable assets	156,327,445	63,291,840	75,557,421	57,078,458	65,814,693	97,701,226	1,639,001,909
Less: Accumulated depreciation	71,965,764	28,113,538	31,221,024	21,909,503	24,739,144	34,901,305	545,309,806
Depletable assets	1,581,173	945,725	1,769,840	2,239,050	2,325,790	5,334,636	68,730,764
Less: Accumulated depletion	321,355	144,338	377,031	466,016	433,934	1,019,858	18,700,338
Land	18,710,578	5,678,811	6,487,040	4,571,919	4,596,902	5,993,069	34,338,414
Intangible assets (amortizable)	3,071,098	1,019,892	1,898,200	1,505,714	1,918,653	3,324,431	38,307,720
Less: Accumulated amortization	1,248,755	352,113	579,657	381,555	523,388	814,880	14,877,988
Other assets	11,123,757	4,861,163	7,754,431	7,992,324	10,276,388	16,897,698	275,588,098
Total liabilities	**361,000,303**	**165,091,661**	**275,266,279**	**296,242,293**	**372,028,106**	**540,443,289**	**6,165,189,292**
Accounts payable	57,761,361	23,181,639	26,928,248	18,681,938	19,868,012	28,940,077	389,604,227
Mortgages, notes, and bonds payable in less than one year	56,325,215	22,236,739	24,749,236	20,450,014	23,377,164	31,378,861	361,770,894
Other current liabilities	33,364,644	27,583,147	91,822,973	140,171,573	185,328,570	254,383,199	2,095,612,875
Loans from stockholders	12,720,673	3,057,873	2,649,485	2,101,603	2,173,807	3,021,458	44,114,994
Mortgages, notes, and bonds payable in one year or more	70,266,039	29,295,488	37,121,055	31,063,840	38,436,903	58,055,506	720,313,389
Other liabilities	13,882,416	8,054,217	14,092,861	15,128,110	19,513,644	40,223,289	949,766,755
Capital stock	24,971,175	10,601,190	16,288,869	13,580,762	14,574,894	21,784,600	386,485,294
Paid-in or capital surplus	18,306,391	9,047,279	17,141,628	18,402,947	27,432,926	42,523,240	519,615,637
Retained earnings, appropriated	2,477,676	910,249	1,607,125	1,688,099	2,154,291	3,336,949	31,971,090
Retained earnings, unappropriated	77,764,098	33,310,939	45,341,058	37,188,638	41,630,593	61,009,121	764,851,262
Less: Cost of treasury stock	6,839,385	2,187,099	2,476,258	2,215,232	2,462,698	4,213,011	98,917,124
Total receipts	**777,263,658**	**296,206,636**	**326,592,821**	**235,395,765**	**254,200,623**	**381,543,363**	**3,675,062,954**
Business receipts	751,835,939	283,993,576	303,707,457	208,817,267	220,673,427	332,451,700	3,126,515,041
Interest on Government obligations:							
United States	555,344	561,510	1,908,769	2,530,088	2,800,359	3,384,500	23,463,081
State and local	113,966	107,858	419,478	783,728	988,565	1,100,627	10,198,917
Other interest	6,001,617	4,057,379	10,856,643	15,618,306	21,348,853	30,964,893	320,260,725
Rents	5,399,502	1,909,891	2,202,631	1,592,651	1,784,330	2,206,255	30,635,470
Royalties	456,347	279,786	381,596	233,276	309,154	482,520	10,852,578
Net short-term capital gain reduced by net long-term capital loss	138,119	47,540	99,306	104,780	156,101	184,119	1,174,087
Net long-term capital gain reduced by net short-term capital loss	1,871,495	819,214	1,397,259	1,064,703	1,053,850	2,013,601	17,834,306
Net gain, noncapital assets	1,862,005	685,429	850,967	607,354	589,164	856,558	8,475,246
Dividends received from domestic corporations	626,769	337,692	592,049	485,556	695,836	1,191,971	12,973,678
Dividends received from foreign corporations	34,859	24,018	66,290	101,696	141,239	381,375	12,638,970
Other receipts	8,367,698	3,382,744	4,110,378	3,456,360	3,659,745	6,325,241	100,040,855
Total deductions	**763,471,796**	**289,411,735**	**316,725,656**	**227,207,053**	**245,521,068**	**370,110,552**	**3,531,687,098**
Cost of sales and operations	573,066,558	220,963,234	231,791,727	157,031,590	165,290,280	239,074,845	2,260,383,584
Compensation of officers	19,847,365	5,006,596	4,554,520	2,741,689	2,409,212	2,556,640	11,355,431
Repairs	4,194,127	1,396,830	1,679,050	1,158,989	1,338,249	2,339,177	50,445,937
Bad debts	2,227,869	883,588	1,094,091	888,286	907,765	1,299,114	11,593,058
Rent paid on business property	8,495,756	2,745,210	3,121,658	2,333,031	2,546,740	4,034,298	34,670,434
Taxes paid	13,855,608	5,342,914	5,826,751	4,269,944	4,652,626	6,936,059	103,042,405
Interest paid	16,158,310	7,705,793	13,764,596	16,817,780	22,405,743	32,121,757	323,225,156
Contributions or gifts	212,458	100,591	137,502	111,094	104,889	131,057	1,450,726
Amortization	327,944	135,283	230,615	172,439	212,217	425,847	2,584,585
Depreciation	14,722,983	5,643,721	6,683,143	4,906,727	5,493,476	7,872,512	118,252,142
Depletion	286,850	141,523	249,447	210,353	237,520	363,030	6,085,357
Advertising	5,202,120	2,022,772	2,488,386	2,225,146	2,466,038	4,018,319	32,969,526
Pension, profit-sharing, stock bonus, and annuity plans	3,856,259	1,234,694	1,414,625	1,035,382	1,213,660	2,060,894	31,848,176
Employee benefit programs	3,364,530	1,330,407	1,738,533	1,316,186	1,574,650	2,861,163	29,098,134
Net loss, noncapital assets	443,944	125,786	243,009	245,991	314,863	518,509	4,910,641
Other deductions	97,209,116	34,632,795	41,708,003	31,742,424	34,353,141	63,497,332	509,771,807
Total receipts less total deductions	13,791,863	6,794,901	9,867,165	8,188,712	8,679,554	11,432,811	143,375,855
Constructive taxable income from related foreign corporations	11,739	20,992	62,914	72,039	190,797	343,140	14,081,462
Net income (less deficit), total	13,689,636	6,708,036	9,510,601	7,477,023	7,881,786	10,675,323	147,258,401
Income subject to tax, total	19,206,560	8,602,423	11,598,616	8,550,620	9,271,402	12,876,406	145,284,790
Income tax, total	7,297,103	3,698,133	5,089,718	3,816,449	4,197,755	5,870,709	65,419,444
Regular and alternative tax	7,195,217	3,661,474	5,033,258	3,771,306	4,147,624	5,795,777	64,333,431
Tax from recomputing prior-year investment credit	78,804	28,839	35,247	27,515	31,446	50,960	695,953
Additional tax for tax preferences	22,064	7,470	20,750	17,572	18,564	23,659	390,060
Foreign tax credit	18,276	24,698	73,135	85,514	160,508	412,593	20,352,547
U.S. possessions tax credit	56,660	68,497	178,944	301,691	314,319	382,880	626,961
Investment credit	976,644	402,674	527,380	397,349	446,645	686,210	14,315,065
Work incentive (WIN) credit	6,776	1,892	2,353	2,005	2,007	2,282	12,571
Jobs credit	90,069	25,540	27,702	17,206	22,083	35,971	107,963
Nonconventional source fuel credit	—	—	*54	—	—	18	551
Alcohol fuel credit	*68	—	13	—	—	235	134
Research activities credit	24,141	12,504	16,424	18,600	18,527	27,925	511,705
Distributions to stockholders:							
Cash and property except in own stock	2,811,654	1,583,799	2,662,061	3,256,291	3,847,007	6,786,084	91,661,585
Corporation's own stock	188,000	79,257	170,164	178,297	278,503	355,907	2,186,282

*Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to total because of rounding and the deletion of data. See text for "Explanation of terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 5 — Balance Sheets and Income Statements, by Size of Total Assets

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Total returns with net income	Size of total assets				
		Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	**1,597,298**	**37,359**	**731,607**	**331,254**	**200,490**	**132,762**
Total assets	**5,979,621,364**	**—**	**28,880,921**	**53,866,199**	**70,887,720**	**93,119,303**
Cash	408,493,416	—	6,193,537	9,368,532	10,184,516	11,244,898
Notes and accounts receivable	1,694,365,801	—	3,632,338	9,370,387	14,050,264	20,957,982
Less: Allowance for bad debts	24,047,249	—	42,693	104,965	222,205	330,517
Inventories	429,774,592	—	3,306,190	8,671,828	12,441,945	18,507,780
Investments in Government obligations:						
United States	192,437,906	—	73,044	225,397	319,650	481,630
State and local	143,337,915	—	27,074	47,479	129,232	119,415
Other current assets	241,780,768	—	1,468,599	2,337,256	3,096,498	3,948,833
Loans to stockholders	20,502,005	—	1,907,935	2,188,358	1,859,947	1,533,056
Mortgage and real estate loans	218,690,963	—	284,765	845,322	1,237,016	1,364,490
Other investments	1,073,101,314	—	1,174,456	2,933,453	4,724,033	6,012,616
Depreciable assets	1,850,673,579	—	18,728,254	28,989,314	34,616,510	42,124,776
Less: Accumulated depreciation	669,056,568	—	10,316,616	15,936,504	17,887,159	21,051,661
Depletable assets	60,445,270	—	98,258	148,038	156,886	231,348
Less: Accumulated depletion	17,576,207	—	36,294	64,692	47,470	51,072
Land	64,990,409	—	1,016,224	2,665,015	3,894,561	5,044,713
Intangible assets (amortizable)	41,353,265	—	448,836	491,566	574,884	689,060
Less: Accumulated amortization	16,709,045	—	241,141	237,180	231,313	274,371
Other assets	267,063,232	—	1,158,154	1,927,596	1,989,927	2,566,327
Total liabilities	**5,979,621,364**	**—**	**28,880,921**	**53,866,199**	**70,887,720**	**93,119,303**
Accounts payable	481,463,468	—	3,292,394	6,903,221	9,789,018	14,189,208
Mortgages, notes, and bonds payable in less than one year	341,302,267	—	2,205,634	3,942,862	5,948,829	9,625,287
Other current liabilities	1,650,816,602	—	3,204,245	4,530,531	5,480,032	7,829,143
Loans from stockholders	57,464,400	—	3,623,226	4,199,937	3,833,497	3,996,761
Mortgages, notes, and bonds payable in one year or more	667,819,862	—	3,664,741	7,507,434	10,444,831	14,152,936
Other liabilities	876,937,980	—	691,152	1,567,736	2,013,821	2,423,064
Capital stock	435,710,969	—	5,066,161	6,347,103	6,724,607	7,738,198
Paid-in or capital surplus	515,238,840	—	1,217,907	1,751,963	2,180,629	3,424,757
Retained earnings, appropriated	32,180,195	—	156,556	252,370	373,438	602,548
Retained earnings, unappropriated	1,040,311,875	—	6,688,149	18,346,756	25,972,222	31,682,327
Less: Cost of treasury stock	119,625,075	—	929,226	1,483,734	1,873,203	2,544,924
Total receipts	**5,461,362,076**	**46,517,799**	**131,979,257**	**157,368,840**	**176,867,668**	**225,649,579**
Business receipts	4,924,810,699	28,473,270	128,562,412	152,425,698	170,551,678	218,674,490
Interest on Government obligations:						
United States	23,937,054	776,961	44,684	54,816	81,679	118,165
State and local	8,894,788	34,242	5,664	4,546	10,201	14,994
Other interest	273,418,103	14,733,982	565,718	932,960	1,285,962	1,649,625
Rents	40,453,218	289,615	760,813	1,230,130	1,625,637	1,791,721
Royalties	12,522,992	37,762	67,380	145,222	195,042	118,612
Net short-term capital gain reduced by net long-term capital loss	1,579,296	40,422	46,530	13,844	31,944	44,088
Net long-term capital gain reduced by net short-term capital loss	23,455,031	827,248	229,489	404,895	452,668	542,689
Net gain, noncapital assets	12,151,119	377,582	215,272	223,068	476,431	534,939
Dividends received from domestic corporations	14,022,552	84,632	39,930	82,187	96,617	128,956
Dividends received from foreign corporations	12,859,456	69,548	*2,833	6,029	3,248	3,025
Other receipts	113,257,771	772,537	1,438,535	1,845,445	2,056,560	2,028,275
Total deductions	**5,165,557,162**	**43,409,361**	**125,346,818**	**149,944,083**	**168,802,794**	**216,537,286**
Cost of sales and operations	3,530,190,166	21,052,659	63,424,935	92,776,838	112,852,139	154,805,162
Compensation of officers	89,235,596	490,577	18,641,454	12,912,328	10,526,274	9,470,105
Repairs	57,988,287	145,561	854,770	1,102,384	1,250,528	1,394,799
Bad debts	14,685,920	334,744	141,399	322,143	435,450	587,131
Rent paid on business property	59,066,990	531,072	4,274,394	3,851,391	3,320,530	3,308,850
Taxes paid	140,167,675	731,789	3,716,076	4,046,179	4,245,701	4,823,421
Interest paid	278,945,221	14,256,559	953,574	1,520,605	2,119,756	3,083,506
Contributions or gifts	2,460,900	12,477	37,085	51,874	62,644	69,858
Amortization	3,042,469	44,275	69,484	67,113	63,727	80,641
Depreciation	142,381,637	584,976	2,339,436	3,001,993	3,582,573	4,198,660
Depletion	5,741,668	27,434	22,634	39,787	53,120	36,899
Advertising	47,419,166	299,160	980,620	1,207,686	1,432,422	1,527,933
Pension, profit-sharing, stock bonus, and annuity plans	43,963,025	119,165	3,039,968	1,837,321	1,395,531	1,456,542
Employee benefit programs	35,694,068	140,318	745,890	623,888	758,437	849,260
Net loss, noncapital assets	1,784,959	16,703	28,902	27,855	22,162	39,796
Other deductions	712,789,421	4,621,889	26,076,197	26,554,699	26,681,801	30,804,724
Total receipts less total deductions	295,804,915	3,108,438	6,632,439	7,424,756	8,064,874	9,112,293
Constructive taxable income from related foreign corporations	14,530,651	26,755	2,760	—	—	*142
Net income, total	301,440,778	3,100,951	6,629,536	7,420,210	8,054,673	9,097,441
Income subject to tax, total	240,171,617	2,316,279	3,650,361	5,178,239	6,097,274	7,162,282
Income tax, total	101,989,453	888,041	671,101	1,040,603	1,420,876	2,028,910
Regular and alternative tax	100,580,974	853,073	659,272	1,021,323	1,397,013	1,999,327
Tax from recomputing prior-year investment credit	938,623	19,956	11,467	16,554	20,487	27,889
Additional tax for tax preferences	465,264	14,729	*37	*2,150	2,446	1,092
Foreign tax credit	21,827,707	43,096	*3,638	*3,868	2,166	4,686
U.S. possessions tax credit	1,945,637	3,466	274	468	507	3,868
Investment credit	18,862,325	57,245	155,899	221,840	287,382	366,895
Work incentive (WIN) credit	38,181	457	*985	3,547	1,470	1,872
Jobs credit	472,636	9,863	23,568	37,321	36,092	39,510
Nonconventional source fuel credit	*622	—	—	—	—	—
Alcohol fuel credit	*480	—	—	—	—	*32
Research activities credit	639,066	964	*617	*500	*2,078	4,640
Distributions to stockholders:						
Cash and property except in own stock	110,555,189	2,558,732	1,355,380	934,066	956,043	874,115
Corporation's own stock	3,022,616	*9,429	*71,827	8,583	26,422	17,391

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS WITH NET INCOME

Table 5 — Balance Sheets and Income Statements, by Size of Total Assets — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Item	Size of total assets — Continued						
	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Number of returns	**122,970**	**16,660**	**12,189**	**5,454**	**3,002**	**1,740**	**1,765**
Total assets	**249,627,592**	**115,902,418**	**192,039,209**	**194,530,891**	**219,598,017**	**287,043,010**	**4,474,125,696**
Cash	24,660,168	9,929,179	14,983,256	13,034,138	13,033,135	15,320,807	280,540,905
Notes and accounts receivable	61,194,752	32,390,559	62,884,051	70,835,146	75,454,620	85,466,876	1,258,128,826
Less: Allowance for bad debts	1,221,208	678,698	983,969	1,079,837	1,328,853	1,453,010	16,601,293
Inventories	53,122,986	21,071,847	24,291,582	17,107,322	19,706,948	28,215,414	223,330,749
Investments in Government obligations:							
United States	2,037,004	3,832,686	13,683,652	15,929,378	14,422,602	14,484,461	126,948,404
State and local	707,608	1,355,100	5,873,594	9,604,422	10,773,326	11,301,530	103,399,135
Other current assets	11,027,579	5,710,239	7,965,207	7,452,308	9,120,004	11,853,928	177,800,311
Loans to stockholders	2,714,939	701,584	631,821	436,291	725,836	959,699	6,842,539
Mortgage and real estate loans	3,361,017	2,119,475	4,396,511	6,301,561	9,660,318	10,861,528	178,258,959
Other investments	18,880,542	9,999,463	19,809,038	22,291,144	29,245,302	46,800,908	911,230,360
Depreciable assets	106,077,292	41,715,031	51,727,895	39,971,037	46,984,808	74,281,466	1,365,457,191
Less: Accumulated depreciation	51,305,107	19,136,527	22,572,924	16,310,569	18,508,030	28,338,685	447,692,784
Depletable assets	712,379	369,386	667,071	766,064	778,751	1,954,767	54,562,323
Less: Accumulated depletion	195,799	82,031	209,581	253,478	206,410	477,428	15,951,952
Land	10,369,696	3,211,418	3,623,281	2,747,533	2,752,307	3,436,169	26,229,493
Intangible assets (amortizable)	1,391,679	603,646	1,093,690	893,537	935,910	1,940,281	32,290,178
Less: Accumulated amortization	547,807	231,529	395,075	288,039	253,069	493,656	13,515,865
Other assets	6,639,872	3,021,592	4,570,111	5,092,932	6,300,514	10,927,956	222,868,220
Total liabilities	**249,627,592**	**115,902,418**	**192,039,209**	**194,530,891**	**219,598,017**	**287,043,010**	**4,474,125,696**
Accounts payable	41,103,846	16,547,274	18,818,208	12,609,951	14,357,490	21,320,449	322,532,409
Mortgages, notes, and bonds payable in less than one year	29,848,626	11,953,135	13,077,687	12,686,054	13,481,322	18,275,247	220,257,565
Other current liabilities	24,046,659	20,757,808	65,720,585	84,258,800	86,991,198	89,238,072	1,258,759,529
Loans from stockholders	5,507,879	1,317,896	1,036,011	801,965	1,299,669	1,132,768	30,714,791
Mortgages, notes, and bonds payable in one year or more	37,539,310	15,667,257	19,988,056	16,609,470	21,097,008	33,486,256	487,662,561
Other liabilities	8,978,106	5,324,430	8,394,984	10,300,952	12,581,009	24,547,738	800,114,628
Capital stock	16,182,009	6,996,188	11,145,104	9,737,136	10,355,001	15,880,544	339,538,916
Paid-in or capital surplus	8,331,664	4,868,868	9,647,050	12,414,538	18,746,857	29,778,396	422,876,212
Retained earnings, appropriated	2,011,189	779,752	1,220,618	1,015,517	1,169,317	1,596,607	23,002,283
Retained earnings, unappropriated	81,444,542	33,381,756	44,993,000	35,961,394	41,560,135	54,951,342	665,330,228
Less: Cost of treasury stock	5,366,239	1,691,945	2,002,095	1,864,885	2,040,989	3,164,409	96,663,427
Total receipts	**593,750,405**	**225,658,939**	**247,561,905**	**174,902,951**	**193,442,175**	**284,184,365**	**2,990,000,762**
Business receipts	575,108,906	216,564,883	230,940,800	156,990,567	173,397,599	258,666,071	2,601,621,652
Interest on Government obligations:							
United States	369,143	477,486	1,548,970	1,810,804	1,682,690	1,856,608	15,111,507
State and local	92,847	93,848	339,702	542,090	604,143	620,319	6,532,191
Other interest	4,550,930	3,130,088	7,934,028	10,016,895	11,263,094	13,240,186	203,925,650
Rents	3,803,326	1,238,462	1,408,166	958,771	1,352,796	1,163,937	24,820,241
Royalties	328,073	228,319	300,992	175,679	236,300	439,408	10,239,227
Net short-term capital gain reduced by net long-term capital loss	103,221	28,247	62,451	75,398	112,280	101,049	919,823
Net long-term capital gain reduced by net short-term capital loss	1,542,482	636,149	1,090,961	801,157	1,049,035	1,635,321	14,209,480
Net gain, noncapital assets	1,246,554	462,826	536,273	383,306	382,406	593,825	6,711,647
Dividends received from domestic corporations	573,396	280,746	534,319	418,500	675,096	978,217	10,119,301
Dividends received from foreign corporations	26,648	18,116	63,233	97,654	190,321	398,924	11,670,278
Other receipts	6,004,880	2,499,772	2,802,012	2,632,132	2,496,418	4,490,500	84,119,764
Total deductions	**569,826,526**	**214,925,625**	**232,889,749**	**163,184,101**	**179,900,119**	**266,431,932**	**2,822,361,446**
Cost of sales and operations	433,332,251	166,362,808	173,825,919	115,481,588	127,109,923	185,707,937	1,874,814,232
Compensation of officers	16,149,837	3,877,543	3,536,697	1,986,758	1,707,847	1,727,347	8,201,199
Repairs	3,019,179	1,038,414	1,241,659	865,677	1,088,612	2,010,605	43,796,011
Bad debts	1,427,115	541,608	652,896	524,514	564,984	653,170	8,496,176
Rent paid on business property	5,894,618	1,909,168	2,193,743	1,571,005	1,906,776	3,024,642	27,203,449
Taxes paid	10,502,236	3,970,833	4,471,799	3,451,757	3,746,651	5,404,531	90,379,801
Interest paid	8,845,259	4,431,704	8,163,598	9,303,112	10,299,465	12,298,964	203,475,685
Contributions or gifts	208,412	99,342	134,473	110,904	107,190	136,627	1,423,325
Amortization	172,508	74,832	133,174	90,158	142,630	176,585	1,927,097
Depreciation	10,208,336	3,901,438	4,614,732	3,486,170	4,051,412	5,937,527	96,123,402
Depletion	242,465	116,410	178,002	231,876	145,627	279,203	4,305,969
Advertising	3,563,283	1,491,751	1,825,090	1,695,701	1,952,371	2,996,885	28,429,045
Pension, profit-sharing, stock bonus, and annuity plans	3,418,516	1,061,184	1,182,084	832,236	1,032,184	1,807,011	26,724,112
Employee benefit programs	2,470,327	972,047	1,254,117	966,473	1,161,057	2,446,812	23,263,311
Net loss, noncapital assets	125,277	56,794	85,791	88,439	111,315	105,701	1,076,191
Other deductions	70,246,908	25,019,749	29,395,975	22,497,732	24,772,077	41,718,384	382,722,441
Total receipts less total deductions	23,923,879	10,733,314	14,672,156	11,718,850	13,542,056	17,752,432	167,639,315
Constructive taxable income from related foreign corporations	8,511	18,425	58,867	70,776	205,865	371,518	13,563,749
Net income, total	23,839,544	10,657,891	14,391,322	11,247,536	13,143,778	17,503,631	174,670,872
Income subject to tax, total	19,207,383	8,611,359	11,597,951	8,698,323	10,093,131	13,257,016	142,630,102
Income tax, total	7,283,392	3,696,946	5,080,777	3,879,313	4,533,569	6,018,687	64,680,331
Regular and alternative tax	7,195,523	3,665,497	5,033,100	3,836,984	4,487,561	5,955,607	63,713,552
Tax from recomputing prior-year investment credit	65,584	23,784	28,159	23,082	28,538	39,627	631,357
Additional tax for tax preferences	21,268	7,342	19,195	19,191	17,351	23,415	335,421
Foreign tax credit	18,321	24,698	64,142	106,293	210,453	480,545	20,221,268
U.S. possessions tax credit	56,660	68,497	178,944	301,691	314,319	382,880	626,961
Investment credit	976,993	403,414	528,157	403,590	484,378	728,528	14,201,985
Work incentive (WIN) credit	6,776	1,892	2,368	2,015	2,020	2,281	12,492
Jobs credit	90,153	25,553	27,632	17,314	22,514	35,663	107,446
Nonconventional source fuel credit	—	—	*54	—	—	18	551
Alcohol fuel credit	*68	—	13	—	—	235	134
Research activities credit	24,141	12,504	16,490	18,788	20,818	29,280	507,570
Distributions to stockholders:							
Cash and property except in own stock	2,714,397	1,484,351	2,420,081	3,027,374	3,518,330	6,328,991	83,972,651
Corporation's own stock	166,920	72,468	153,656	152,931	216,120	291,381	1,834,029

*Estimate should be used with caution because of the small number of sample returns on which it is based.
NOTE: Detail may not add to total because of rounding and the deletion of data. See text for "Explanation of terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 6 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Total Assets

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of total assets											
		Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
All Industrial Divisions													
Number of returns	2,812,420	114,240	1,455,263	515,966	295,683	192,441	177,424	23,739	17,480	8,385	5,226	3,412	3,141
Total assets	8,547,161,872	—	49,712,690	83,108,897	104,273,577	134,805,485	361,000,303	165,091,661	275,266,279	296,242,293	372,028,106	540,443,289	6,165,189,292
Notes and accounts receivable, net	2,194,992,167	—	6,273,262	13,899,133	19,353,675	27,474,756	79,590,270	41,169,219	79,537,462	94,333,765	106,978,414	120,669,696	1,605,712,512
Inventories	588,219,956	—	6,449,820	13,524,120	18,992,260	27,081,223	76,795,073	29,715,399	34,048,504	23,822,654	26,140,504	37,456,609	294,193,790
Cash, Government obligations and other current assets	1,368,821,715	—	11,421,534	15,735,064	17,522,407	20,197,597	50,448,449	27,157,781	55,458,408	65,884,421	74,930,251	93,159,500	936,906,302
Other investments and loans	2,353,959,802	—	5,310,402	8,824,396	11,054,838	12,832,907	36,888,334	19,861,819	44,932,686	61,571,062	104,742,976	196,642,466	1,851,297,914
Depreciable assets	2,352,655,342	—	34,114,593	46,768,462	52,760,256	64,239,039	156,327,445	63,291,840	75,557,421	57,078,458	65,814,693	97,701,226	1,639,001,909
Less: Accumulated depreciation	857,772,979	—	18,560,166	24,314,634	26,007,930	30,730,164	71,965,764	28,113,538	31,221,024	21,909,503	24,739,144	34,901,305	545,309,806
Other capital assets less reserves	198,907,521	—	2,479,429	5,470,704	7,321,611	9,527,564	21,792,739	7,147,977	9,198,392	7,469,112	7,884,023	12,817,398	107,798,572
Accounts and notes payable	1,205,916,970	—	13,603,696	20,091,546	27,445,832	39,522,273	114,086,576	45,418,378	51,677,484	39,131,952	43,245,176	60,318,938	751,375,121
Other current liabilities	2,859,839,215	—	5,776,978	6,785,730	7,986,887	11,022,637	33,364,644	27,583,147	91,822,973	140,171,573	185,328,570	254,383,199	2,095,612,875
Mortgages, notes, and bonds payable in one year or more	1,058,070,877	—	9,788,689	16,191,521	20,737,673	26,800,774	70,266,039	29,295,488	37,121,055	31,063,840	38,436,903	58,055,506	720,313,389
Net worth	2,243,940,780	—	7,236,808	27,652,579	36,750,327	45,613,853	116,679,955	51,682,558	77,902,422	68,645,214	83,330,006	124,440,899	1,604,006,159
Cost of property used for investment credit	262,774,426	2,177,758	4,669,408	5,410,253	6,041,402	7,073,778	17,462,419	7,318,147	8,806,335	6,754,462	7,188,082	11,040,182	178,801,175
Total receipts	7,026,351,839	93,807,569	212,281,029	225,289,170	245,168,357	302,616,587	777,263,658	296,206,636	326,592,821	235,395,765	254,200,623	381,543,363	3,675,062,954
Business receipts	6,244,678,064	60,516,118	206,662,812	218,525,319	236,838,856	293,234,220	751,835,939	283,993,576	303,707,457	208,817,267	220,673,427	332,451,700	3,126,515,041
Cost of sales and operations	4,509,198,199	43,441,554	107,006,553	136,650,000	161,754,672	212,018,401	573,066,558	220,963,234	231,791,727	157,031,590	165,290,280	239,074,845	2,260,383,584
Taxes paid	170,470,926	2,048,587	6,196,138	5,941,549	5,827,682	6,513,134	13,855,608	5,342,914	5,826,751	4,269,944	4,652,626	6,936,059	103,042,405
Interest paid	476,964,684	29,210,443	2,220,918	3,320,595	4,214,062	5,777,952	16,158,310	7,705,793	13,764,596	16,817,780	22,405,743	32,121,757	323,225,156
Depreciation	186,195,048	1,589,993	4,326,424	4,939,739	5,434,331	6,284,519	14,722,983	5,643,721	6,683,143	4,906,727	5,493,476	7,872,512	118,252,142
Pension, profit-sharing, stock bonus, and annuity plans	52,952,583	280,416	4,340,619	2,373,950	1,606,723	1,683,383	3,856,259	1,234,694	1,414,625	1,035,382	1,213,660	2,060,894	31,848,176
Employee benefit programs	45,795,892	268,534	1,078,400	901,827	1,049,574	1,196,406	3,364,530	1,330,407	1,738,533	1,316,186	1,574,650	2,861,163	29,098,134
Net income (less deficit)	213,648,962	- 183,641	- 377,802	2,681,573	3,797,707	4,518,827	13,689,636	6,708,036	9,510,601	7,477,023	7,881,786	10,675,323	147,258,401
Income subject to tax	241,496,368	3,986,198	3,649,129	5,178,239	6,096,936	7,162,885	19,206,560	8,602,423	11,598,616	8,550,620	9,271,402	12,876,406	145,284,790
Income tax, total	102,257,851	1,669,902	675,764	1,046,776	1,425,222	2,035,914	7,297,103	3,698,133	5,089,718	3,816,449	4,197,755	5,870,709	65,419,444
Additional tax for tax preferences	524,851	18,414	*37	*2,239	2,446	1,318	22,064	7,470	20,750	17,572	18,564	23,659	390,060
Foreign tax credit	21,828,686	687,629	*3,067	*3,868	2,166	4,686	18,276	24,698	73,135	85,514	160,508	412,593	20,352,547
Investment credit	18,887,286	99,992	155,899	221,840	287,382	366,895	976,644	402,674	527,380	397,349	446,645	686,210	14,315,065
Work incentive (WIN) credit	38,223	460	*985	3,547	1,470	1,872	6,776	1,892	2,353	2,005	2,007	2,282	12,571
Jobs credit	472,895	9,866	23,568	37,321	36,092	39,510	90,069	25,540	27,702	17,206	22,083	35,971	107,963
Research activities credit	639,302	1,640	*617	*500	*2,078	4,640	24,141	12,504	16,424	18,600	18,527	27,925	511,705
Distributions to stockholders except in own stock	120,295,338	3,238,004	1,433,870	986,145	1,020,563	975,722	2,811,654	1,583,799	2,662,061	3,256,291	3,847,007	6,786,084	91,661,585
Agriculture, Forestry, and Fishing													
Number of returns	85,370	2,581	27,200	18,674	16,207	11,472	8,437	511	203	54	21	5	6
Total assets	46,081,067	—	1,002,014	3,173,860	5,822,063	8,011,408	15,063,980	3,355,363	2,878,408	1,764,946	1,406,780	778,949	2,823,295
Notes and accounts receivable, net	3,857,192	—	59,258	168,894	246,689	441,601	1,176,222	465,206	421,298	252,421	188,156	70,327	367,121
Inventories	4,592,776	—	60,144	216,857	302,061	633,319	1,459,185	438,980	374,314	224,641	228,051	108,047	547,178
Cash, Government obligations and other current assets	4,381,203	—	162,281	378,046	640,038	732,280	1,261,624	377,284	267,191	205,610	148,896	47,811	160,141
Other investments and loans	5,671,904	—	80,156	241,088	434,122	782,885	1,506,865	530,178	431,491	300,026	224,508	264,797	875,786
Depreciable assets	27,314,533	—	1,003,342	2,606,050	4,314,664	5,075,576	8,195,402	1,470,008	1,498,988	702,448	784,857	348,311	1,314,888
Less: Accumulated depreciation	12,813,274	—	551,772	1,322,596	2,071,541	2,447,828	3,712,494	705,936	612,830	277,229	318,672	146,781	645,594
Other capital assets less reserves	11,050,098	—	155,303	773,678	1,655,371	2,345,037	4,430,737	671,440	401,140	306,940	120,680	72,939	116,834
Accounts and notes payable	10,691,856	—	263,197	546,343	1,108,309	1,870,729	3,478,025	1,048,144	926,173	510,438	346,244	112,924	481,329
Other current liabilities	1,912,713	—	46,060	104,547	115,049	280,847	516,765	200,325	137,006	139,196	130,089	59,269	183,557
Mortgages, notes, and bonds payable in one year or more	14,855,225	—	276,464	787,353	1,801,496	2,640,649	5,635,482	1,013,623	960,904	462,424	489,704	253,213	533,913
Net worth	13,588,420	—	50,147	1,119,496	2,018,865	2,391,683	4,069,066	758,439	587,842	491,247	325,147	322,827	1,453,662
Cost of property used for investment credit	2,853,215	24,668	113,892	320,091	510,322	575,068	812,857	122,571	137,466	76,759	65,282	32,703	61,538
Total receipts	65,061,959	564,853	2,978,403	5,929,097	6,615,913	9,445,651	16,127,740	7,617,551	4,133,496	2,585,437	2,339,716	1,052,185	5,671,917
Business receipts	60,907,045	401,251	2,867,108	5,648,757	6,098,364	8,815,497	14,925,218	7,288,888	3,834,366	2,412,847	2,209,230	960,602	5,444,918
Cost of sales and operations	45,552,234	313,800	1,653,490	3,997,379	4,000,195	6,497,458	11,305,916	6,582,020	3,209,901	1,794,908	1,662,091	702,924	3,832,152
Taxes paid	1,248,438	17,190	97,059	131,978	170,134	195,397	301,082	63,777	53,467	38,964	36,451	20,481	122,459
Interest paid	2,738,463	58,827	76,894	150,324	317,307	452,590	888,659	210,073	183,953	118,078	86,043	55,448	140,267
Depreciation	2,532,362	38,713	119,082	281,428	422,642	486,932	713,797	135,304	131,448	57,488	72,485	22,845	50,197
Pension, profit-sharing, stock bonus, and annuity plans	182,729	*605	*19,358	16,241	18,997	21,262	49,892	11,084	6,570	6,979	8,221	5,329	18,191
Employee benefit programs	168,501	1,076	14,430	12,286	22,798	24,031	37,472	13,124	11,184	6,998	7,997	3,613	13,492
Net income (less deficit)	328,308	- 46,838	- 17,649	32,695	99,666	- 53,722	57,826	24,317	10,450	55,655	28,796	1,843	135,271
Income subject to tax	1,728,769	14,157	77,794	124,674	253,353	262,360	447,378	133,366	100,882	68,228	53,089	29,672	163,816
Income tax, total	557,892	5,239	16,642	24,662	55,765	69,427	148,542	56,674	40,091	28,465	24,700	12,392	75,293
Additional tax for tax preferences	2,261	—	—	—	—	*43	1,118	*63	399	554	70	14	—
Foreign tax credit	3,206	—	—	—	—	—	*167	*3	*41	2,258	—	—	737
Investment credit	128,799	*1,964	4,425	10,225	22,753	22,124	37,816	6,107	8,302	4,396	3,642	3,013	4,032
Work incentive (WIN) credit	184	—	—	—	—	—	*85	*22	*15	9	—	52	—
Jobs credit	3,659	—	*117	*566	*438	*347	836	*228	*648	68	34	364	14
Research activities credit	1,118	—	—	—	—	*12	*772	*1	*26	37	73	**	197
Distributions to stockholders except in own stock	512,027	*10,802	54,043	30,582	29,311	34,364	77,416	163,737	13,965	15,779	16,688	34,829	30,510

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 6 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Total Assets — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of total assets: Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Mining													
Number of returns	33,363	***	***	5,878	4,212	3,661	4,311	784	579	233	123	70	80
Total assets	168,908,241	—	***	960,658	1,565,993	2,648,872	9,703,520	5,427,590	9,170,779	8,246,965	8,946,627	11,381,962	110,514,015
Notes and accounts receivable, net	30,675,427	—	***	149,769	272,110	486,893	1,694,651	1,006,418	1,498,759	1,493,119	1,416,996	1,886,411	20,707,550
Inventories	8,186,285	—	***	40,052	43,174	138,016	355,917	247,208	376,143	355,327	396,881	547,194	5,675,935
Cash, Government obligations and other current assets	14,846,406	—	***	228,406	292,819	469,085	1,441,081	942,468	1,362,399	988,960	936,962	1,047,069	7,045,236
Other investments and loans	43,156,566	—	***	110,134	200,311	295,933	996,665	449,476	1,123,772	934,511	1,340,059	1,682,847	35,981,657
Depreciable assets	72,142,890	—	***	715,239	1,079,410	1,678,393	6,023,088	2,885,555	4,716,442	3,746,318	4,227,821	4,307,350	42,513,124
Less: Accumulated depreciation	26,965,628	—	***	381,261	527,530	770,188	2,656,657	1,125,447	1,862,765	1,441,602	1,450,070	1,401,418	15,201,005
Other capital assets less reserves	19,995,792	—	***	57,559	159,138	272,219	1,358,094	761,226	1,397,954	1,717,171	1,518,605	2,514,010	10,214,199
Accounts and notes payable	31,392,227	—	***	323,032	503,599	865,536	2,508,626	1,470,788	2,221,261	1,877,599	1,859,110	2,066,549	17,559,142
Other current liabilities	10,620,871	—	***	66,273	120,674	207,970	671,364	512,059	655,065	707,993	667,685	936,049	6,059,567
Mortgages, notes, and bonds payable in one year or more	39,167,648	—	***	118,220	372,719	606,714	2,188,513	1,210,210	2,198,562	2,111,464	2,292,505	3,288,364	24,616,386
Net worth	70,466,033	—	***	233,704	310,949	551,681	3,285,528	1,785,275	3,154,922	2,783,885	3,173,696	3,795,569	51,515,425
Cost of property used for investment credit	11,243,227	***	***	178,182	222,187	415,761	1,471,332	745,212	1,053,712	861,848	701,189	871,922	4,300,522
Total receipts	200,194,751	***	***	1,874,583	2,240,385	4,177,462	10,580,966	5,201,617	6,712,381	6,159,320	5,184,475	8,544,635	146,808,514
Business receipts	189,552,446	***	***	1,775,057	2,036,330	3,934,134	9,769,113	4,855,326	6,066,824	5,531,847	4,663,120	7,788,789	140,736,838
Cost of sales and operations	150,193,394	***	***	776,825	1,113,370	2,382,935	5,718,231	3,158,689	3,817,297	3,494,923	2,773,874	5,654,535	119,993,149
Taxes paid	4,525,187	***	***	97,866	85,870	163,313	403,158	168,685	232,485	264,098	224,189	287,978	2,472,475
Interest paid	6,051,461	***	***	31,279	62,277	147,103	395,367	204,071	362,690	375,687	405,218	547,326	3,303,255
Depreciation	6,078,518	***	***	89,892	136,360	218,744	698,908	306,166	462,562	372,829	373,561	393,137	2,839,836
Pension, profit-sharing, stock bonus, and annuity plans	849,197	***	***	*16,500	40,788	12,039	49,000	17,171	27,332	24,066	23,986	18,743	613,523
Employee benefit programs	668,161	***	***	9,049	14,328	7,577	55,461	20,418	31,229	33,368	45,798	49,960	393,407
Net income (less deficit)	5,620,746	***	***	- 42,226	- 35,975	13,572	- 44,080	137,960	- 30,070	7,225	- 118,159	104,016	5,995,779
Income subject to tax	9,479,222	***	***	53,491	101,575	162,592	570,059	293,345	416,373	380,275	357,014	466,866	6,533,758
Income tax, total	4,245,279	***	***	11,485	28,107	52,094	241,548	128,594	193,034	179,774	167,414	210,232	2,977,112
Additional tax for tax preferences	94,308	***	***	*1,304	*2,149	659	15,156	4,609	11,664	7,537	10,166	5,425	34,404
Foreign tax credit	1,958,994	***	***	*892	—	—	*124	*4,403	13,769	14,028	37,954	84,939	1,800,720
Investment credit	582,564	***	***	4,518	10,299	17,441	69,701	29,613	47,138	37,850	27,417	33,842	296,753
Work incentive (WIN) credit	385	***	***	—	—	—	*313	—	(1)	3	48	2	19
Jobs credit	5,752	***	***	*46	*117	*227	969	*135	337	569	111	427	56
Research activities credit	11,425	***	***	—	—	—	*39	*94	*17	572	230	260	10,171
Distributions to stockholders except in own stock	3,278,771	***	***	*23,172	40,134	43,616	113,516	56,823	37,390	109,123	77,031	69,136	2,602,429
Construction													
Number of returns	276,395	8,101	142,645	53,132	30,589	20,837	17,810	1,934	932	242	99	49	25
Total assets	150,764,144	—	4,480,732	8,586,774	10,908,251	14,747,124	36,036,982	13,267,537	13,749,526	8,325,977	7,684,862	6,867,058	26,109,322
Notes and accounts receivable, net	37,977,456	—	879,001	1,984,460	2,746,255	3,992,115	10,431,400	3,471,097	3,781,088	2,204,367	1,894,769	1,672,367	4,920,537
Inventories	23,059,162	—	407,848	1,229,609	2,014,886	2,879,431	5,981,649	2,343,006	2,502,881	1,399,730	1,349,291	1,373,800	1,577,031
Cash, Government obligations and other current assets	30,520,704	—	944,331	1,888,658	2,247,248	3,025,840	7,828,441	3,289,387	3,355,980	1,894,513	1,427,586	1,192,179	3,426,539
Other investments and loans	16,036,912	—	519,623	780,055	955,271	1,125,818	3,142,819	1,094,810	1,175,632	765,211	1,162,803	994,583	4,320,288
Depreciable assets	53,115,624	—	3,407,443	4,440,587	4,867,695	6,037,144	13,265,696	4,821,740	4,202,289	2,416,414	1,832,349	1,789,346	6,034,922
Less: Accumulated depreciation	26,747,129	—	1,989,212	2,333,734	2,689,476	3,198,055	7,135,693	2,683,499	2,236,167	1,184,065	815,161	765,197	1,716,871
Other capital assets less reserves	5,888,103	—	192,045	389,104	499,439	537,836	1,350,718	418,445	588,925	412,153	175,944	263,695	1,059,800
Accounts and notes payable	45,625,560	—	1,802,311	2,594,322	3,697,750	5,410,936	12,797,660	4,456,433	4,442,090	2,533,145	1,809,922	1,656,110	4,424,881
Other current liabilities	23,267,512	—	472,083	766,982	1,077,993	1,961,320	5,771,719	2,351,599	2,864,487	1,854,048	1,725,851	1,120,538	3,300,892
Mortgages, notes, and bonds payable in one year or more	21,596,688	—	613,936	1,260,640	1,601,964	1,889,301	5,163,853	1,941,532	1,718,769	1,338,531	1,253,289	1,093,119	3,721,751
Net worth	37,068,892	—	368,284	2,899,943	3,517,158	4,318,265	9,038,990	2,918,129	3,044,294	1,407,826	1,547,502	1,398,141	6,610,359
Cost of property used for investment credit	6,168,650	47,674	434,494	628,780	622,632	703,357	1,529,780	515,334	437,730	235,493	198,621	227,077	587,678
Total receipts	280,172,375	1,649,611	23,725,514	26,259,618	27,282,609	32,709,459	71,477,299	21,691,649	20,639,218	10,888,402	8,720,422	8,187,673	26,940,899
Business receipts	270,543,236	1,544,370	23,233,436	25,753,115	26,682,234	31,947,296	69,312,060	20,850,156	19,725,101	10,298,720	8,218,263	7,627,489	25,350,995
Cost of sales and operations	214,612,975	1,246,520	15,912,476	18,374,935	19,901,348	24,562,213	56,465,063	17,512,672	16,924,220	9,046,400	7,232,435	6,657,291	20,777,403
Taxes paid	5,838,281	33,752	709,608	717,854	679,734	814,744	1,457,995	409,250	339,920	146,383	103,346	108,215	317,479
Interest paid	5,318,285	49,893	248,110	332,353	438,296	533,238	1,249,836	421,518	403,218	286,814	263,055	241,666	850,288
Depreciation	5,555,171	38,737	506,008	601,571	562,585	698,939	1,394,391	453,351	371,908	192,472	153,519	164,668	417,022
Pension, profit-sharing, stock bonus, and annuity plans	1,538,917	7,260	42,175	82,815	200,566	200,443	483,747	110,157	113,891	52,224	28,210	37,190	180,239
Employee benefit programs	1,497,005	7,292	152,333	146,024	180,842	153,391	397,940	95,934	83,162	56,878	32,860	42,213	148,136
Net income (less deficit)	3,455,058	- 43,099	- 201,186	305,512	244,692	392,893	1,008,561	447,712	453,604	133,400	151,271	67,708	493,989
Income subject to tax	6,610,988	52,139	284,310	603,248	610,216	709,284	1,728,283	600,837	646,942	283,109	209,506	205,984	677,130
Income tax, total	2,360,800	16,244	50,767	125,418	147,411	200,456	652,947	256,251	285,892	128,032	92,939	92,134	312,310
Additional tax for tax preferences	8,158	8	—	—	—	—	239	235	571	962	348	963	4,832
Foreign tax credit	107,742	—	—	—	*7	—	*132	*56	2,245	1,202	2,554	808	100,738
Investment credit	334,691	1,637	15,449	27,443	29,535	36,375	95,057	31,574	27,704	13,134	14,352	13,463	28,967
Work incentive (WIN) credit	1,365	—	—	*582	*180	*29	436	*24	76	—	8	10	20
Jobs credit	44,015	*679	1,739	6,223	8,865	7,341	12,451	2,265	1,963	579	364	765	783
Research activities credit	2,864	—	—	*102	—	*32	*939	*82	105	54	72	29	1,450
Distributions to stockholders except in own stock	889,557	110,449	68,221	120,505	88,264	36,752	87,376	49,053	44,990	25,160	37,744	24,023	197,021

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

Table 6 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Total Assets — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of total assets: Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Manufacturing													
Number of returns	251,294	8,285	87,673	47,315	34,825	26,861	33,512	5,895	3,662	1,277	753	541	672
Total assets	1,933,710,383	—	3,327,645	7,803,671	12,398,186	18,884,722	72,382,795	41,072,037	56,729,389	44,229,021	55,510,173	90,881,425	1,530,491,319
Notes and accounts receivable, net	419,235,309	—	683,676	1,964,716	3,244,143	5,093,374	18,619,633	9,963,570	13,055,612	9,931,221	11,803,637	17,955,111	326,920,616
Inventories	285,204,131	—	530,761	1,411,974	2,635,637	4,205,150	18,543,890	10,919,751	14,920,275	11,018,968	13,287,942	18,975,864	188,753,919
Cash, Government obligations and other current assets	146,208,601	—	643,611	1,269,745	1,979,395	2,670,828	9,486,294	5,024,511	6,625,896	5,224,436	6,243,175	8,931,801	98,108,906
Other investments and loans	390,998,497	—	182,383	449,813	604,568	1,041,486	3,811,376	2,384,291	4,475,216	4,229,169	6,037,890	12,407,742	355,374,563
Depreciable assets	931,304,424	—	2,626,773	4,871,329	7,342,258	10,795,579	37,381,724	21,965,534	26,969,713	20,045,004	24,817,350	43,462,086	731,027,075
Less: Accumulated depreciation	406,408,697	—	1,534,011	2,604,353	3,954,006	5,822,229	19,084,623	11,096,721	12,423,490	8,820,982	10,668,673	18,107,233	312,292,378
Other capital assets less reserves	80,422,399	—	79,670	165,620	225,103	451,919	2,015,441	997,377	1,558,057	1,295,484	1,729,529	3,082,395	68,821,804
Accounts and notes payable	374,158,172	—	1,134,199	2,360,095	3,500,415	5,661,247	21,010,256	11,492,197	13,544,523	8,999,412	9,984,853	15,500,085	280,970,889
Other current liabilities	179,227,946	—	449,570	744,929	1,193,055	1,760,950	7,413,849	4,060,370	5,500,762	4,284,146	5,574,469	9,408,489	138,837,357
Mortgages, notes, and bonds payable in one year or more	337,893,659	—	625,677	1,399,624	2,030,521	2,999,016	11,063,956	6,420,122	9,402,085	7,263,717	9,886,936	17,981,148	268,820,858
Net worth	848,217,303	—	216,654	2,293,231	4,492,750	7,198,625	29,223,512	17,367,508	25,593,739	21,503,847	26,629,593	41,928,978	671,768,865
Cost of property used for investment credit	112,394,188	751,138	285,676	651,982	970,654	1,011,153	4,146,309	2,272,694	2,786,237	2,111,105	2,623,387	4,572,819	85,705,417
Total receipts	2,613,512,581	26,693,550	12,461,160	21,508,828	31,756,033	44,711,486	160,916,053	86,173,929	102,675,302	73,110,012	82,098,008	133,428,098	1,837,170,788
Business receipts	2,487,695,859	25,315,272	12,290,524	21,252,119	31,308,880	44,063,919	158,275,996	84,463,907	100,109,796	70,933,049	79,209,594	128,516,768	1,731,160,138
Cost of sales and operations	1,822,985,043	18,893,574	7,278,560	13,721,201	21,496,898	309,640,371	115,172,740	63,760,858	74,282,865	51,816,287	56,841,054	92,409,303	1,275,713,493
Taxes paid	80,908,638	890,046	431,609	631,519	851,825	1,107,640	3,641,992	1,907,282	2,022,562	1,565,517	1,901,838	2,940,857	63,000,431
Interest paid	73,084,336	381,641	215,770	320,999	480,270	711,129	2,981,656	1,858,028	2,287,242	1,625,632	2,100,785	3,269,158	56,836,426
Depreciation	76,600,966	542,759	380,664	557,831	758,639	1,058,928	3,368,523	1,832,235	2,280,874	1,682,422	2,029,054	3,491,474	58,575,943
Pension, profit-sharing, stock bonus, and annuity plans	23,863,332	1,070,072	52,820	158,374	171,678	310,490	1,055,575	497,188	582,297	437,433	571,312	1,103,005	18,812,460
Employee benefit programs	25,521,189	96,743	76,324	109,216	188,196	281,520	1,101,528	553,444	838,006	621,504	790,993	1,406,267	19,439,902
Net income (less deficit)	116,775,393	2,102,009	- 292,791	17,758	297,786	839,581	4,279,082	2,378,047	3,784,514	3,460,409	3,990,076	6,056,528	89,857,649
Income subject to tax	133,416,116	2,366,006	157,679	486,914	796,438	1,381,453	5,965,868	3,479,648	4,867,442	4,212,604	4,735,395	7,150,825	97,790,660
Income tax, total	59,554,935	1,030,175	28,814	94,890	185,514	415,751	2,374,679	1,529,719	2,188,158	1,918,557	2,163,983	3,281,324	44,331,778
Additional tax for tax preferences	229,029	7,611	—	—	*25	*163	576	524	1,637	2,228	2,677	7,687	205,644
Foreign tax credit	17,736,817	669,790	—	—	—	*133	6,381	8,684	25,791	42,112	97,953	236,907	16,649,065
Investment credit	9,144,667	64,018	8,734	27,240	47,811	78,921	290,689	146,604	201,957	157,807	191,616	311,732	7,615,054
Work incentive (WIN) credit	20,579	*434	*160	*624	*428	974	2,793	1,318	1,468	954	987	1,386	9,052
Jobs credit	154,776	3,234	*1,194	3,102	5,508	10,469	32,923	10,751	12,082	7,892	10,467	13,137	44,014
Research activities credit	514,218	1,165	—	*98	*551	2,405	17,230	7,841	13,086	14,684	14,895	22,383	419,881
Distributions to stockholders except in own stock	41,434,134	1,011,972	49,574	75,564	163,016	120,774	469,851	319,790	549,545	815,961	774,439	2,131,818	34,936,681
Transportation and public utilities													
Number of returns	109,127	6,675	54,222	19,183	12,120	7,594	7,101	895	599	234	122	103	278
Total assets	837,300,816	—	1,792,834	3,078,526	4,268,408	5,415,755	14,269,065	6,062,448	9,198,460	8,526,306	8,822,886	16,597,802	759,268,326
Notes and accounts receivable, net	74,086,798	—	277,878	533,956	841,013	1,003,965	2,412,592	1,063,592	1,557,882	1,381,499	1,324,129	2,075,808	61,614,484
Inventories	31,851,445	—	19,103	103,184	82,232	117,505	355,455	129,606	257,228	248,955	415,893	761,956	29,324,327
Cash, Government obligations and other current assets	42,894,103	—	364,205	510,306	705,302	790,135	2,116,908	833,547	1,148,437	886,641	717,894	1,241,383	33,579,344
Other investments and loans	74,300,271	—	129,490	268,469	268,779	280,963	1,032,409	489,505	761,632	1,026,874	801,875	1,281,720	67,958,556
Depreciable assets	764,617,497	—	1,802,186	2,934,442	4,064,863	4,854,832	12,917,726	5,044,661	7,777,822	6,940,725	7,233,251	13,960,839	697,086,153
Less: Accumulated depreciation	192,723,415	—	942,910	1,565,235	2,067,493	2,213,312	5,791,703	1,963,486	3,207,168	2,713,675	2,484,306	4,157,984	165,616,142
Other capital assets less reserves	13,237,684	—	50,782	143,478	187,754	311,339	565,711	182,211	446,426	304,559	312,617	430,061	10,302,747
Accounts and notes payable	90,069,538	—	532,499	749,911	1,116,233	1,301,288	3,498,084	1,339,152	1,797,234	1,622,324	1,694,249	2,449,574	73,968,991
Other current liabilities	71,822,148	—	173,944	192,679	347,871	334,263	1,034,866	430,428	777,100	80,248	177,467	162,280	3,830,310
Mortgages, notes, and bonds payable in one year or more	226,827,497	—	430,990	799,726	1,135,953	1,653,776	4,460,410	1,976,818	2,834,915	2,827,246	2,927,464	5,472,173	202,308,025
Net worth	320,862,586	—	69,336	793,979	1,207,993	1,574,563	4,076,090	1,790,353	2,897,430	2,733,523	2,505,709	5,155,429	298,058,182
Cost of property used for investment credit	69,458,905	174,784	257,119	445,438	570,649	713,989	1,656,472	784,215	900,055	800,380	771,231	1,279,381	61,097,992
Total receipts	598,507,994	2,654,581	6,712,195	8,137,379	10,162,110	10,421,531	24,151,619	8,718,979	11,779,374	10,537,930	11,305,236	17,096,852	476,717,582
Business receipts	575,602,089	2,525,680	6,560,669	7,860,513	9,757,100	10,179,292	23,277,561	8,339,145	11,290,940	10,035,955	10,878,829	16,347,486	458,439,371
Cost of sales and operations	358,354,512	1,757,356	4,000,654	4,696,025	5,677,775	6,263,145	14,313,435	5,380,699	7,169,463	6,421,975	7,653,231	11,102,101	283,827,803
Taxes paid	26,640,891	76,646	182,317	259,659	327,041	402,319	769,801	289,864	414,180	348,391	322,501	674,351	22,571,870
Interest paid	34,085,384	182,393	108,470	171,302	228,734	275,719	733,162	309,389	442,415	409,383	448,065	780,310	29,990,066
Depreciation	45,962,323	152,154	252,021	385,349	485,364	511,728	1,375,218	452,997	632,232	558,289	552,569	965,469	39,635,246
Pension, profit-sharing, stock bonus, and annuity plans	8,113,305	4,167	15,757	33,801	43,096	62,028	189,016	57,116	98,374	96,870	88,489	158,956	7,265,482
Employee benefit programs	5,568,650	17,264	16,804	31,091	65,216	73,175	191,355	83,243	121,636	111,382	129,553	139,968	4,587,963
Net income (less deficit)	19,573,717	- 246,397	- 123,901	- 2,542	111,245	117,472	536,016	267,360	365,220	345,767	165,731	430,603	17,600,154
Income subject to tax	23,842,821	68,812	98,126	172,922	294,446	321,468	855,468	376,474	598,399	484,664	381,544	554,386	19,629,128
Income tax, total	10,727,390	29,455	19,359	38,726	73,070	99,804	332,347	164,632	264,602	211,980	168,261	251,982	9,069,803
Additional tax for tax preferences	30,326	*59	—	—	—	—	*221	*227	383	1,150	196	479	27,611
Foreign tax credit	228,368	190	—	—	*360	*2	*4,739	*231	2,628	1,413	811	1,165	216,829
Investment credit	5,334,230	2,912	6,031	13,423	24,983	32,737	83,115	39,324	53,315	44,327	42,817	87,561	4,902,859
Work incentive (WIN) credit	1,018	—	—	—	*94	*141	*113	*30	*77	4	16	30	512
Jobs credit	17,116	*202	*536	*3,068	1,694	1,985	2,276	384	695	316	324	384	5,251
Research activities credit	59,390	—	—	—	—	—	—	*14	192	94	298	292	58,501
Distributions to stockholders except in own stock	19,622,705	134,023	47,984	9,541	27,423	35,118	62,549	44,791	124,967	211,374	113,296	268,984	18,525,249

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 6 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Total Assets — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of total assets: Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Wholesale and Retail Trade													
Number of returns	816,836	25,965	365,602	175,580	105,610	69,719	63,047	6,393	3,072	888	464	280	215
Total assets	708,060,408	—	14,611,126	28,385,504	37,297,859	48,750,387	124,802,929	43,547,914	46,359,729	30,876,254	34,470,105	51,469,187	247,489,414
Notes and accounts receivable, net	174,442,396	—	1,822,350	4,864,175	7,477,468	10,951,219	30,600,971	12,117,371	13,502,166	9,375,897	9,198,628	12,056,410	62,475,742
Inventories	211,130,734	—	4,723,683	9,571,953	13,101,323	18,275,096	47,781,893	14,533,693	14,052,299	8,974,472	8,608,305	13,236,786	58,271,232
Cash, Government obligations and other current assets	77,075,835	—	2,547,391	4,318,291	5,361,440	5,941,294	13,442,482	4,610,338	4,860,767	2,911,803	3,248,633	4,711,507	25,121,889
Other investments and loans	77,770,649	—	921,537	1,812,962	2,607,375	2,689,853	7,467,612	3,183,153	3,482,395	2,401,548	4,284,142	7,241,612	41,678,460
Depreciable assets	216,666,910	—	7,427,161	11,446,577	13,102,871	16,020,735	36,785,129	12,231,062	13,297,122	8,630,935	11,357,567	14,836,175	71,531,577
Less: Accumulated depreciation	90,800,358	—	3,928,050	5,636,390	6,410,534	7,703,911	17,230,354	5,388,922	5,450,931	3,382,614	4,754,557	5,369,299	25,544,795
Other capital assets less reserves	20,887,002	—	316,633	854,775	1,078,779	1,424,674	3,295,636	1,096,197	1,349,623	886,771	1,010,533	2,557,796	7,015,588
Accounts and notes payable	245,176,098	—	4,726,069	8,243,867	11,547,163	17,488,997	52,306,818	18,265,983	17,652,417	11,258,889	11,102,921	15,378,923	77,204,051
Other current liabilities	71,945,447	—	1,430,595	2,049,731	2,748,588	3,747,789	9,259,381	3,458,757	3,747,561	2,435,753	2,858,061	4,824,081	35,385,151
Mortgages, notes, and bonds payable in one year or more	106,765,438	—	3,391,226	4,969,509	5,733,452	6,440,843	14,521,317	5,295,924	6,422,214	4,332,020	5,740,273	10,053,239	39,865,422
Net worth	235,803,513	—	674,615	9,006,023	13,860,011	17,775,517	42,792,753	14,793,876	16,612,395	11,385,084	12,647,192	18,747,387	77,508,660
Cost of property used for investment credit	25,488,952	132,137	843,593	1,286,893	1,550,567	1,861,498	4,429,456	1,523,167	1,748,832	1,118,864	1,255,846	1,733,182	8,004,917
Total receipts	2,039,628,384	20,470,136	74,234,896	103,198,966	125,931,635	164,030,633	429,153,008	140,403,216	137,413,016	88,013,846	93,062,019	128,236,533	535,480,480
Business receipts	1,997,262,710	19,816,546	73,266,905	101,781,240	123,824,336	161,500,406	422,082,104	137,726,953	134,391,877	85,960,002	90,609,487	124,746,749	521,556,103
Cost of sales and operations	1,594,256,679	16,203,481	49,398,497	71,120,439	92,145,031	124,779,040	343,019,067	113,503,551	110,310,615	70,968,236	74,481,470	100,861,721	427,465,531
Taxes paid	25,424,761	236,418	1,561,583	2,055,326	2,109,318	2,357,646	4,787,852	1,578,274	1,611,106	968,816	995,005	1,434,732	5,728,685
Interest paid	30,997,865	301,551	603,589	1,041,785	1,417,931	2,055,319	5,634,389	1,977,098	2,074,280	1,357,988	1,475,375	2,194,142	10,864,419
Depreciation	21,458,785	155,903	974,766	1,297,182	1,500,796	1,696,542	3,860,923	1,247,738	1,331,596	886,729	1,089,545	1,394,594	6,022,472
Pension, profit-sharing, stock bonus, and annuity plans	5,667,140	34,922	171,487	251,313	402,255	604,090	1,349,489	356,546	327,732	187,473	199,499	326,407	1,455,927
Employee benefit programs	6,058,280	45,142	137,388	229,860	310,319	440,715	1,136,669	362,338	353,459	238,511	278,665	440,670	2,084,542
Net income (less deficit)	33,320,403	- 60,475	- 479,396	922,694	1,603,756	1,983,194	5,902,941	2,562,613	3,102,179	2,234,442	2,299,120	2,904,857	10,344,480
Income subject to tax	32,359,741	377,605	782,475	1,501,820	2,122,277	2,578,203	6,322,024	2,279,643	2,650,574	1,425,919	1,661,503	2,470,956	8,186,743
Income tax, total	12,515,795	149,162	147,411	291,767	467,867	700,137	2,343,932	981,773	1,189,356	641,117	761,780	1,128,033	3,713,459
Additional tax for tax preferences	26,612	*623	—	*89	—	*26	536	340	798	1,325	1,117	4,157	17,599
Foreign tax credit	420,271	*1,199	—	*70	*36	*697	1,360	3,384	12,586	8,710	2,806	51,076	338,346
Investment credit	1,592,965	8,432	26,968	51,509	71,578	103,365	251,722	88,184	108,094	68,226	85,226	124,398	604,936
Work incentive (WIN) credit	8,604	2	*107	*2,212	*519	*469	1,984	312	398	285	467	321	1,527
Jobs credit	152,814	1,968	6,712	10,001	11,588	11,436	24,885	8,088	7,013	4,095	8,493	16,879	41,656
Research activities credit	17,615	113	*528	—	*110	*616	2,469	1,811	978	1,239	1,322	2,008	6,421
Distributions to stockholders except in own stock	10,034,841	412,427	382,388	341,104	270,982	379,768	1,002,421	526,217	687,545	601,386	904,196	653,819	3,872,587
Finance, Insurance, and Real Estate													
Number of returns	469,795	***	***	85,008	48,815	30,045	27,490	5,595	7,468	5,140	3,492	2,260	1,811
Total assets	4,486,191,441	—	***	13,782,836	16,995,227	20,881,023	57,419,350	40,404,474	122,512,478	183,100,139	243,938,387	345,422,778	3,434,123,297
Notes and accounts receivable, net	1,418,751,746	—	***	1,639,452	2,139,123	2,895,081	8,938,563	10,600,363	42,837,317	67,448,861	79,179,483	81,577,184	1,120,599,144
Inventories	12,829,156	—	***	*361	*4,748	52,068	474,403	404,027	795,905	962,012	1,125,685	1,621,351	7,388,590
Cash, Government obligations and other current assets	1,017,637,506	—	***	2,724,020	3,259,186	3,948,828	10,102,215	10,270,609	35,601,021	52,340,017	60,855,642	74,026,039	762,734,101
Other investments and loans	1,711,845,176	—	***	2,971,805	4,257,459	5,013,476	16,001,393	10,368,304	31,643,024	50,178,455	89,192,951	168,936,493	1,331,895,539
Depreciable assets	159,682,155	—	***	8,357,201	7,579,704	8,746,223	20,115,586	7,634,678	8,689,850	8,620,884	9,902,755	11,866,739	63,713,037
Less: Accumulated depreciation	49,831,449	—	***	4,736,542	3,446,545	3,713,497	7,219,944	2,404,789	2,263,775	2,061,647	2,439,200	2,705,909	16,483,456
Other capital assets less reserves	36,079,989	—	***	2,333,832	2,605,210	3,078,115	6,786,614	2,297,992	2,575,811	1,986,081	2,067,642	2,975,059	8,220,627
Accounts and notes payable	365,610,305	—	***	2,026,832	2,708,805	3,765,177	10,692,216	4,388,014	7,552,190	10,027,021	14,650,794	19,755,420	288,581,979
Other current liabilities	2,474,888,006	—	***	790,916	803,427	1,170,259	5,359,568	15,263,789	76,555,149	128,975,630	172,431,155	234,824,395	1,838,060,262
Mortgages, notes, and bonds payable in one year or more	249,604,965	—	***	3,246,193	4,474,916	5,977,745	17,896,978	7,784,426	9,464,717	9,074,853	12,474,028	15,341,376	162,239,578
Net worth	656,189,577	—	***	5,277,892	6,642,285	7,244,663	16,546,062	9,328,081	21,935,781	25,422,112	32,595,909	47,894,068	481,630,733
Cost of property used for investment credit	15,982,533	***	***	200,242	216,187	210,854	600,869	312,989	501,868	565,599	686,847	885,471	11,278,419
Total receipts	877,808,946	***	***	9,056,737	8,642,530	8,283,218	19,999,872	10,604,362	24,475,953	31,182,125	37,460,823	69,459,381	612,377,047
Business receipts	330,631,846	***	***	6,571,220	5,784,671	5,145,887	12,081,169	5,786,388	10,874,997	11,931,526	11,854,306	32,523,365	213,766,464
Cost of sales and operations	162,447,596	***	***	1,836,393	1,806,434	1,673,447	3,986,232	2,713,307	6,018,017	6,890,849	6,484,611	14,079,965	113,894,232
Taxes paid	14,434,292	***	***	465,971	491,326	485,554	993,837	399,339	576,303	558,438	662,914	970,056	7,827,151
Interest paid	314,128,780	***	***	636,119	624,807	893,430	2,673,786	2,095,658	7,237,630	12,053,795	17,137,994	24,307,682	218,294,302
Depreciation	13,503,259	***	***	398,625	413,241	431,201	981,266	386,454	491,843	534,642	622,173	808,885	7,759,267
Pension, profit-sharing, stock bonus, and annuity plans	4,880,695	***	***	122,836	76,874	112,356	194,849	74,307	121,364	153,908	201,812	295,506	3,359,325
Employee benefit programs	3,564,046	***	***	52,589	40,479	39,862	97,034	52,683	146,303	125,796	186,369	658,980	2,035,454
Net income (less deficit)	26,346,494	***	***	376,885	696,310	550,776	918,169	456,041	1,323,817	934,225	643,604	533,467	21,482,008
Income subject to tax	21,903,437	***	***	691,940	835,995	795,677	1,734,493	777,110	1,553,184	1,185,693	1,153,568	1,263,219	10,697,361
Income tax, total	8,159,015	***	***	140,098	202,301	216,069	597,469	293,693	593,610	480,025	492,291	557,839	4,199,619
Additional tax for tax preferences	124,426	***	***	*413	*275	*159	3,102	1,067	4,519	3,502	3,122	4,286	95,252
Foreign tax credit	1,190,436	***	***	*872	*20	*235	1,035	1,429	1,842	4,691	4,202	12,499	1,149,393
Investment credit	887,629	***	***	9,831	12,759	12,919	30,717	17,067	28,445	34,217	31,771	47,494	646,868
Work incentive (WIN) credit	1,065	***	***	*37	*48	—	*46	*117	*100	*15	39	101	560
Jobs credit	24,978	***	***	*763	584	1,348	3,538	1,113	2,077	1,425	1,222	1,209	9,848
Research activities credit	14,145	***	***	—	—	—	*609	*79	486	363	457	773	11,059
Distributions to stockholders except in own stock	41,998,295	***	***	222,047	270,460	238,811	741,040	348,749	1,074,093	1,363,800	1,818,907	3,404,893	30,995,169

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 6 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Total Assets — Continued

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of total assets: Zero assets	$1 under $100,000	$100,000 under $250,000	$250,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $25,000,000	$25,000,000 under $50,000,000	$50,000,000 under $100,000,000	$100,000,000 under $250,000,000	$250,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Services													
Number of returns	752,813	27,283	532,919	109,502	42,532	21,915	15,370	1,711	956	318	153	101	54
Total assets	213,724,531	—	16,261,683	17,099,682	14,764,565	15,234,528	30,604,509	11,830,355	14,527,531	11,172,684	11,248,286	16,610,403	54,370,305
Notes and accounts receivable, net	35,586,617	—	1,527,650	2,566,486	2,358,890	2,586,508	5,528,624	2,464,703	2,856,730	2,246,380	1,972,617	3,370,711	8,107,316
Inventories	11,030,812	—	634,591	890,382	767,478	766,151	1,717,980	690,955	747,472	638,549	692,456	829,221	2,655,578
Cash, Government obligations and other current assets	34,870,803	—	4,834,800	4,365,921	2,996,550	2,578,128	4,655,488	1,792,401	2,187,457	1,432,441	1,351,463	1,946,009	6,730,145
Other investments and loans	33,764,604	—	2,029,685	2,155,942	1,710,005	1,553,664	2,840,511	1,358,576	1,826,263	1,735,268	1,698,750	3,642,876	13,213,066
Depreciable assets	126,924,709	—	12,999,142	11,298,216	10,263,531	10,935,996	21,405,410	7,166,333	8,366,294	5,975,731	5,658,742	7,074,178	25,781,135
Less: Accumulated depreciation	51,061,941	—	7,023,736	5,679,505	4,777,249	4,821,943	9,020,611	2,721,528	3,152,069	2,027,689	1,808,506	2,219,541	7,809,564
Other capital assets less reserves	11,177,374	—	494,429	747,767	874,779	1,068,505	1,944,759	694,281	878,763	559,953	948,476	918,685	2,046,974
Accounts and notes payable	42,380,781	—	3,477,626	3,174,529	3,187,093	3,115,248	7,546,182	2,942,363	3,473,145	2,303,125	1,797,081	3,180,533	8,183,859
Other current liabilities	26,014,905	—	2,511,339	2,057,580	1,570,817	1,546,633	3,277,853	1,297,373	1,574,528	1,153,728	1,174,104	1,721,657	8,129,291
Mortgages, notes, and bonds payable in one year or more	60,919,966	—	2,620,628	3,561,538	3,523,200	4,527,081	9,223,022	3,593,121	4,097,655	3,653,586	3,372,703	4,539,977	18,207,456
Net worth	61,050,849	—	4,206,323	5,976,334	4,625,831	4,483,840	7,392,957	2,909,797	4,039,309	2,917,691	3,905,261	5,133,234	15,460,270
Cost of property used for investment credit	19,086,436	537,989	2,289,812	1,690,132	1,357,493	1,400,410	2,789,694	1,037,177	1,121,633	908,398	802,086	1,260,080	3,891,532
Total receipts	346,846,723	5,602,777	78,357,428	48,511,174	31,982,056	28,497,776	43,305,738	15,650,127	18,595,580	12,918,693	14,029,923	15,499,724	33,895,727
Business receipts	328,053,889	5,129,435	76,540,717	47,076,910	30,820,912	27,340,994	40,615,449	14,549,616	17,252,838	11,713,321	13,030,598	13,922,885	30,060,214
Cost of sales and operations	157,886,393	2,841,513	26,061,899	21,571,865	15,266,058	14,662,935	22,048,705	8,258,067	9,932,062	6,598,012	8,161,515	163,896	196,929
Taxes paid	11,329,900	169,546	2,671,658	1,563,339	1,100,233	978,611	1,463,406	524,776	571,875	379,337	406,382	498,883	1,001,855
Interest paid	10,472,892	184,922	619,897	628,964	636,317	702,054	1,574,797	620,849	767,655	590,405	489,207	711,690	2,946,133
Depreciation	14,414,123	180,287	1,691,541	1,315,411	1,142,125	1,172,532	2,308,106	823,834	977,406	621,858	600,570	628,294	2,952,159
Pension, profit-sharing, stock bonus, and annuity plans	7,825,297	63,677	3,926,577	1,676,836	650,447	356,978	478,019	108,949	136,558	76,428	92,150	115,650	143,029
Employee benefit programs	2,731,922	24,613	616,429	310,932	225,648	175,473	339,606	148,255	152,871	121,749	102,415	118,692	395,238
Net income (less deficit)	8,197,916	21,763	792,205	1,077,884	773,528	656,054	998,576	428,633	496,116	305,901	721,347	576,838	1,349,072
Income subject to tax	12,034,108	248,017	1,726,415	1,517,587	1,074,988	935,036	1,540,875	659,801	760,788	510,128	719,783	734,497	1,606,193
Income tax, total	4,100,151	94,678	311,433	314,295	263,297	276,235	589,377	285,939	333,167	228,500	326,386	336,773	740,069
Additional tax for tax preferences	9,661	*147	*37	*434	—	*268	1,047	*404	778	314	868	648	4,716
Foreign tax credit	182,831	2,813	*322	*2,034	*1,743	*3,619	4,338	6,486	14,233	11,099	14,228	25,197	96,718
Investment credit	878,057	9,262	82,288	77,295	67,511	61,939	116,110	44,123	52,360	37,392	49,476	64,708	215,596
Work incentive (WIN) credit	5,021	*21	*719	*92	*201	*259	1,006	*69	216	735	443	381	880
Jobs credit	69,489	1,834	10,610	13,549	7,299	6,314	11,958	2,560	2,888	2,262	1,069	2,806	6,341
Research activities credit	18,472	—	*88	*300	*1,417	1,521	2,084	2,581	1,535	1,557	1,182	2,181	4,025
Distributions to stockholders except in own stock	2,491,324	292,501	466,067	163,465	126,010	85,416	241,752	68,239	129,374	113,709	104,707	198,146	501,938
Nature of Business not Allocable													
Number of returns	17,427	2,375	11,875	1,693	765	337	347	*21	*9	**	—	3	—
Total assets	2,420,840	—	283,941	237,387	253,025	231,664	717,174	*123,943	*139,979	**	—	433,726	—
Notes and accounts receivable, net	379,226	—	63,523	27,225	27,985	24,000	187,615	*16,898	*26,611	—	—	5,369	—
Inventories	335,454	—	63,247	59,748	40,721	*14,488	124,702	*8,173	21,985	—	—	2,390	—
Cash, Government obligations and other current assets	386,555	—	57,169	51,671	40,427	41,177	113,916	*17,234	*49,258	**	—	15,702	—
Other investments and loans	415,224	—	20,049	34,128	*16,949	*48,830	88,683	*3,525	*13,262	—	—	189,797	—
Depreciable assets	886,599	—	142,897	98,820	145,261	94,561	237,684	*72,271	*38,901	**	—	56,204	—
Less: Accumulated depreciation	421,089	—	86,644	55,019	63,557	39,200	113,686	*23,210	*11,827	**	—	27,946	—
Other capital assets less reserves	169,080	—	11,946	*4,892	36,037	*37,917	45,029	*28,808	1,693	—	—	2,759	—
Accounts and notes payable	812,433	—	68,955	72,615	76,466	43,114	248,709	*15,304	*68,451	**	—	218,820	—
Other current liabilities	139,668	—	23,758	12,094	9,413	12,606	59,279	*8,444	*11,316	—	—	2,758	—
Mortgages, notes, and bonds payable in one year or more	439,791	—	35,621	*48,718	63,453	65,649	112,508	*59,711	21,235	—	—	32,896	—
Net worth	693,606	—	104,055	51,977	74,483	75,018	254,997	*31,101	*36,709	**	—	65,266	—
Cost of property used for investment credit	98,318	—	9,641	*8,513	20,711	*13,003	25,652	*4,789	*9,100	—	—	6,910	—
Total receipts	4,618,127	43,285	964,241	812,788	555,086	339,371	1,551,365	*145,207	*168,501	**	—	38,281	—
Business receipts	4,428,945	*37,772	943,216	806,387	526,028	*306,795	1,497,267	*133,198	*160,718	—	—	17,565	—
Cost of sales and operations	2,909,373	*26,201	486,592	554,938	347,562	*233,192	1,037,170	*93,369	127,288	—	—	3,062	—
Taxes paid	120,538	*694	38,187	18,037	12,201	7,909	36,484	*1,667	*4,852	—	—	505	—
Interest paid	87,218	*2,818	5,818	7,471	8,122	7,371	26,660	*9,109	*5,514	—	—	14,335	—
Depreciation	89,541	*2,389	19,239	12,449	12,579	8,973	21,852	*5,642	*3,274	—	—	3,145	—
Pension, profit-sharing, stock bonus, and annuity plans	31,971	—	*1,554	*15,234	*2,021	*3,697	6,673	*2,176	506	—	—	110	—
Employee benefit programs	18,139	*33	5,003	*780	*1,747	*662	7,465	*969	684	—	—	798	—
Net income (less deficit)	30,927	- 11,704	- 18,122	- 7,088	6,699	19,007	32,545	*5,354	*4,772	**	—	- 537	—
Income subject to tax	121,168	*523	22,198	25,643	*7,649	*16,811	42,112	*2,198	4,034	—	—	—	—
Income tax, total	36,595	*111	4,291	5,434	*1,890	*5,939	16,262	*858	1,809	—	—	—	—
Additional tax for tax preferences	*69	—	—	—	—	—	*69	—	—	—	—	—	—
Foreign tax credit	*21	—	—	—	—	—	—	*21	—	—	—	—	—
Investment credit	3,683	—	*241	*356	*153	*1,073	1,718	*77	64	—	—	—	—
Work incentive (WIN) credit	2	—	—	—	—	—	—	—	2	—	—	—	—
Jobs credit	*296	—	—	2	—	*44	*233	*16	—	—	—	—	—
Research activities credit	*55	—	—	—	—	*55	—	—	—	—	—	—	—
Distributions to stockholders except in own stock	33,685	*3,575	*1,122	*163	*4,963	*1,102	*15,732	*6,400	192	—	—	435	—

*Estimate should be used with caution because of the small number of sample returns on which it is based.
**Data were deleted to avoid disclosure of information for specific corporations and combined with data in another size class.
***Data were deleted to avoid disclosure of information for specific corporations. Deleted data are included in the appropriate totals.
†Less than $500 per return.
NOTE: Detail may not add to total because of rounding and the deletion of data. See text for "Explanation of terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Business Receipts

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under $100,000[1]	Under $25,000[1]	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $2,000,000	$2,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
All Industrial Divisions[2]													
Number of returns	2,812,420	1,107,024	585,311	210,191	311,522	569,089	404,383	291,586	239,764	97,172	53,702	40,947	8,752
Total assets	8,547,161,872	109,284,713	57,939,215	18,875,725	32,469,773	76,642,858	90,529,742	126,235,542	261,237,775	299,435,061	383,840,397	898,745,547	6,301,210,236
Notes and accounts receivable, net	2,194,992,167	12,095,810	6,634,280	1,802,802	3,658,727	9,874,839	13,694,726	25,345,533	71,489,335	93,697,351	111,952,059	210,994,032	1,645,848,482
Inventories	588,219,956	5,103,885	2,848,699	630,982	1,624,204	6,131,850	11,502,638	17,411,769	34,209,958	32,618,126	34,805,424	74,573,244	371,863,063
Cash, Government obligations, and other current assets	1,368,821,715	17,847,558	9,142,771	3,035,320	5,669,467	13,582,624	15,473,721	22,930,472	54,498,054	68,372,048	78,047,819	162,265,116	935,804,304
Other investments and loans	2,353,959,802	27,549,580	16,476,708	4,497,565	6,575,307	13,386,786	13,686,226	19,503,201	41,195,581	55,376,054	103,396,721	320,197,806	1,759,667,846
Depreciable assets	2,352,655,342	42,091,174	16,170,162	8,389,545	17,531,466	40,162,483	47,285,619	55,871,111	83,476,638	67,213,899	71,448,590	156,322,105	1,788,783,721
Less: Accumulated depreciation	857,772,979	17,986,955	6,091,784	3,409,740	8,485,431	18,131,533	21,814,092	26,084,412	39,035,854	30,504,519	31,207,506	64,199,410	608,808,698
Other capital assets less reserves	198,907,521	16,711,284	9,068,942	3,237,243	4,405,099	7,995,411	7,300,866	6,954,742	9,023,438	6,816,897	7,093,828	16,902,133	120,108,922
Accounts and notes payable	1,205,916,970	20,314,769	11,735,255	2,841,168	5,738,346	15,299,357	20,222,792	28,423,917	52,481,325	51,108,787	58,907,447	132,483,394	826,675,182
Other current liabilities	2,859,839,215	7,083,986	3,784,271	904,887	2,394,828	5,759,108	8,704,509	19,954,517	83,448,572	137,622,121	183,392,863	436,991,535	1,976,882,005
Mortgages, notes, and bonds payable in one year or more	1,058,070,877	31,206,217	16,860,364	5,113,029	9,232,824	19,927,335	23,206,267	25,533,630	37,283,475	29,088,947	34,472,716	83,996,337	773,355,953
Net worth	2,243,940,780	26,690,923	11,454,457	5,949,811	9,286,655	23,777,472	26,378,477	39,446,351	71,026,483	67,811,163	80,441,308	195,468,882	1,712,899,721
Cost of property used for investment credit	262,774,426	4,033,699	1,845,623	823,258	1,364,818	4,244,313	5,177,645	6,553,927	10,098,106	8,033,215	8,106,744	18,791,365	197,735,411
Total receipts	7,026,351,839	44,140,741	11,032,440	8,661,293	24,447,008	98,401,856	148,165,518	211,240,715	381,767,093	346,626,459	382,218,185	816,069,919	4,597,721,353
Business receipts	6,244,678,064	30,345,337	2,842,309	6,491,445	21,011,584	90,179,791	140,536,786	201,538,707	360,421,262	321,317,036	347,955,682	734,292,008	4,018,091,454
Cost of sales and operations	4,509,198,199	12,085,203	1,147,481	2,614,202	8,323,521	39,627,105	72,967,739	119,676,408	242,447,079	234,013,172	264,613,500	563,633,940	2,960,134,052
Taxes paid	170,470,926	2,285,710	702,976	496,792	1,085,941	3,597,313	4,653,603	6,090,021	8,912,080	6,845,267	6,693,900	13,747,081	117,645,952
Interest paid	476,964,684	3,740,921	1,767,103	694,274	1,279,544	3,321,351	4,184,249	5,659,367	13,533,247	17,411,784	24,131,695	59,458,587	345,523,483
Depreciation	186,195,048	3,213,106	1,178,710	664,627	1,369,769	3,857,278	4,736,799	5,704,763	8,461,495	6,888,538	6,895,161	14,162,788	132,275,120
Pension, profit-sharing, stock bonus, and annuity plans	52,952,583	594,124	250,524	49,260	294,340	1,879,151	2,526,996	2,236,371	2,724,421	1,994,430	1,831,654	3,531,945	35,633,491
Employee benefit programs	45,795,892	243,517	58,510	50,211	134,796	545,831	746,311	924,884	1,801,362	1,548,881	1,771,692	3,924,719	34,288,696
Net income (less deficit)	213,648,962	- 4,353,530	- 3,449,130	- 595,231	- 309,170	559,495	1,775,601	3,839,453	7,138,282	6,761,756	7,638,094	18,924,172	171,365,640
Net income	301,440,778	5,105,625	2,000,965	1,019,042	2,085,618	5,357,708	6,406,293	8,383,134	13,642,989	11,704,383	13,040,670	32,337,634	205,462,342
Income subject to tax	241,496,368	3,031,125	1,222,547	580,725	1,227,853	3,617,429	4,371,774	5,879,306	9,798,527	8,852,680	9,895,105	23,354,956	172,695,466
Income tax, total	102,257,851	712,939	351,808	109,468	251,663	778,040	991,986	1,476,391	2,947,300	3,217,535	3,997,906	10,233,211	77,902,543
Additional tax for tax preferences	524,851	4,114	3,154	*110	*851	2,595	3,206	4,283	10,228	12,902	12,858	37,330	437,336
Foreign tax credit	21,828,686	8,038	6,066	*24	*1,949	836	619	2,180	13,852	16,701	29,391	156,637	21,600,432
Investment credit	18,887,286	72,220	26,828	10,897	34,495	134,856	205,805	300,261	524,940	461,136	475,747	1,075,021	15,637,300
Work incentive (WIN) credit	38,223	226	2	—	*224	*316	1,968	2,173	3,672	3,150	2,582	5,362	18,775
Jobs credit	472,895	6,790	3,735	*1,049	2,006	13,051	20,835	36,112	63,599	39,908	45,963	64,492	182,145
Research activities credit	639,302	110	*110	—	—	10	*639	1,620	5,888	10,485	14,385	38,273	567,893
Distributions to stockholders except in own stock	120,295,338	1,985,018	1,148,815	279,699	556,504	1,091,049	1,005,085	1,364,867	2,506,643	2,474,658	3,532,185	9,606,613	96,729,219
Agriculture, Forestry, and Fishing													
Number of returns	85,370	36,292	19,224	7,329	9,738	19,549	13,893	7,759	4,662	1,661	929	539	88
Total assets	46,081,067	7,556,066	3,833,155	1,271,582	2,451,329	5,889,010	6,574,824	5,780,182	4,944,134	3,625,558	2,414,907	4,288,814	5,007,572
Notes and accounts receivable, net	3,857,192	365,972	175,970	64,182	125,821	231,525	261,814	399,640	384,872	506,472	347,549	653,178	706,169
Inventories	4,592,776	212,933	88,285	39,594	85,053	321,559	365,645	548,469	491,283	351,922	435,841	782,956	1,082,169
Cash, Government obligations, and other current assets	4,381,203	588,564	303,360	112,963	172,241	572,500	633,508	558,104	529,347	415,902	342,736	442,643	297,898
Other investments and loans	5,671,904	842,503	454,873	101,278	286,352	606,853	591,560	447,067	596,053	487,336	233,951	739,906	1,126,675
Depreciable assets	27,314,533	3,149,666	1,494,059	478,489	1,177,118	3,566,942	4,604,198	3,966,170	3,324,871	2,589,610	1,307,206	2,153,197	2,652,672
Less: Accumulated depreciation	12,813,274	1,408,679	614,951	235,899	557,829	1,704,671	2,063,604	1,822,513	1,594,060	1,289,802	617,528	1,041,556	1,270,862
Other capital assets less reserves	11,050,098	3,297,116	1,710,493	621,555	965,068	1,894,880	1,898,266	1,420,342	1,020,992	468,197	309,299	473,626	267,380
Accounts and notes payable	10,691,856	946,924	499,803	174,095	273,025	854,807	1,265,773	1,501,603	1,301,921	1,136,733	892,475	1,565,680	1,225,940
Other current liabilities	1,912,713	171,954	102,628	22,942	46,384	157,277	179,842	138,769	253,093	200,378	209,863	199,282	402,256
Mortgages, notes, and bonds payable in one year or more	14,855,225	2,275,741	1,283,862	300,898	690,982	1,908,295	2,497,200	2,234,327	1,772,215	1,320,329	555,493	1,370,280	921,346
Net worth	13,588,420	2,842,456	1,235,281	633,650	973,525	2,143,825	1,829,611	1,376,882	1,169,581	600,192	600,701	877,081	2,148,091
Cost of property used for investment credit	2,853,215	322,071	162,602	71,190	88,278	393,457	542,299	456,122	374,204	249,672	130,699	185,383	199,309
Total receipts	65,061,959	1,966,208	630,220	400,392	935,595	3,791,454	5,417,592	5,779,416	7,413,601	6,094,394	6,432,264	11,130,762	17,036,268
Business receipts	60,907,045	1,096,996	111,668	271,105	714,223	3,271,111	4,909,113	5,408,974	6,966,709	5,748,622	6,180,050	10,673,207	16,652,263
Cost of sales and operations	45,552,234	620,361	86,656	155,731	377,975	1,691,303	2,699,420	3,215,401	4,784,647	4,316,061	5,184,389	9,300,133	13,740,519
Taxes paid	1,248,438	98,262	41,526	20,801	35,934	141,394	179,374	168,018	143,837	129,126	92,355	108,511	187,561
Interest paid	2,738,463	267,292	112,665	56,160	98,467	302,675	399,979	384,392	340,476	242,195	178,638	315,385	307,432
Depreciation	2,532,362	244,731	87,388	51,902	105,442	377,936	461,652	402,516	335,059	231,195	126,139	185,656	167,479
Pension, profit-sharing, stock bonus, and annuity plans	182,729	5,936	*1,182	*4,493	*261	18,257	18,280	25,630	21,878	24,095	12,662	19,125	36,866
Employee benefit programs	168,501	6,076	2,175	1,769	2,133	17,784	18,279	11,738	12,214	27,692	18,762	26,245	29,712
Net income (less deficit)	328,308	- 172,618	- 147,245	- 44,152	18,780	19,029	15,462	- 29,362	77,233	- 1,927	111,013	87,807	221,670
Net income	2,551,988	319,157	125,158	50,937	143,062	337,063	336,048	288,902	334,139	198,371	194,191	245,855	298,263
Income subject to tax	1,728,769	183,599	82,744	20,731	80,124	209,019	215,335	217,224	204,274	131,207	129,257	172,858	265,995
Income tax, total	557,892	46,049	22,773	4,054	19,222	48,129	50,378	60,956	63,961	45,937	47,707	73,908	120,867
Additional tax for tax preferences	2,261	375	*79	—	*296	*57	*272	*57	*288	*292	*506	*193	221
Foreign tax credit	3,206	—	—	—	—	*3	*155	—	*3	—	*9	*893	2,142
Investment credit	128,799	8,227	4,569	624	3,034	14,597	20,563	19,890	19,178	11,971	8,245	11,016	15,111
Work incentive (WIN) credit	184	—	—	—	—	—	(3)	*50	—	*20	*15	*38	61
Jobs credit	3,659	131	*31	—	*99	*117	*225	579	620	*294	*184	740	*769
Research activities credit	1,118	—	—	—	—	—	—	—	*15	*11	*743	*59	290
Distributions to stockholders except in own stock	512,027	186,186	168,127	*4,536	13,523	39,746	32,661	16,571	60,727	41,265	18,455	43,367	73,049

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Business Receipts — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts: Under $100,000[1]	Under $25,000[1]	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $2,000,000	$2,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Mining													
Number of returns	33,363	15,176	11,407	1,013	2,756	4,191	3,723	3,755	3,255	1,424	945	699	195
Total assets	168,908,241	5,235,436	4,063,388	591,187	580,861	1,752,509	2,741,822	3,072,276	6,245,993	5,707,624	6,652,162	17,903,525	119,596,894
Notes and accounts receivable, net	30,675,427	497,613	390,204	45,223	62,186	274,184	382,544	473,496	1,084,026	943,449	1,472,480	2,921,990	22,625,644
Inventories	8,186,285	138,957	117,382	*8,556	*13,019	34,992	80,332	112,054	242,243	182,412	272,440	742,155	6,380,700
Cash, Government obligations, and other current assets	14,846,406	835,396	643,581	87,165	104,650	323,091	378,611	507,216	992,625	1,170,206	1,010,768	2,049,285	7,579,209
Other investments and loans	43,156,566	1,358,188	1,087,678	156,855	113,655	275,940	969,570	301,804	540,287	505,477	754,743	2,260,808	36,189,749
Depreciable assets	72,142,890	1,191,287	882,498	126,557	182,232	515,371	898,554	1,891,712	3,236,041	2,831,345	3,714,988	9,306,511	48,557,083
Less: Accumulated depreciation	26,965,628	460,393	358,865	30,779	70,749	181,217	436,935	761,510	1,300,435	1,133,761	1,601,221	3,411,719	17,678,437
Other capital assets less reserves	19,995,792	1,186,643	871,323	162,780	152,540	410,206	347,103	428,827	1,213,391	938,224	715,534	3,228,630	11,527,233
Accounts and notes payable	31,392,227	1,217,102	969,281	109,268	138,553	416,827	567,271	924,085	1,915,961	2,097,110	1,504,763	3,697,422	19,051,685
Other current liabilities	10,620,871	269,504	163,065	50,853	55,586	94,185	207,827	202,540	509,929	472,175	602,797	1,459,395	6,802,519
Mortgages, notes, and bonds payable in one year or more	39,167,648	1,486,389	1,038,532	174,594	273,264	358,881	484,437	614,557	1,523,753	1,208,031	1,624,010	5,060,619	26,806,969
Net worth	70,466,033	747,417	739,169	65,471	- 57,223	632,738	919,683	920,188	1,696,288	1,658,924	2,355,543	6,210,247	55,325,005
Cost of property used for investment credit	11,243,227	331,949	221,157	45,404	65,387	250,756	213,267	428,442	932,909	767,096	795,905	2,175,979	5,346,924
Total receipts	200,194,751	941,337	577,677	80,833	282,826	925,194	1,586,338	2,821,215	5,624,251	5,396,658	6,884,646	15,536,237	160,478,876
Business receipts	189,552,446	277,643	35,569	40,514	201,560	679,842	1,346,225	2,575,684	5,131,199	4,969,574	6,387,601	14,237,752	153,946,926
Cost of sales and operations	150,193,394	156,156	30,569	40,740	84,847	278,638	639,520	1,383,129	2,756,947	2,710,890	3,950,887	8,724,108	129,593,118
Taxes paid	4,525,187	65,479	42,255	5,153	18,070	44,936	65,218	129,294	232,053	194,468	232,980	658,824	2,901,937
Interest paid	6,051,461	190,217	138,573	28,113	23,531	70,792	134,069	124,293	302,911	253,667	322,079	909,015	3,744,418
Depreciation	6,078,518	79,709	48,686	16,002	15,021	55,273	109,552	225,100	375,071	341,563	414,939	1,021,871	3,455,440
Pension, profit-sharing, stock bonus, and annuity plans	849,197	1,978	*1,944	—	*34	*596	17,243	36,011	33,441	17,690	26,051	55,514	660,673
Employee benefit programs	668,161	2,726	1,313	*604	*809	2,655	5,648	8,336	27,442	21,909	45,302	73,014	481,130
Net income (less deficit)	5,620,746	- 923,798	- 697,757	- 140,088	- 85,953	- 116,706	- 145,612	- 116,903	- 244,208	39,899	310,384	329,638	6,488,051
Net income	10,611,609	204,799	145,235	*21,334	38,230	122,832	111,668	187,302	372,990	371,432	523,805	1,118,212	7,598,570
Income subject to tax	9,479,222	132,173	96,798	*5,032	30,343	74,321	63,962	114,978	291,904	293,676	334,501	941,832	7,231,875
Income tax, total	4,245,279	42,749	34,477	*897	7,375	21,479	19,252	35,221	112,964	125,274	149,670	432,596	3,306,074
Additional tax for tax preferences	94,308	1,655	1,626	—	*29	833	1,632	2,749	6,874	7,379	6,630	19,157	47,399
Foreign tax credit	1,958,994	3,747	*2,855	—	*892	[3]	*54	*25	*268	*2,972	*2,352	30,858	1,918,719
Investment credit	582,564	3,883	2,368	*567	*949	3,875	5,689	12,016	35,088	38,350	39,974	100,196	343,492
Work incentive (WIN) credit	385	—	—	—	—	—	—	—	*313	31	[3]	8	33
Jobs credit	5,752	1,708	*1,708	—	—	*950	*204	*134	*100	*308	1,012	849	489
Research activities credit	11,425	—	—	—	—	10	—	—	—	[3]	*92	824	10,499
Distributions to stockholders except in own stock	3,278,771	58,099	48,792	*5,178	*4,129	*14,962	11,195	47,515	76,547	72,058	105,038	156,574	2,736,784
Construction													
Number of returns	276,395	90,259	42,405	19,417	28,438	60,008	44,653	34,248	29,219	9,753	5,221	2,767	267
Total assets	150,764,144	9,326,273	6,706,498	831,312	1,788,463	5,217,787	8,246,920	11,949,033	19,780,014	15,637,963	16,165,026	26,122,024	38,319,105
Notes and accounts receivable, net	37,977,456	1,643,942	1,243,036	124,559	276,346	824,310	1,440,731	2,653,148	5,274,022	4,178,252	5,034,573	7,597,045	9,331,433
Inventories	23,059,162	1,864,694	1,411,195	128,162	325,338	978,125	1,827,738	2,301,269	3,691,130	3,080,257	2,658,341	3,633,535	3,024,074
Cash, Government obligations, and other current assets	30,520,704	1,777,278	1,273,677	174,914	328,686	978,655	1,642,132	2,527,100	4,437,432	3,628,900	3,602,514	6,406,978	5,519,717
Other investments and loans	16,036,912	1,760,641	1,284,067	126,618	349,956	569,823	773,504	1,061,694	1,623,298	1,143,768	1,182,309	2,494,552	5,427,322
Depreciable assets	53,115,624	2,300,401	1,090,913	369,464	840,023	2,894,821	3,723,650	5,399,541	7,809,398	5,347,399	5,987,609	9,281,722	10,371,083
Less: Accumulated depreciation	26,747,129	1,176,453	472,664	210,929	492,860	1,543,832	1,798,822	2,864,213	4,195,317	2,907,976	3,265,755	5,082,362	3,912,398
Other capital assets less reserves	5,888,103	811,402	636,199	78,063	97,139	312,704	386,536	505,985	628,063	527,897	493,079	896,482	1,325,954
Accounts and notes payable	45,625,560	3,298,722	2,397,301	303,281	598,141	1,726,723	2,721,038	3,967,902	6,881,860	5,320,551	5,405,643	8,066,257	8,236,863
Other current liabilities	23,267,512	825,263	611,819	76,667	136,777	438,692	983,181	1,496,101	2,888,690	2,855,618	3,035,029	5,037,971	5,706,966
Mortgages, notes, and bonds payable in one year or more	21,596,688	2,003,960	1,471,586	133,591	398,783	1,082,198	1,616,009	1,969,492	2,796,506	1,854,270	1,946,641	3,371,403	4,956,208
Net worth	37,068,892	1,180,447	780,269	133,615	266,563	1,024,237	1,625,102	3,431,078	5,575,321	3,881,811	3,938,011	6,794,886	9,617,999
Cost of property used for investment credit	6,168,650	143,341	63,798	25,066	54,477	363,473	496,483	693,216	903,369	699,348	746,991	1,011,855	1,110,576
Total receipts	280,172,375	4,638,880	1,551,546	790,147	2,297,187	10,255,862	16,830,078	24,821,904	45,376,314	34,055,654	37,053,028	52,507,917	54,632,737
Business receipts	270,543,236	3,067,422	187,169	715,550	2,164,702	9,960,054	16,271,024	24,225,220	44,485,550	33,337,722	36,110,096	50,767,422	52,298,726
Cost of sales and operations	214,612,975	1,821,533	100,043	408,557	1,312,934	6,171,789	11,107,929	17,009,573	33,779,556	26,271,870	30,198,059	43,405,228	44,847,439
Taxes paid	5,838,281	206,371	87,956	32,120	86,295	349,217	514,141	716,161	1,083,934	736,850	760,703	857,174	613,730
Interest paid	5,318,285	378,530	261,057	40,034	77,439	254,258	406,617	484,802	748,025	517,200	500,188	820,462	1,208,203
Depreciation	5,555,171	236,915	103,108	45,569	88,238	360,889	466,999	627,391	899,871	646,953	595,490	900,472	820,191
Pension, profit-sharing, stock bonus, and annuity plans	1,538,917	39,298	32,043	*640	6,615	20,966	57,533	111,593	301,164	222,568	224,293	282,825	278,677
Employee benefit programs	1,497,005	26,586	7,745	10,719	8,122	45,687	141,786	138,950	256,548	172,348	199,079	269,048	246,974
Net income (less deficit)	3,455,058	- 283,509	- 97,570	- 72,795	- 113,144	- 160,893	8,414	352,109	548,703	365,632	501,700	1,128,653	994,247
Net income	8,295,947	368,410	236,974	43,330	88,107	359,174	569,614	800,531	1,238,418	906,613	917,076	1,684,595	1,451,517
Income subject to tax	6,610,988	169,396	114,730	13,682	40,984	239,365	377,047	595,310	921,078	766,762	767,260	1,463,031	1,311,738
Income tax, total	2,360,800	45,960	35,842	2,413	7,705	49,278	76,173	135,920	248,414	270,733	300,762	632,820	600,741
Additional tax for tax preferences	8,158	62	*61	*1	—	*36	57	*67	*10	*66	*634	1,315	5,912
Foreign tax credit	107,742	—	—	—	—	11	*7	199	*7	3	*1,373	9,314	96,829
Investment credit	334,691	4,765	2,561	*792	1,412	10,192	18,817	33,634	48,816	44,382	42,942	66,626	64,517
Work incentive (WIN) credit	1,365	2	2	—	—	*118	*537	*45	*165	*126	*147	181	45
Jobs credit	44,015	645	*112	*220	*313	*717	3,959	6,133	11,392	6,216	7,721	4,575	2,658
Research activities credit	2,864	—	—	—	—	—	—	*102	*32	*41	*162	952	1,576
Distributions to stockholders except in own stock	889,557	173,141	118,178	*4,734	50,230	38,493	92,854	69,567	65,959	45,590	36,950	106,962	260,041

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Business Receipts — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under $100,000[1]	Under $25,000[1]	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $2,000,000	$2,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Manufacturing													
Number of returns	251,294	58,868	32,954	8,700	17,214	39,396	37,197	36,445	37,395	17,849	11,473	9,839	2,832
Total assets	1,933,710,383	5,526,921	3,690,833	594,284	1,241,804	4,149,840	6,842,356	12,824,423	28,360,363	30,414,053	42,512,075	112,797,221	1,690,283,130
Notes and accounts receivable, net	419,235,309	745,804	526,847	62,695	156,262	770,943	1,422,554	3,087,661	7,116,544	7,590,223	10,270,225	26,447,006	361,784,348
Inventories	285,204,131	534,292	271,899	96,978	165,415	611,964	1,259,863	2,495,885	6,381,853	7,497,348	10,515,986	28,691,482	227,215,457
Cash, Government obligations, and other current assets	146,208,601	1,014,733	663,955	113,641	237,136	734,790	1,103,077	2,080,642	4,177,015	4,183,558	5,491,465	13,272,401	114,150,920
Other investments and loans	390,998,497	1,269,672	1,041,813	67,700	160,159	413,514	462,889	784,745	1,767,186	1,723,788	4,407,416	9,820,872	370,348,416
Depreciable assets	931,304,424	2,255,573	1,259,582	311,025	684,966	2,675,162	4,331,840	7,750,637	15,829,134	16,002,395	19,409,135	53,336,585	809,713,963
Less: Accumulated depreciation	406,408,697	821,162	387,944	117,185	316,034	1,381,270	2,235,930	4,072,789	8,300,643	8,142,501	9,769,737	25,009,164	346,675,501
Other capital assets less reserves	80,422,399	224,492	117,629	29,676	77,188	161,184	204,257	317,055	745,243	844,224	1,267,672	3,149,258	73,509,013
Accounts and notes payable	374,158,172	1,305,094	854,610	97,907	352,577	1,127,181	1,944,160	3,465,555	7,960,535	8,619,605	11,099,278	27,123,916	311,512,850
Other current liabilities	179,227,946	456,543	283,225	67,197	106,121	372,622	629,520	1,250,151	2,712,236	3,033,410	4,433,783	11,223,596	155,116,085
Mortgages, notes, and bonds payable in one year or more	337,893,659	1,545,664	1,109,077	138,570	298,018	942,947	1,465,284	2,307,360	4,568,863	4,703,318	6,164,180	18,522,178	297,673,866
Net worth	848,217,303	1,057,601	674,715	161,970	220,915	992,632	1,914,744	4,573,435	11,187,588	12,614,284	18,867,360	50,716,072	746,293,587
Cost of property used for investment credit	112,394,188	310,126	167,447	43,297	99,382	324,724	567,086	964,625	1,821,143	1,842,660	2,099,447	5,693,371	98,771,006
Total receipts	2,613,512,581	2,446,631	643,422	361,669	1,441,540	6,926,777	13,612,139	26,903,120	60,475,635	63,890,393	82,453,272	207,106,272	2,149,698,341
Business receipts	2,487,695,859	1,832,831	185,102	324,390	1,323,339	6,719,816	13,398,936	26,392,464	59,408,393	62,742,989	79,917,159	201,934,847	2,035,348,423
Cost of sales and operations	1,822,985,043	1,043,192	143,522	203,395	696,276	3,662,204	8,009,086	17,224,149	40,566,889	44,298,345	57,595,874	148,909,762	1,501,675,542
Taxes paid	80,908,638	97,592	31,359	15,382	50,851	269,822	465,516	817,288	1,652,050	1,538,154	1,875,293	4,393,031	69,799,892
Interest paid	73,084,336	155,700	75,398	20,835	59,468	166,821	299,610	511,956	1,100,596	1,242,010	2,324,206	4,724,091	62,559,348
Depreciation	76,600,966	182,840	81,806	33,806	67,228	277,619	448,512	806,721	1,507,065	1,543,057	1,777,776	4,518,559	65,538,817
Pension, profit-sharing, stock bonus, and annuity plans	23,863,332	9,829	3,418	*49	*6,363	30,566	103,556	167,357	427,231	458,352	540,884	1,209,832	20,915,726
Employee benefit programs	25,521,189	25,370	6,166	3,142	16,062	37,267	97,746	153,862	432,438	435,111	598,589	1,523,646	22,217,160
Net income (less deficit)	116,775,393	- 591,947	- 375,124	- 104,883	- 111,939	- 285,277	- 208,352	249,828	1,192,739	1,692,051	2,846,103	7,905,203	103,975,045
Net income	138,215,539	273,153	158,344	26,247	88,562	250,834	494,598	1,067,687	2,323,401	2,641,278	3,959,449	10,662,411	116,542,729
Income subject to tax	133,416,116	143,243	95,436	8,961	38,846	156,029	340,623	817,026	1,955,028	2,346,751	3,611,739	10,044,406	114,001,271
Income tax, total	59,554,935	46,862	35,971	1,622	9,268	30,447	70,954	200,276	604,803	890,014	1,516,878	4,488,858	51,705,845
Additional tax for tax preferences	229,029	74	*72	—	3	—	*83	—	*198	*209	773	4,343	223,349
Foreign tax credit	17,736,817	22	*22	—	—	—	—	61	677	1,500	13,521	52,363	17,668,673
Investment credit	9,144,667	3,317	2,124	*337	855	7,270	23,427	45,769	115,464	118,102	157,906	395,419	8,277,993
Work incentive (WIN) credit	20,579	—	—	—	—	*160	*149	*416	1,826	1,463	1,501	2,516	12,550
Jobs credit	154,776	422	*173	*3	*246	*418	2,198	4,189	15,400	11,071	18,871	26,564	75,643
Research activities credit	514,218	5	*5	—	—	—	*98	622	3,862	6,465	10,093	28,353	464,721
Distributions to stockholders except in own stock	41,434,134	93,023	77,597	*526	*14,900	31,812	60,765	96,566	211,511	258,493	418,763	1,293,008	38,970,192
Transportation and Public Utilities													
Number of returns	109,127	48,445	27,559	7,682	13,205	18,101	13,579	12,810	9,443	3,218	1,710	1,278	542
Total assets	837,300,816	4,415,654	2,929,864	478,411	1,007,379	2,746,078	3,533,779	4,972,936	8,481,906	6,781,130	9,760,214	19,732,466	776,876,653
Notes and accounts receivable, net	74,086,798	357,168	217,877	55,217	84,074	304,760	422,194	758,139	1,479,755	1,167,999	1,257,195	2,992,801	65,346,789
Inventories	31,851,445	36,463	29,243	*5,532	1,688	45,937	68,101	91,158	191,636	175,775	274,025	469,245	30,499,105
Cash, Government obligations, and other current assets	42,894,103	583,593	370,968	54,540	158,086	392,277	461,718	714,872	1,195,871	1,031,902	1,193,845	1,932,197	35,387,828
Other investments and loans	74,300,271	679,460	547,424	48,371	83,666	236,154	312,357	524,543	507,572	531,444	842,508	2,447,598	68,218,634
Depreciable assets	764,617,497	3,398,771	2,110,032	321,806	966,934	2,384,191	3,544,177	4,492,909	7,736,273	6,358,967	8,106,777	15,688,360	712,907,074
Less: Accumulated depreciation	192,723,415	1,303,186	808,279	95,919	398,988	895,249	1,664,922	2,108,228	3,426,830	2,885,135	2,768,574	5,660,445	172,010,846
Other capital assets less reserves	13,237,684	228,383	138,028	27,276	63,079	145,937	191,538	264,575	344,542	210,780	334,540	676,984	10,840,405
Accounts and notes payable	90,069,538	694,484	421,214	94,909	178,361	643,168	781,797	982,300	1,887,251	1,600,557	1,925,997	3,398,019	78,155,964
Other current liabilities	71,822,148	181,995	104,301	14,214	63,480	173,658	146,969	316,598	585,238	454,285	807,739	1,705,609	67,450,058
Mortgages, notes, and bonds payable in one year or more	226,827,497	1,571,354	1,061,072	141,881	368,401	890,531	1,183,760	1,594,677	2,849,487	2,147,026	3,224,175	6,585,389	206,781,097
Net worth	320,862,586	777,982	556,270	91,179	130,533	577,172	924,104	1,557,103	2,373,151	2,070,306	2,797,123	5,828,747	303,956,897
Cost of property used for investment credit	69,458,905	573,482	317,067	102,585	153,830	402,527	449,361	646,252	1,088,260	777,019	852,534	1,985,117	62,684,354
Total receipts	598,507,994	2,193,194	883,588	311,245	998,362	3,257,619	5,082,115	9,186,137	14,830,647	12,033,720	12,587,004	26,276,568	513,060,990
Business receipts	575,602,089	1,398,034	154,885	284,798	958,351	3,014,014	4,894,526	8,917,851	14,412,915	11,704,417	11,823,232	25,373,040	494,064,059
Cost of sales and operations	358,354,512	551,716	66,330	109,986	375,400	1,383,098	2,504,216	5,063,964	7,865,638	7,125,292	7,757,631	16,740,617	309,362,339
Taxes paid	26,640,891	106,218	42,729	17,503	45,986	125,105	192,819	314,954	515,247	482,672	355,901	844,592	23,703,385
Interest paid	34,085,384	220,022	135,523	24,990	59,509	160,649	199,806	296,361	436,328	361,389	438,349	1,018,403	30,954,077
Depreciation	45,962,323	324,439	166,359	34,110	123,971	251,353	401,089	512,918	801,384	664,010	778,942	1,254,360	40,973,827
Pension, profit-sharing, stock bonus, and annuity plans	8,113,305	5,847	*658	*17	*5,172	9,453	12,295	49,444	108,291	85,185	88,494	190,765	7,563,532
Employee benefit programs	5,568,650	7,337	4,951	*707	1,680	11,675	23,087	46,438	109,198	94,800	99,168	259,202	4,917,744
Net income (less deficit)	19,573,717	- 289,701	- 203,870	- 46,175	- 39,656	- 15,776	42,069	110,122	263,962	283,476	248,045	542,531	18,388,988
Net income	25,739,287	195,520	107,023	26,763	61,734	200,216	256,963	370,055	614,741	469,031	588,950	1,159,084	21,884,728
Income subject to tax	23,842,821	109,197	67,909	8,178	33,110	126,961	194,045	322,055	532,331	400,060	535,665	1,040,862	20,581,644
Income tax, total	10,727,390	29,573	21,288	1,643	6,642	34,364	47,226	89,321	179,926	158,938	228,173	458,122	9,501,746
Additional tax for tax preferences	30,326	76	76	—	—	439	—	*113	*63	*320	*303	792	28,219
Foreign tax credit	228,368	360	*360	—	—	*2	4	—	*217	*4,726	*862	2,074	220,123
Investment credit	5,334,230	6,756	3,571	*813	2,372	11,214	12,623	30,397	54,865	46,627	43,214	99,929	5,028,605
Work incentive (WIN) credit	1,018	—	—	—	—	—	—	*94	*147	*97	*40	81	558
Jobs credit	17,116	38	—	—	*38	*506	1,809	871	4,319	1,299	1,032	1,255	5,987
Research activities credit	59,390	—	—	—	—	—	—	—	—	2	6	215	59,167
Distributions to stockholders except in own stock	19,622,705	37,109	18,276	*7,562	*11,271	147,287	17,733	26,205	53,598	35,345	102,987	293,498	18,908,942

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Business Receipts — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts											
		Under $100,000[1]	Under $25,000[1]	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $2,000,000	$2,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Wholesale and Retail Trade													
Number of returns	816,836	191,944	84,239	40,136	67,569	154,138	145,918	119,381	109,573	48,056	25,537	19,387	2,901
Total assets	708,060,408	10,524,872	5,475,511	1,620,540	3,428,821	12,439,734	21,395,528	31,341,293	58,883,978	52,676,042	52,385,356	111,524,316	356,889,288
Notes and accounts receivable, net	174,442,396	1,636,321	937,122	224,037	475,162	1,978,774	3,673,421	6,133,631	13,785,912	12,809,867	13,437,258	31,705,879	89,281,332
Inventories	211,130,734	1,758,801	684,355	251,126	823,319	3,531,054	7,242,967	10,721,653	21,565,856	19,984,311	19,164,047	36,022,091	91,139,956
Cash, Government obligations, and other current assets	77,075,835	2,182,508	1,345,187	311,482	525,839	1,903,541	2,771,323	4,439,450	7,291,152	5,933,952	5,565,865	11,708,543	35,279,501
Other investments and loans	77,770,649	2,054,884	1,428,823	223,520	402,541	1,029,298	1,624,501	2,487,126	3,672,061	3,265,288	3,466,453	8,187,059	51,983,978
Depreciable assets	216,666,910	2,953,266	945,003	647,618	1,360,645	5,189,657	8,364,888	11,101,701	18,958,867	15,972,242	15,385,734	31,814,299	106,926,256
Less: Accumulated depreciation	90,800,358	1,138,397	356,852	225,050	556,494	2,269,911	3,929,191	5,465,628	9,392,619	7,731,570	7,315,835	13,738,314	39,818,893
Other capital assets less reserves	20,887,002	472,620	251,489	83,182	137,949	522,990	830,810	887,618	1,492,509	1,152,217	1,311,690	2,727,883	11,488,666
Accounts and notes payable	245,176,098	2,844,487	1,644,132	326,660	873,694	3,103,771	5,649,401	9,117,278	20,485,239	20,651,679	20,895,669	46,248,943	116,179,630
Other current liabilities	71,945,447	915,572	480,932	95,302	339,338	858,951	1,464,671	2,288,313	4,293,170	3,961,784	4,023,704	8,655,019	45,484,263
Mortgages, notes, and bonds payable in one year or more	106,765,438	2,844,346	1,613,934	381,900	848,512	2,628,249	4,448,708	4,690,974	7,823,767	6,039,702	6,194,268	13,831,659	58,263,765
Net worth	235,803,513	446,780	- 280,642	221,286	506,136	3,144,990	6,586,265	12,020,209	21,829,307	19,291,591	19,041,509	38,338,973	115,103,888
Cost of property used for investment credit	25,488,952	430,004	111,721	128,747	189,536	647,262	937,184	1,226,814	2,213,990	1,810,405	1,947,571	3,957,581	12,318,140
Total receipts	2,039,628,384	8,622,817	1,531,916	1,738,555	5,352,347	26,997,151	53,840,217	86,913,555	174,359,551	171,166,882	181,215,709	373,137,209	963,375,293
Business receipts	1,997,262,710	7,149,278	568,721	1,506,422	5,074,135	25,945,312	52,711,910	85,408,630	171,306,203	168,341,790	178,246,480	366,134,374	942,018,732
Cost of sales and operations	1,594,256,679	3,908,805	327,766	854,267	2,726,772	14,774,077	32,582,155	56,513,022	124,708,425	131,507,022	144,177,061	301,506,743	784,579,369
Taxes paid	25,424,761	288,589	64,600	56,113	167,876	764,958	1,329,252	1,810,500	2,959,052	2,262,272	2,064,261	4,038,618	9,907,260
Interest paid	30,997,865	376,980	177,891	52,656	146,434	480,142	816,658	1,146,301	2,329,604	2,273,982	2,426,852	5,202,561	15,944,785
Depreciation	21,458,785	334,872	93,400	73,357	168,115	615,203	943,968	1,212,597	2,043,079	1,764,503	1,665,964	3,332,170	9,546,427
Pension, profit-sharing, stock bonus, and annuity plans	5,667,140	56,352	31,612	*5,207	19,533	67,989	157,588	282,667	681,947	623,790	560,567	919,007	2,317,233
Employee benefit programs	6,058,280	23,316	5,111	4,411	13,794	71,896	141,885	212,129	510,080	454,193	503,210	939,117	3,202,455
Net income (less deficit)	33,320,403	- 668,875	- 290,019	- 170,388	- 208,468	- 191,171	452,509	1,634,821	2,883,344	2,678,311	2,925,520	7,095,672	16,510,271
Net income	47,657,374	726,697	352,703	111,118	262,876	939,906	1,674,885	2,769,933	4,606,286	3,866,014	3,902,351	9,020,885	20,150,418
Income subject to tax	32,359,741	338,825	176,881	41,276	120,669	486,799	977,708	1,712,628	3,130,845	2,637,978	2,671,133	5,865,125	14,538,698
Income tax, total	12,515,795	82,613	51,818	7,911	22,883	93,244	199,566	370,258	822,094	854,184	995,592	2,494,966	6,603,277
Additional tax for tax preferences	26,612	789	*789	—	—	*143	—	*5	280	231	218	1,196	23,750
Foreign tax credit	420,271	318	*318	—	—	—	*80	*1	*786	*339	3,252	14,874	400,621
Investment credit	1,592,965	7,300	2,089	636	4,575	15,080	32,600	57,140	123,002	105,481	108,293	234,924	909,145
Work incentive (WIN) credit	8,604	—	—	—	—	*11	*837	*1,408	947	577	312	1,824	2,688
Jobs credit	152,814	1,990	*1,118	—	872	4,180	3,912	10,828	15,665	11,646	9,660	20,029	74,903
Research activities credit	17,615	—	—	—	—	—	*528	*77	447	1,365	1,811	2,563	10,822
Distributions to stockholders except in own stock	10,034,841	287,894	161,648	29,773	96,473	179,154	340,567	515,023	649,276	615,537	645,547	1,494,469	5,307,374
Finance, Insurance, and Real Estate[2]													
Number of returns	469,795	317,009	193,729	63,361	59,919	71,705	32,024	17,147	14,061	7,213	4,765	4,277	1,593
Total assets	4,486,191,441	48,750,733	21,955,916	10,580,820	16,213,997	28,419,462	25,365,839	38,832,697	112,233,643	170,042,508	240,517,998	580,663,448	3,241,365,114
Notes and accounts receivable, net	1,418,751,746	4,811,335	2,085,705	956,149	1,769,481	3,563,230	3,974,973	9,197,493	38,362,711	63,766,061	76,992,604	133,402,167	1,084,681,173
Inventories	12,829,156	64,687	*14,758	*25,059	*24,869	*13,749	63,334	127,794	323,039	463,441	847,290	2,646,095	8,279,728
Cash, Government obligations, and other current assets	1,017,637,506	7,480,177	2,782,741	1,722,448	2,974,989	4,944,264	5,047,693	8,568,581	32,098,821	49,633,111	58,739,844	122,834,679	728,290,336
Other investments and loans	1,711,845,176	16,078,011	8,476,037	3,190,312	4,411,662	8,167,331	6,869,330	11,574,565	29,769,232	46,359,794	90,612,101	291,289,671	1,211,125,142
Depreciable assets	159,682,155	17,285,649	4,737,701	4,328,776	8,219,172	11,478,911	9,864,649	9,239,353	11,006,159	8,328,779	9,943,020	20,233,708	62,301,925
Less: Accumulated depreciation	49,831,449	7,795,928	1,788,745	1,772,853	4,234,329	4,683,287	3,848,620	3,344,592	3,677,556	2,360,544	2,718,626	5,119,085	16,283,210
Other capital assets less reserves	36,079,989	8,973,704	4,563,309	1,893,226	2,517,169	3,614,612	2,601,078	2,243,087	2,401,940	1,785,128	1,944,949	4,482,475	8,033,016
Accounts and notes payable	365,610,305	6,311,118	2,890,298	1,203,211	2,217,609	4,533,597	4,247,819	4,723,082	6,916,663	8,013,403	13,651,543	36,586,549	280,626,531
Other current liabilities	2,474,888,006	2,756,477	1,316,146	378,751	1,061,580	1,985,308	3,276,537	12,171,539	69,753,195	124,979,438	168,914,391	405,965,402	1,685,085,719
Mortgages, notes, and bonds payable in one year or more	249,604,965	14,645,016	6,921,787	2,925,677	4,797,552	8,230,019	7,634,821	7,466,799	9,765,165	7,780,254	10,746,055	27,547,402	155,789,433
Net worth	656,189,577	16,299,709	6,260,196	4,182,303	5,857,210	10,079,451	7,505,307	10,582,686	20,901,377	23,661,310	29,688,824	79,521,924	457,948,989
Cost of property used for investment credit	15,982,533	351,187	98,967	136,796	115,425	374,081	341,806	323,046	535,220	516,467	543,503	1,473,022	11,524,201
Total receipts	877,808,946	8,054,895	1,464,672	2,314,067	4,276,156	11,210,597	11,278,659	12,153,962	22,277,338	25,716,475	33,335,575	88,756,437	665,025,007
Business receipts	330,631,846	3,713,153	489,702	983,831	2,239,619	6,871,475	7,653,346	7,391,919	8,932,042	7,226,634	8,312,243	25,888,269	254,642,766
Cost of sales and operations	162,447,596	484,182	63,423	115,266	305,493	931,256	1,673,405	1,907,440	2,276,042	2,984,638	3,761,234	11,517,634	136,911,766
Taxes paid	14,434,292	793,573	233,055	228,303	332,215	667,660	562,248	538,257	700,699	562,868	673,697	1,560,832	8,374,459
Interest paid	314,128,780	1,509,130	558,584	355,485	595,060	1,226,380	1,230,256	1,885,552	7,130,976	11,757,215	17,190,831	45,105,669	227,092,772
Depreciation	13,503,259	753,734	215,150	203,806	334,778	623,964	550,568	505,392	677,886	534,426	612,874	1,379,682	7,864,733
Pension, profit-sharing, stock bonus, and annuity plans	4,880,695	42,968	2,371	11,862	28,734	154,088	136,480	109,368	179,191	174,266	184,513	461,769	3,438,052
Employee benefit programs	3,564,046	40,743	6,691	9,734	24,317	47,301	65,692	53,573	113,165	136,664	152,869	434,469	2,519,569
Net income (less deficit)	26,346,494	- 857,365	- 1,142,706	134,209	151,132	585,562	571,523	648,038	1,359,889	992,111	328,357	732,521	21,985,857
Net income	53,018,005	1,620,594	345,462	502,024	773,109	1,454,908	1,221,270	1,231,744	2,353,704	2,155,561	2,121,101	6,706,212	34,152,910
Income subject to tax	21,903,437	1,162,972	255,592	357,962	549,418	1,079,878	863,311	845,522	1,456,849	1,363,420	1,192,628	2,365,806	11,573,051
Income tax, total	8,159,015	238,981	56,701	66,956	115,324	254,844	246,907	268,106	522,614	529,616	490,637	1,009,303	4,598,008
Additional tax for tax preferences	124,426	801	*174	*104	*524	*140	1,029	975	2,086	4,172	3,517	8,970	102,736
Foreign tax credit	1,190,436	1,635	*723	*24	*888	821	317	724	3,693	3,553	1,819	28,615	1,149,260
Investment credit	887,629	7,898	1,452	2,356	4,090	14,678	16,639	18,421	34,324	28,699	27,634	72,928	666,408
Work incentive (WIN) credit	1,065	37	—	—	*37	*1	*48	*4	71	*63	*24	227	592
Jobs credit	24,978	750	*1	*726	*23	1,239	1,095	1,801	3,134	1,281	2,801	3,005	9,872
Research activities credit	14,145	—	—	—	—	—	—	*125	*27	*500	186	964	12,342
Distributions to stockholders except in own stock	41,998,295	689,318	260,173	179,545	249,601	410,138	268,911	425,323	1,125,636	1,316,875	2,120,435	5,968,638	29,673,021

Footnotes at end of table. See text for "Explanation of Terms" and "Description of the Sample and Limitations of the Data."

RETURNS OF ACTIVE CORPORATIONS

Table 7 — Selected Balance Sheet, Income Statement, Tax Items, and Distributions to Stockholders, by Industrial Division, by Size of Business Receipts — Continued

[All figures are estimates based on samples—money amounts are in thousands of dollars]

Industrial division, item	Total returns of active corporations	Size of business receipts: Under $100,000[1]	Under $25,000[1]	$25,000 under $50,000	$50,000 under $100,000	$100,000 under $200,000	$200,000 under $500,000	$500,000 under $1,000,000	$1,000,000 under $2,000,000	$2,000,000 under $5,000,000	$5,000,000 under $10,000,000	$10,000,000 under $50,000,000	$50,000,000 or more
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Services													
Number of returns	752,813	337,405	164,793	61,364	111,248	199,181	111,971	59,347	31,503	7,916	3,059	2,098	333
Total assets	213,724,531	17,087,697	8,521,724	2,861,544	5,704,429	15,823,410	15,675,706	17,295,333	21,976,903	14,409,916	13,268,874	25,314,213	72,872,480
Notes and accounts receivable, net	35,586,617	1,960,083	1,004,004	257,485	698,593	1,892,543	2,084,849	2,631,053	3,939,797	2,696,665	3,087,562	5,202,470	12,091,594
Inventories	11,030,812	487,843	230,074	74,939	182,830	544,530	562,833	959,741	1,262,713	866,766	584,114	1,520,396	4,241,876
Cash, Government obligations, and other current assets	34,870,803	3,271,840	1,659,158	457,103	1,155,579	3,693,188	3,400,638	3,481,797	3,725,848	2,348,483	2,080,805	3,569,307	9,298,895
Other investments and loans	33,764,604	3,245,834	1,907,965	582,848	755,021	2,081,250	2,056,831	2,307,498	2,691,110	1,353,156	1,891,470	2,889,525	15,247,929
Depreciable assets	126,924,709	9,380,145	3,528,246	1,764,294	4,087,606	11,369,376	11,901,445	11,971,771	15,364,208	9,711,134	7,529,975	14,342,989	35,353,666
Less: Accumulated depreciation	51,061,941	3,821,382	1,264,812	701,470	1,855,100	5,417,784	5,804,232	5,616,572	7,042,923	4,022,105	3,115,300	5,063,092	11,158,551
Other capital assets less reserves	11,177,374	1,437,325	712,690	333,118	391,517	913,960	834,848	881,800	1,164,889	879,136	715,549	1,232,611	3,117,255
Accounts and notes payable	42,380,781	3,358,156	1,758,578	528,922	1,070,656	2,838,641	2,997,486	3,698,915	5,039,161	3,616,909	3,457,148	5,688,646	11,685,720
Other current liabilities	26,014,905	1,497,154	714,181	198,724	584,248	1,659,086	1,805,288	2,075,517	2,423,542	1,659,572	1,343,571	2,717,034	10,834,140
Mortgages, notes, and bonds payable in one year or more	60,919,966	4,676,572	2,243,602	886,091	1,546,879	3,854,086	3,867,885	4,620,899	6,091,852	4,027,219	3,998,559	7,619,628	22,163,269
Net worth	61,050,849	3,173,751	1,334,221	450,627	1,388,903	5,106,357	5,051,817	4,927,364	6,183,492	3,968,094	3,113,251	7,021,457	22,505,265
Cost of property used for investment credit	19,086,436	1,565,933	698,515	269,713	597,705	1,479,061	1,623,420	1,813,129	2,192,498	1,363,374	981,930	2,286,189	5,780,901
Total receipts	346,846,723	15,012,002	3,644,735	2,621,337	8,745,930	34,541,329	40,039,813	42,211,982	50,287,068	27,973,928	21,784,930	40,581,832	74,413,839
Business receipts	328,053,889	11,631,697	1,089,042	2,321,837	8,220,818	33,234,851	38,879,950	40,788,413	48,666,789	26,959,313	20,523,253	38,250,065	69,119,559
Cost of sales and operations	157,886,393	3,441,728	325,673	713,157	2,402,898	10,469,747	13,517,727	17,031,372	24,934,643	14,605,850	11,723,754	22,737,613	39,423,960
Taxes paid	11,329,900	618,529	153,426	120,740	344,362	1,216,163	1,320,207	1,586,941	1,606,487	931,626	622,525	1,269,695	2,157,727
Interest paid	10,472,892	616,608	284,640	113,397	218,571	653,563	694,325	821,416	1,131,349	760,154	739,260	1,343,768	3,712,449
Depreciation	14,414,123	1,040,326	375,580	200,217	464,529	1,282,135	1,347,929	1,407,722	1,799,526	1,155,763	914,843	1,557,673	3,908,205
Pension, profit-sharing, stock bonus, and annuity plans	7,825,297	431,916	177,295	26,992	227,629	1,575,682	2,022,821	1,453,203	951,625	386,644	191,507	389,166	422,732
Employee benefit programs	2,731,922	110,172	24,311	19,083	66,778	309,239	250,100	297,666	338,796	205,349	149,697	396,951	673,951
Net income (less deficit)	8,197,916	- 563,780	- 496,223	- 149,496	81,938	751,662	1,022,700	974,816	1,061,506	698,284	360,776	1,090,442	2,801,510
Net income	15,182,552	1,368,587	507,687	233,822	627,078	1,676,723	1,714,439	1,650,120	1,772,405	1,075,955	818,324	1,722,791	3,383,208
Income subject to tax	12,034,108	778,789	324,040	123,249	331,499	1,233,662	1,316,148	1,242,479	1,285,157	904,058	637,498	1,445,124	3,191,194
Income tax, total	4,100,151	177,464	90,991	23,691	62,782	243,581	276,779	311,639	387,087	339,386	262,349	635,880	1,465,986
Additional tax for tax preferences	9,661	213	*207	5	—	*947	*134	*318	*428	*233	276	1,364	5,749
Foreign tax credit	182,831	1,957	*1,789	—	*169	—	*1	*1,171	8,202	3,586	6,203	17,646	144,064
Investment credit	878,057	29,995	8,074	4,771	17,150	57,747	75,283	82,689	92,699	66,985	47,163	93,467	332,028
Work incentive (WIN) credit	5,021	187	—	—	*187	*26	*397	*157	*204	772	*543	487	2,248
Jobs credit	69,489	1,107	592	*101	*414	4,925	7,435	11,577	12,923	7,792	4,432	7,475	11,824
Research activities credit	18,472	105	*105	—	—	—	*12	*694	1,451	2,100	1,291	4,342	8,476
Distributions to stockholders except in own stock	2,491,324	444,167	279,971	47,819	116,378	228,962	179,782	168,097	258,425	81,958	81,274	248,841	799,817
Nature of Business not Allocable													
Number of returns	17,427	11,625	9,000	*1,190	*1,435	2,820	1,425	694	654	82	64	63	—
Total assets	2,420,840	861,061	762,326	*46,045	*52,690	205,029	152,967	167,370	330,841	140,268	163,785	399,519	—
Notes and accounts receivable, net	379,226	77,572	53,515	*13,255	*10,802	34,571	31,645	*11,273	61,695	38,361	52,613	71,497	—
Inventories	335,454	5,216	*1,508	*1,035	*2,673	49,940	*31,824	*53,744	60,207	*15,894	*53,339	65,289	—
Cash, Government obligations, and other current assets	386,555	113,469	100,143	*1,065	*12,261	40,318	35,021	52,709	49,944	26,035	19,977	49,084	—
Other investments and loans	415,224	260,388	248,029	*62	*12,297	*6,622	*25,683	*14,159	28,782	*6,004	*5,771	67,815	—
Depreciable assets	886,599	176,415	122,129	*41,517	*12,770	88,052	52,219	57,317	211,688	72,027	*64,147	164,735	—
Less: Accumulated depreciation	421,089	61,376	38,672	*19,656	*3,047	54,311	31,836	28,367	105,470	31,124	*34,930	73,674	—
Other capital assets less reserves	169,080	79,598	67,782	*8,367	*3,449	*18,938	*6,430	*5,453	11,867	*11,094	*1,515	*34,184	—
Accounts and notes payable	812,433	338,683	300,038	*2,915	*35,730	54,642	48,045	*43,197	92,734	52,240	74,930	107,961	—
Other current liabilities	139,668	9,524	7,974	*237	*1,312	*19,328	10,674	14,989	29,478	*5,462	21,986	28,227	—
Mortgages, notes, and bonds payable in one year or more	439,791	157,175	116,913	*29,828	*10,434	32,128	*8,162	*34,546	91,867	*8,799	*19,336	*87,779	—
Net worth	693,606	164,780	154,978	*9,710	*93	76,069	21,843	57,405	110,379	64,651	38,985	159,493	—
Cost of property used for investment credit	98,318	5,605	*4,348	*459	*798	*8,972	*6,738	*2,282	36,513	*7,174	*8,164	22,869	—
Total receipts	4,618,127	264,777	104,665	*43,048	*117,064	495,873	478,567	449,424	1,122,688	298,355	471,757	1,036,686	—
Business receipts	4,428,945	178,284	20,450	*42,998	*114,836	483,316	471,756	429,552	1,111,463	285,976	455,567	1,013,032	—
Cost of sales and operations	2,909,373	57,530	*3,499	*13,103	*40,927	264,993	234,282	328,357	774,292	*193,204	*264,612	792,103	—
Taxes paid	120,538	11,098	6,069	*676	*4,352	18,058	24,829	8,607	18,723	7,231	16,186	15,806	—
Interest paid	87,218	26,443	22,772	*2,604	*1,066	6,071	2,929	4,293	12,982	*3,974	11,293	19,233	—
Depreciation	89,541	15,538	7,234	*5,858	*2,446	12,905	6,530	4,406	22,554	7,068	*8,193	12,346	—
Pension, profit-sharing, stock bonus, and annuity plans	31,971	—	—	—	—	*1,554	*1,199	*1,098	19,652	*1,842	*2,682	3,944	—
Employee benefit programs	18,139	1,192	*49	*41	*1,102	*2,327	*2,087	*2,192	*1,483	*815	*5,016	*3,027	—
Net income (less deficit)	30,927	- 1,937	1,384	*- 1,463	*- 1,859	- 26,935	16,888	15,983	- 4,888	13,916	6,196	11,705	—
Net income	168,479	28,708	22,381	*3,467	*2,860	16,052	26,809	*16,862	26,906	*20,128	*15,423	*17,591	—
Income subject to tax	121,168	12,931	8,418	*1,654	*2,859	*11,395	*23,594	*12,083	*21,061	*8,768	*15,423	*15,912	—
Income tax, total	36,595	2,689	1,947	*281	*461	*2,673	*4,751	*4,694	5,438	*3,454	*6,139	*6,757	—
Additional tax for tax preferences	*69	69	*69	—	—	—	—	—	—	—	—	—	—
Foreign tax credit	*21	—	—	—	—	—	—	—	—	*21	—	—	—
Investment credit	3,683	79	*20	—	*59	*204	*163	*304	*1,503	*539	*375	*516	—
Work incentive (WIN) credit	2	—	—	—	—	—	—	—	—	—	—	2	—
Jobs credit	*296	—	—	—	—	—	—	—	*46	—	*250	—	—
Research activities credit	*55	—	—	—	—	—	—	—	*55	—	—	—	—
Distributions to stockholders except in own stock	33,685	16,080	*16,054	26	—	*496	*618	—	*4,963	*7,537	*2,736	*1,256	—

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Includes returns with zero receipts and receipts not reported.
[2]Size of total receipts was used in lieu of business receipts to classify statistics for the "Finance, insurance, and real estate" industrial division.
[3]Less than $500 per return.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS

Table 8 — Total Receipts, Net Income, Statutory Special Deductions, Income Tax, Tax Credits, and Taxpayment Items, by Accounting Period Ended

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	Total returns of active corporations		Accounting period ended[1]											
	Number of returns	Amount	July 1981	August 1981	September 1981	October 1981	November 1981	December 1981	January 1982	February 1982	March 1982	April 1982	May 1982	June 1982
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Returns With and Without Net Income														
Number of returns	2,812,420	—	109,783	118,667	267,007	156,414	101,542	1,060,996	112,667	96,485	224,355	110,324	113,659	340,521
Total receipts	2,696,612	7,026,351,839	168,641,742	193,624,122	422,649,296	237,436,758	126,314,812	4,277,051,294	282,959,275	128,516,617	382,112,496	153,276,837	171,462,519	482,306,072
Net income (less deficit)	2,794,556	213,648,962	5,570,941	6,015,910	11,664,930	6,772,071	5,229,667	140,285,132	10,439,572	3,224,939	7,873,286	2,697,773	3,521,477	10,353,264
Total income tax	1,203,006	102,257,851	2,163,152	2,682,461	5,336,796	2,876,946	1,717,500	71,329,464	2,953,952	1,526,528	2,879,476	1,427,167	1,574,893	5,789,516
Returns With and Without Net Income, Other Than Forms 1120S and 1120 — DISC														
Number of returns	2,261,523	—	91,003	97,294	220,348	131,827	81,292	810,200	84,625	82,589	191,049	92,632	94,453	284,209
Total receipts	2,182,599	6,764,236,147	153,486,042	184,031,136	403,085,409	224,796,450	117,166,897	4,179,922,356	256,362,148	119,989,723	366,266,309	144,051,254	162,798,993	452,279,429
Net income (less deficit)	2,247,708	200,867,901	4,941,561	5,663,413	11,235,282	6,163,352	5,073,775	137,669,026	5,991,028	2,478,048	6,983,129	2,121,301	3,080,278	9,467,707
Statutory special deductions, total	378,036	17,467,230	350,343	376,174	950,081	541,733	453,392	11,320,073	609,783	347,697	789,043	389,173	374,242	965,495
Net operating loss deduction	274,157	9,704,765	297,572	324,107	801,209	389,380	288,743	5,054,848	340,989	277,702	614,284	268,831	319,774	727,324
Total special deductions	110,917	7,762,465	52,770	52,067	148,872	152,353	164,649	6,265,224	268,794	69,996	174,759	120,342	54,468	238,171
Income subject to tax, total	1,153,691	241,487,007	5,301,263	6,684,754	13,431,550	7,231,122	4,317,571	163,511,657	7,097,925	3,881,018	7,482,170	3,686,324	4,024,378	14,837,275
Net long-term capital gain taxed at alternative rates	31,858	14,843,789	152,337	668,452	947,011	338,034	234,257	10,701,141	347,619	207,511	251,089	106,492	147,067	742,778
Income taxed at regular rates	1,152,860	226,643,219	5,148,926	6,016,302	12,484,539	6,893,088	4,083,314	152,810,517	6,750,306	3,673,507	7,231,081	3,579,832	3,877,311	14,094,497
Income tax, total	1,202,833	102,255,708	2,163,150	2,682,461	5,335,646	2,876,946	1,717,500	71,328,534	2,953,952	1,526,467	2,879,476	1,427,167	1,574,893	5,789,516
Regular and alternative tax	1,153,690	100,642,318	2,129,680	2,642,396	5,269,804	2,811,982	1,694,303	70,190,517	2,920,589	1,505,903	2,823,042	1,402,757	1,542,143	5,709,202
Personal holding company tax	2,705	5,036	237	*15	*130	—	*94	3,344	*613	*2	*116	*268	*168	*49
Tax from recomputing prior-year investment credit	189,310	1,083,547	29,157	21,949	53,429	47,987	18,239	717,038	26,547	17,981	42,163	19,067	27,580	62,410
Additional tax for tax preferences	8,012	524,806	4,076	18,102	12,282	16,977	4,864	417,635	6,203	2,581	14,156	5,075	5,002	17,854
Foreign tax credit	6,132	21,828,686	162,976	714,354	439,386	258,072	54,928	19,252,711	132,107	85,860	128,546	42,586	47,298	509,863
U.S. possessions tax credit	567	1,945,637	20,195	5,581	33,928	23,949	160,373	1,471,312	3,350	8,427	28,727	41,543	19,813	128,439
Investment credit	804,015	18,887,286	250,937	351,803	738,276	366,253	180,776	14,432,220	421,667	204,922	519,251	212,446	318,941	889,794
Work incentive (WIN) credit	8,639	38,223	1,106	1,249	4,148	1,480	792	20,599	1,542	762	1,691	1,783	886	2,186
Jobs credit	79,245	472,895	19,482	22,052	54,388	30,680	14,352	188,485	33,495	12,603	28,782	13,432	17,300	37,844
Research activities credit	8,610	639,302	1,558	1,777	12,090	15,550	7,461	473,258	10,359	6,541	19,372	8,608	14,731	67,996
Total income tax after credits[2]	998,740	58,442,576	1,706,895	1,585,645	4,053,417	2,180,727	1,298,819	35,489,332	2,351,432	1,207,286	2,153,089	1,106,733	1,155,925	4,153,277
Returns With Net Income, Other Than Forms 1120S and 1120 — DISC														
Number of returns	1,323,377	—	52,829	54,872	134,463	79,154	47,064	460,917	53,136	48,520	109,927	51,202	55,214	176,079
Total receipts	1,323,377	5,265,745,101	116,719,917	144,023,788	306,216,109	166,929,787	88,401,487	3,302,468,871	211,657,892	89,378,593	273,572,935	107,935,146	123,623,013	334,817,562
Net income	1,323,377	282,025,331	6,740,528	7,485,573	15,980,992	9,051,374	7,036,927	185,119,388	8,156,655	4,327,384	11,962,557	4,376,180	4,940,889	16,846,885
Statutory special deductions, total	355,110	16,173,484	345,217	370,199	930,891	497,741	434,846	10,229,619	599,536	345,017	746,363	372,331	368,119	933,605
Net operating loss deduction	274,157	9,704,765	297,572	324,107	801,209	389,380	288,743	5,054,848	340,989	277,702	614,284	268,831	319,774	727,324
Total special deductions	87,991	6,468,719	47,645	46,092	129,682	108,361	146,102	5,174,771	258,547	67,315	132,078	103,500	48,345	206,281
Income subject to tax, total	1,153,574	240,162,256	5,301,255	6,684,754	13,431,497	7,225,489	4,316,707	162,223,242	7,068,157	3,881,018	7,482,162	3,686,324	4,024,378	14,837,275
Net long-term capital gain taxed at alternative rates	31,833	14,657,279	152,337	668,452	947,011	334,844	234,133	10,517,944	347,619	207,511	251,089	106,492	147,067	742,778
Income taxed at regular rates	1,152,744	225,504,977	5,148,917	6,016,302	12,484,485	6,890,645	4,082,573	151,705,298	6,720,538	3,673,507	7,231,073	3,579,832	3,877,311	14,094,497
Income tax, total	1,157,100	101,987,310	2,156,316	2,675,739	5,327,433	2,866,027	1,712,344	71,150,352	2,935,139	1,524,338	2,869,006	1,421,775	1,570,937	5,777,903
Regular and alternative tax	1,153,574	100,578,875	2,129,679	2,642,396	5,269,794	2,811,138	1,694,060	70,141,832	2,906,930	1,505,903	2,823,040	1,402,757	1,542,143	5,709,202
Personal holding company tax	2,465	4,593	237	*13	*122	—	*94	3,153	*613	*2	*89	*52	*168	*49
Tax from recomputing prior-year investment credit	144,677	938,623	22,894	16,698	46,253	39,322	14,218	635,197	22,756	15,931	34,153	14,931	24,687	51,582
Additional tax for tax preferences	6,569	465,219	3,507	16,631	11,265	15,566	3,972	370,169	4,839	2,503	11,723	4,035	3,939	17,069
Foreign tax credit	6,125	21,827,707	162,976	714,354	439,386	258,072	54,928	19,251,732	132,107	85,860	128,546	42,586	47,298	509,863
U.S. possessions tax credit	567	1,945,637	20,195	5,581	33,928	23,949	160,373	1,471,312	3,350	8,427	28,727	41,543	19,813	128,439
Investment credit	803,922	18,862,325	250,937	351,803	738,269	366,034	180,676	14,407,587	421,667	204,922	519,250	212,446	318,941	889,794
Work incentive (WIN) credit	8,635	38,181	1,106	1,249	4,148	1,480	792	20,557	1,542	762	1,691	1,783	886	2,186
Jobs credit	79,230	472,636	19,482	22,052	54,388	30,679	14,347	188,232	33,495	12,603	28,782	13,432	17,300	37,844
Total income tax after credits[2]	953,040	58,200,655	1,700,062	1,578,923	4,045,211	2,170,028	1,293,768	35,337,293	2,332,619	1,205,157	2,142,620	1,101,341	1,151,969	4,141,664
Estimated tax payments:														
1980 overpayments claimed as a credit	242,808	3,206,747	88,433	67,533	200,238	110,957	63,010	1,955,754	109,004	55,389	150,124	72,369	88,552	245,384
1981 estimated tax payments	519,008	46,585,999	1,040,170	1,079,835	2,651,940	1,477,266	915,073	29,917,113	1,649,509	940,663	1,710,815	941,227	971,397	3,290,991
Less: Refund of estimated tax payments	9,633	2,733,277	26,024	36,103	92,729	58,938	29,406	2,028,767	51,995	24,157	85,981	60,854	86,278	152,045
Payments with applications for:														
First extension of filing time	153,261	7,773,526	314,247	236,153	668,470	348,680	185,218	4,476,282	413,445	151,761	242,163	105,170	126,046	505,891
Second extension of filing time	27,242	4,230,425	208,635	111,167	450,242	193,118	76,379	2,453,079	210,903	63,852	91,041	55,510	58,921	257,578
Other credits and payments, total[3]	24,230	302,315	1,711	3,547	8,936	1,457	1,945	261,706	1,985	2,016	5,951	2,797	953	9,312
Overpaid windfall profit tax	2,371	256,700	875	2,906	5,563	199	354	229,686	*1,570	*1,356	4,431	2,065	409	7,286
Tax due at time of filing	598,113	5,750,753	231,372	283,781	565,418	328,368	209,516	2,513,444	227,212	161,039	372,439	155,199	166,716	536,248
Tax overpayment	395,447	6,912,376	158,460	166,999	407,458	227,685	128,107	4,210,795	227,542	145,330	343,902	170,094	174,309	551,695

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Includes full and part-year returns.
[2]Credits include foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits.
[3]Includes credit for tax paid by regulated investment companies; federal tax on special fuels and oils; and U.S. tax paid or witheld at the source (Form 1120 F only).
NOTE: Detail may not add to total because of rounding. See text for "Explanation of Terms" and "Description of the Sample and Limitation of the Data."

RETURNS OF ACTIVE SMALL BUSINESS CORPORATIONS, FORM 1120S

Table 9 — Balance Sheets and Income Statements, by Industrial Division

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions	Industrial division								
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade	Finance, insurance, and real estate	Services	Nature of business not allocable
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Number of returns, total	**541,489**	**26,611**	**6,870**	**56,341**	**40,509**	**25,154**	**173,353**	**57,686**	**151,187**	**3,779**
With net income	**265,466**	**10,692**	**2,854**	**27,634**	**20,716**	**10,307**	**85,203**	**28,494**	**77,998**	**1,567**
Total assets	**91,171,986**	**8,202,830**	**3,724,648**	**9,802,951**	**9,571,335**	**4,998,667**	**28,967,959**	**9,978,269**	**15,664,687**	**260,640**
Cash	7,876,585	362,499	393,997	923,514	1,005,365	396,453	2,556,576	722,701	1,480,839	34,640
Notes and accounts receivable	14,841,833	449,631	842,568	2,086,163	2,197,956	607,181	5,324,647	1,452,408	1,865,658	15,623
Less: Allowance for bad debts	259,158	894	2,698	72,885	31,064	7,924	78,547	38,301	26,775	*69
Inventories	16,159,941	682,542	150,578	2,367,420	2,035,706	83,962	10,134,787	—	662,323	42,622
Investments in Government obligations:										
United States	320,095	*2,825	*23,724	*27,071	35,162	*14,818	117,588	78,100	*20,806	—
State and local	94,073	*1,388	*8,297	*7,093	45,627	*3,903	24,960	*1,006	*1,799	—
Other current assets	5,395,752	235,797	204,687	953,335	364,975	243,457	883,490	1,756,712	742,676	10,624
Loans to stockholders	2,013,178	239,103	83,067	408,295	151,484	112,175	477,066	189,696	343,863	*8,430
Mortgage and real estate loans	1,310,850	137,160	*5,195	181,181	26,586	*18,317	202,081	434,013	289,963	*16,354
Other investments	4,747,678	326,220	251,302	321,257	321,047	137,996	797,345	1,921,560	652,063	*18,890
Depreciable assets	48,765,585	5,401,983	2,124,973	3,789,656	5,866,009	4,628,016	12,196,965	1,688,177	12,958,393	111,412
Less: Accumulated depreciation	21,735,815	2,438,357	820,987	2,015,448	3,055,803	1,792,272	5,706,536	492,563	5,350,930	62,917
Depletable assets	458,770	71,173	244,831	*2,526	20,795	*15,528	41,215	*24,786	37,916	—
Less: Accumulated depletion	127,737	27,194	49,451	*2,526	*2,746	*4,413	18,725	*4,676	18,006	—
Land	6,471,000	2,374,635	109,196	461,458	181,516	134,096	824,101	1,407,743	922,752	55,505
Intangible assets (amortizable)	1,513,912	20,563	19,095	27,739	95,760	202,057	442,112	94,413	611,938	*235
Less: Accumulated amortization	650,830	7,235	4,107	9,168	26,274	57,166	160,133	38,101	348,546	*99
Other assets	3,976,273	370,991	140,383	346,270	339,233	262,486	908,967	780,596	817,956	9,391
Total liabilities	**91,171,986**	**8,202,830**	**3,724,648**	**9,802,951**	**9,571,335**	**4,998,667**	**28,967,959**	**9,978,269**	**15,664,687**	**260,640**
Accounts payable	13,468,810	258,240	739,772	1,717,153	1,704,660	535,713	5,835,864	1,126,362	1,516,301	34,745
Mortgages, notes, and bonds payable in less than one year	14,196,055	1,583,163	605,629	1,999,232	1,208,576	548,452	4,788,338	1,713,847	1,717,108	31,708
Other current liabilities	7,336,442	148,017	278,239	1,287,617	965,310	305,758	2,208,221	837,230	1,294,999	11,051
Loans from stockholders	15,566,097	1,474,489	666,865	1,143,301	1,369,548	1,075,658	4,481,626	1,926,362	3,401,756	*26,492
Mortgages, notes, and bonds payable in one year or more	23,970,683	3,046,480	872,060	1,628,450	1,769,279	2,034,067	5,330,931	2,964,232	6,280,675	44,509
Other liabilities	3,529,611	342,478	140,183	686,972	204,781	170,779	661,878	635,971	656,008	30,560
Capital stock	9,473,357	1,645,526	125,762	592,158	1,032,160	415,465	3,215,498	759,988	1,656,707	30,093
Paid-in or capital surplus	5,736,741	832,963	476,963	420,523	476,199	627,262	1,311,372	590,507	985,976	*14,977
Retained earnings, appropriated	417,158	34,953	*65,293	19,056	78,294	*18,717	129,704	17,284	47,119	*6,739
Retained earnings, unappropriated	1,787,734	- 133,430	148,261	210,615	815,032	- 75,357	1,096,851	- 5,523	- 273,251	4,536
Stockholders' undistributed taxable income previously taxed[1]	- 3,031,949	- 979,643	- 370,378	204,463	114,450	- 584,435	325,847	- 477,039	- 1,298,770	33,555
Less: Cost of treasury stock	1,278,735	50,408	24,001	106,588	166,954	73,412	418,171	110,937	319,941	*8,324
Total receipts	**212,514,030**	**9,590,357**	**5,318,366**	**23,144,865**	**25,225,993**	**7,725,050**	**106,527,098**	**6,176,245**	**28,240,663**	**565,395**
Business receipts	206,357,914	8,920,217	5,085,973	22,491,715	24,789,441	7,404,415	105,014,700	5,031,288	27,094,989	525,175
Interest on Government obligations:										
United States	71,622	3,016	4,513	5,464	5,599	3,176	16,999	20,413	12,443	—
State and local	15,027	*124	*503	*2,291	2,219	*1,315	2,082	*110	*6,384	—
Other interest	1,049,504	76,216	35,464	119,242	101,819	50,658	292,908	226,009	142,843	*4,345
Rents	804,822	47,903	14,923	42,475	39,067	28,637	199,732	96,347	335,739	—
Royalties	78,662	6,218	28,883	*77	4,306	*712	17,788	*9,668	*10,863	*146
Net short-term capital gain reduced by net long-term capital loss	52,065	2,046	*8,257	*248	*2,717	*1,110	8,579	20,474	8,634	—
Net long-term capital gain reduced by net short-term capital loss	847,839	233,293	36,718	28,440	92,153	32,550	149,527	149,649	125,286	*223
Net gain, noncapital assets	924,154	82,066	15,895	222,896	42,810	63,674	69,249	366,114	61,399	*50
Dividends received from domestic corporations	42,133	3,656	*964	3,631	5,492	1,309	12,156	9,024	5,901	—
Dividends received from foreign corporations	*3,421	*141	—	—	—	*1,659	*1,355	*147	119	—
Other receipts	2,266,868	215,461	86,271	228,388	140,370	135,835	742,023	247,003	436,062	*35,455
Total deductions	**210,628,257**	**9,710,487**	**5,379,829**	**22,847,568**	**24,679,732**	**7,999,886**	**105,690,878**	**5,937,911**	**27,833,735**	**548,230**
Cost of sales and operations	141,783,813	6,647,559	3,096,486	16,692,331	17,682,250	4,228,770	79,347,866	1,436,295	12,283,025	369,231
Compensation of officers	8,830,154	190,812	133,851	1,134,360	1,204,131	343,957	3,028,096	603,196	2,167,060	24,691
Repairs	1,712,758	210,949	98,855	161,603	151,585	193,702	489,546	38,791	365,143	2,584
Bad debts	478,659	2,863	32,548	86,673	61,622	18,776	180,627	27,490	67,943	*118
Rent paid on business property	4,554,801	246,700	45,638	189,124	293,406	175,623	2,108,559	169,227	1,310,639	15,886
Taxes paid	4,687,576	169,382	165,335	570,512	548,948	209,492	1,644,818	185,434	1,181,278	12,377
Interest paid	4,677,645	525,523	184,474	408,858	397,622	383,392	1,369,418	449,936	953,966	4,456
Contributions or gifts	56,865	1,663	1,635	8,440	10,052	1,779	16,520	3,353	13,378	*45
Amortization	181,633	2,551	2,757	4,406	11,928	20,585	54,438	23,231	61,710	*26
Depreciation	5,198,426	519,463	265,885	486,864	575,456	581,595	1,279,669	153,490	1,320,953	15,049
Depletion	141,879	2,874	75,430	*1,375	3,278	*106	36,656	*16,272	*5,887	—
Advertising	1,887,253	20,093	14,049	85,265	150,834	41,386	1,051,795	126,717	392,442	4,673
Pension, profit-sharing, stock bonus, and annuity plans	372,000	7,488	8,788	40,326	84,720	21,383	113,537	20,761	74,677	*320
Employee benefit programs	711,707	20,011	16,841	139,874	100,921	36,314	210,614	22,046	164,804	*284
Net loss, noncapital assets	275,304	7,333	25,934	7,696	14,604	7,676	88,185	64,630	58,930	*317
Other deductions	35,077,784	1,135,223	1,211,322	2,829,861	3,388,374	1,735,350	14,670,534	2,597,044	7,411,900	98,174
Total receipts less total deductions	1,885,773	- 120,130	- 61,464	297,297	546,260	- 274,836	836,219	238,333	406,928	17,165
Net income (less deficit)	1,870,746	- 120,254	- 61,966	295,006	544,041	- 276,151	834,138	238,224	400,544	17,165
Net income	8,454,022	494,154	386,514	820,992	1,214,820	322,954	2,546,908	847,692	1,793,791	26,197
Distributions to stockholders:										
Cash and property except in own stock	3,264,671	173,449	2,164,467	236,593	453,851	100,404	908,314	417,796	744,373	*13,423
Corporation's own stock	*15,886	*12,714	—	—	*1,303	—	*1,869	—	—	—

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]This item is reflected in the statistics for "Retained earnings, unappropriated" and "Net worth" in other tables which show these items.
NOTE: Active Small Business Corporations filing Form 1120S returns reported "Income subject to tax" of $9,360,000 and "Income tax" of $2,143,000, including "Additional tax for tax preferences" of $45,000. 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."

RETURNS OF ACTIVE DOMESTIC INTERNATIONAL SALES CORPORATIONS, FORM 1120 — DISC

Table 10 — Number of Returns, Selected Balance Sheet and Income Statement Items, and Distributions to Stockholders, by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions				
		Wholesale and retail trade			Finance, insurance, and real estate	Services
		Total[2]	Wholesale trade	Retail trade		
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns, total	**9,408**	**9,109**	**8,936**	**126**	**85**	**178**
With net income	**8,455**	**8,212**	**8,062**	**	**	**150**
Total assets	**32,301,055**	**31,535,667**	**31,466,430**	**65,998**	**380,614**	**367,731**
Notes and accounts receivable, net	19,446,790	19,091,424	19,042,738	45,929	156,291	195,936
Inventories	1,349,081	1,348,690	1,346,618	*1,906	5	*386
Cash, Government obligations, and other current assets	689,724	643,960	641,522	2,143	1,849	43,688
Other investments and loans	8,224,822	7,915,816	7,904,257	*11,559	216,786	89,873
Depreciable assets	60,995	58,225	58,101	*113	—	*727
Less: Accumulated depreciation	17,657	17,198	17,162	*29	—	*258
Accounts and notes payable	1,968,188	1,950,170	1,946,062	*3,964	*991	17,000
Other current liabilities	1,084,118	1,068,266	1,067,236	*968	*935	13,273
Mortgages, notes, and bonds payable in one year or more	90,586	83,326	74,574	*8,752	4,182	—
Net worth	28,790,474	28,077,493	28,022,492	52,143	374,507	328,219
Total receipts	**49,601,661**	**49,221,064**	**49,128,197**	**90,199**	**49,677**	**324,514**
Business receipts	47,224,929	46,908,701	46,818,408	87,633	1,745	309,069
Total deductions	**38,721,633**	**38,545,763**	**38,483,105**	**61,190**	**2,027**	**173,001**
Cost of sales and operations	36,131,993	36,018,724	35,968,495	*49,541	—	113,269
Taxes paid	51,533	49,574	49,243	*143	1,027	867
Interest paid	110,445	109,490	108,298	*1,193	39	*365
Depreciation	10,588	10,186	10,166	*18	—	*200
Pension, profit-sharing, stock bonus, and annuity plans	13,904	13,813	13,781	—	—	92
Employee benefit programs	9,364	9,271	9,239	*32	—	*94
Net income (less deficit)	10,910,315	10,677,327	10,647,118	29,008	75,911	151,513
Net income	10,961,425	10,726,327	10,695,696	**	**	153,624
Total statutory special deductions	9,072	9,054	9,054	—	—	*18
Taxable income	10,901,243	10,668,273	10,638,063	29,008	75,911	151,495
Distributions to stockholders in cash	4,203,545	4,129,226	4,117,518	11,698	45,701	28,098

*Estimate should be used with caution because of the small number of sample returns on which it is based.
**Data deleted to avoid disclosure of information for specific corporations. Deleted data are included in the appropriate totals.
[1]Includes "Transportation and public utilities" and "Nature of business not allocable" which are not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
NOTE: 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."

RETURNS OF MEMBERS OF CONTROLLED GROUPS, OTHER THAN FORM 1120 — DISC

Table 11 — Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), and Total Income Tax, by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total[2]	Wholesale trade	Retail trade		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total returns of members of controlled groups, other than Form 1120-DISC:											
Number of returns	342,647	6,915	5,553	25,920	42,019	16,340	93,670	41,365	51,987	87,985	63,366
Total assets	6,745,041,403	12,999,855	144,801,001	80,648,058	1,790,109,509	774,809,539	440,775,030	227,839,410	212,476,901	3,373,456,338	126,961,397
Total receipts	5,136,671,972	23,359,670	173,486,129	123,089,533	2,305,277,490	532,476,600	1,158,748,647	658,057,998	498,732,933	676,941,884	142,443,713
Intragroup domestic dividends received qualifying for 100 percent deduction under Code section 1561:											
Number of returns	1,704	*41	13	*24	298	164	384	214	170	673	105
Amount	823,326	*4,959	55,993	*8,147	381,874	6,310	103,238	48,754	54,484	192,971	69,830
Net income (less deficit)	153,801,949	235,904	5,997,518	1,815,684	108,333,266	18,761,055	14,520,980	6,868,902	7,632,389	- 109,575	4,232,170
Net income	205,932,881	737,126	8,702,957	3,577,128	124,323,440	22,652,753	21,034,567	10,690,609	10,321,583	18,220,896	6,650,366
Income tax, total	86,621,651	241,223	3,670,880	1,302,563	54,782,987	9,719,724	8,542,086	4,344,965	4,190,135	5,815,280	2,537,307
Distributions to stockholders except in own stock	78,503,616	250,204	2,801,770	382,648	39,870,683	18,307,621	4,003,753	1,462,619	2,534,989	11,683,106	1,198,585
Consolidated returns:											
Number of returns	62,490	883	1,660	4,420	12,226	3,092	16,430	8,768	7,573	15,130	8,562
Total assets	6,069,176,719	7,938,926	132,314,444	57,551,077	1,691,023,376	746,163,731	349,814,954	176,328,588	173,234,016	2,981,575,909	102,497,600
Total receipts	4,396,984,944	16,917,508	162,265,209	77,280,853	2,141,179,413	502,305,833	852,752,283	486,987,235	364,971,224	538,834,970	105,063,082
Net income (less deficit)	131,948,692	253,760	5,158,908	1,003,420	97,298,324	17,926,544	9,891,018	4,373,102	5,511,779	- 2,581,801	2,997,282
Net income	174,278,307	469,265	7,292,539	2,137,927	111,842,676	21,319,440	14,455,035	6,996,926	7,449,359	12,081,929	4,669,221
Income tax, total	75,046,628	168,774	3,145,909	826,216	49,582,610	9,194,662	6,078,496	2,929,075	3,146,922	4,138,473	1,910,101
Distributions to stockholders except in own stock	70,698,361	121,216	2,600,484	304,596	36,794,941	17,816,200	3,125,470	908,480	2,210,846	8,969,652	960,837

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Includes "Nature of business not allocable" which is not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120-DISC

Table 12 — Investment Credit and Selected Items, by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total[2]	Wholesale trade	Retail trade		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Number of returns of active corporations, other than Forms 1120-DISC	**2,803,012**	**85,370**	**33,363**	**276,395**	**251,294**	**109,125**	**807,727**	**270,067**	**533,954**	**469,710**	**752,635**
Returns with investment credit items, other than Forms 1120-DISC:											
Number of returns	1,430,466	53,643	19,883	151,594	163,619	60,872	440,393	157,498	281,161	131,766	404,538
Cost of property used for investment credit:											
Number of returns	1,326,328	51,176	19,066	138,754	156,819	55,941	408,968	149,777	257,457	115,245	376,572
Amount	262,774,426	2,853,215	11,243,227	6,168,650	112,394,188	69,458,905	25,488,952	11,604,083	13,843,692	15,982,533	19,086,436
Investment qualified for credit:											
Number of returns	1,187,384	42,113	16,882	124,812	144,158	47,839	364,916	138,914	224,579	107,870	335,518
Amount	246,245,030	2,327,234	10,387,439	5,255,131	106,991,292	68,032,134	22,609,545	10,369,305	12,204,401	15,513,242	15,046,146
Total qualified investment in 10% property:											
Number of returns	1,187,662	42,113	16,882	124,812	144,212	47,839	365,145	138,998	224,724	107,866	335,518
Amount	246,171,988	2,327,236	10,386,394	5,252,149	106,960,734	68,031,361	22,595,009	10,365,038	12,194,132	15,503,746	15,034,326
Additional tentative credit for Employee Stock Ownership Plans:											
1 percent additional tentative investment credit for qualifying stock ownership plans:											
Number of returns	1,275	4	37	80	436	238	318	48	269	101	61
Amount	1,090,614	199	22,974	1,617	496,926	506,995	32,520	7,742	24,778	16,413	12,971
.5 percent additional tentative investment credit for qualifying stock ownership plans:											
Number of returns	313	—	19	**	110	133	16	8	8	28	**
Amount	258,470	—	4,329	**	126,265	119,615	4,418	1,321	3,097	2,531	**
Patron's regular investment credit:											
Number of returns	12,959	5,510	*189	633	536	182	5,672	2,528	3,144	169	*67
Amount	38,108	4,063	*95	94	3,135	6,813	23,652	21,327	2,325	233	*23
Tentative investment credit:											
Number of returns	1,185,792	42,430	16,878	124,268	144,184	47,839	365,278	138,818	225,037	107,970	333,669
Amount	26,001,771	236,974	1,066,190	527,431	11,326,796	7,437,578	2,322,701	1,067,667	1,251,450	1,555,685	1,519,945
Carryover of unused credit:											
Number of returns	424,348	19,343	6,143	47,264	45,412	23,434	114,536	34,514	79,745	43,008	124,297
Amount	15,783,726	262,666	1,184,540	389,406	4,560,896	6,437,446	893,789	418,842	473,438	798,373	1,203,617
Total tentative regular investment credit:											
Number of returns	1,279,993	44,569	17,608	136,121	150,389	52,729	394,285	146,024	246,838	121,167	359,479
Amounts	41,784,678	499,697	2,250,733	916,826	15,887,681	13,925,009	3,216,291	1,486,385	1,724,828	2,353,801	2,723,179
Allowed regular investment credit:											
Number of returns	788,423	25,215	9,580	75,436	96,720	30,075	247,627	99,291	147,683	66,344	235,520
Amount	18,549,771	128,662	580,797	332,982	8,831,078	5,325,523	1,576,249	683,990	889,591	898,386	872,498
Investment credit:											
Number of returns	804,015	25,331	9,671	77,034	97,522	30,439	252,331	100,274	151,336	68,946	240,682
Amount	18,887,286	128,799	582,564	334,691	9,144,667	5,334,230	1,592,965	694,936	895,358	887,629	878,057

*Estimate should be used with caution because of the small number of sample returns on which it is based.
**Data deleted to avoid disclosure of information for specific corporations. Deleted data are included in the appropriate totals.
[1]Includes "Nature of business not allocable" which is not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS

Table 13 — Tax Items: Number of Returns by Selected Types of Tax, Dividend Items, Net Income or Deficit, Statutory Special Deductions, Income Subject to Tax, Income Tax, Credits, Payments, and Small Business Corporations (Form 1120S), by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total[2]	Wholesale trade	Retail trade		
Number of Returns With Income Tax	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Number of returns with —											
Income tax, total	1,203,006	33,326	14,120	107,430	121,061	41,960	351,324	136,593	213,538	198,699	331,213
Form 1120S	*173	*21	**	—	*5	—	**	**	*144	—	—
Regular and alternative tax before credits	1,153,863	30,504	13,270	99,946	114,844	38,886	337,559	130,773	205,593	192,320	322,701
Tax from recomputing prior-year investment credit	189,310	8,835	3,536	24,221	29,924	10,224	57,261	27,655	29,504	17,948	37,174
Total income tax after —											
Investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits	1,000,003	25,327	11,463	90,421	100,274	31,405	300,234	118,922	180,248	185,536	251,946
Foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel and research activities credits	998,913	25,319	11,348	90,411	99,878	31,380	300,036	118,771	180,201	185,463	251,680
Returns With and Without Net Income											
Number of returns	2,812,420	85,370	33,363	276,395	251,294	109,127	816,836	279,003	534,080	469,795	752,813
Dividends received from domestic corporations, total	17,442,112	58,474	282,912	111,870	8,370,328	422,068	1,179,886	810,089	369,226	6,642,080	366,981
Amount qualifying for 85 percent deduction	9,848,848	31,093	177,764	77,965	2,070,191	383,163	532,107	243,888	287,648	6,383,791	185,263
Amount on certain public utility stock qualifying for 60.208 percent deduction	19,601	—	*36	*226	491	*138	187	*80	*107	18,253	*271
Intragroup dividends qualifying for 100 percent deduction	823,537	*4,959	55,993	*8,147	381,874	6,310	103,238	48,754	54,484	193,182	69,830
Amounts received from DISCS or former DISCS	6,707,992	18,766	48,155	21,901	5,912,280	31,148	532,198	511,419	20,779	37,830	105,715
Domestic dividends received (1120S)	42,133	3,656	*964	3,631	5,492	1,309	12,156	5,947	6,208	9,024	5,901
Dividends received from foreign corporations, total	13,790,320	16,747	256,931	71,927	12,090,792	214,863	445,370	220,021	225,348	569,658	124,031
Amount qualifying for 85 percent deduction	28,435	*2,053	[3]	*62	18,775	*272	537	311	*225	6,726	*10
Intragroup dividends qualifying for 100 percent deduction	150,454	—	2,350	*3	20,057	*3,080	35,218	*4,101	*31,117	81,604	*8,143
Other foreign dividends	13,608,010	14,553	254,581	71,862	12,051,960	209,852	408,261	215,076	193,185	481,181	115,759
Foreign dividends received (1120S)	*3,421	*141	—	—	—	*1,659	*1,355	*534	*821	*147	*119
Constructive taxable income from related foreign corporations, total	15,019,938	*6,183	460,054	66,764	13,021,097	293,384	636,492	429,337	207,155	350,550	185,413
Includable income of Controlled Foreign Corporations	3,838,805	2,220	200,983	23,386	2,957,492	197,446	209,207	134,121	75,086	165,130	82,942
Foreign dividend income resulting from foreign taxes deemed paid	11,181,133	*3,963	259,071	43,378	10,063,605	95,939	427,285	295,216	132,069	185,420	102,472
Net income (less deficit)	213,648,962	328,308	5,620,746	3,455,058	116,775,393	19,573,717	33,320,403	22,656,413	10,619,479	26,346,494	8,197,916
Statutory special deductions, total	17,476,301	335,502	801,540	878,533	3,906,271	1,622,110	2,171,267	1,043,486	1,123,807	6,496,769	1,245,600
Net operation loss deduction	9,713,836	302,378	592,107	803,937	1,728,482	1,255,970	1,581,467	784,437	793,541	2,427,111	1,010,060
Dividends received deduction	7,731,349	33,124	209,433	74,596	2,177,789	335,023	589,800	259,049	330,266	4,069,658	235,539
Deduction for dividends paid on certain public utility stock	31,116	—	—	—	—	31,116	—	—	—	[3]	—
Income subject to tax	241,496,368	1,728,769	9,479,222	6,610,988	133,416,116	23,842,821	32,359,741	16,966,076	15,334,357	21,903,437	12,034,108
Income tax, total	102,257,851	557,892	4,245,279	2,360,800	59,554,935	10,727,390	12,515,795	6,700,332	5,795,891	8,159,015	4,100,151
Regular and alternative tax	100,644,417	543,280	4,119,612	2,316,708	58,820,480	10,481,203	12,329,212	6,610,833	5,698,852	7,968,422	4,029,725
Personal holding company tax	5,036	*3	*171	*51	*50	*239	*356	*279	*77	4,059	*107
Tax from recomputing prior-year investment credit	1,083,547	12,348	31,186	35,883	505,377	215,622	159,615	78,898	80,673	62,108	60,657
Additional tax for tax preferences	524,851	2,261	94,308	8,158	229,029	30,326	26,612	10,321	16,291	124,426	9,661
Foreign tax credit	21,828,686	3,206	1,958,994	107,742	17,736,817	228,368	420,271	264,032	156,210	1,190,436	182,831
U.S. possessions tax credit	1,945,637	6,478	*666	*1,991	1,867,328	*21,737	40,916	37,893	3,022	3,274	3,116
Investment credit	18,887,286	128,799	582,564	334,691	9,144,667	5,334,230	1,592,965	694,936	895,358	887,629	878,057
Work incentive (WIN) credit	38,223	184	385	1,365	20,579	1,018	8,604	3,012	5,592	1,065	5,021
Jobs credit	472,895	3,659	5,752	44,015	154,776	17,116	152,814	26,859	125,719	24,978	69,489
Nonconventional source fuel credit	*622	—	—	*18	*587	1	—	—	—	—	16
Alcohol fuel credit	*480	—	—	—	*467	1	*13	*13	—	—	—
Research activities credit	639,302	1,118	11,425	2,864	514,218	59,390	17,615	11,481	6,134	14,145	18,472
Total income tax after —											
Investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits	82,219,043	424,132	3,645,152	1,977,846	49,719,641	5,315,634	10,743,785	5,964,032	4,763,089	7,231,198	3,129,095
Foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits	58,444,720	414,448	1,685,491	1,868,113	30,115,496	5,065,529	10,282,598	5,662,107	4,603,857	6,037,489	2,943,149
Estimated tax payments, net total	47,820,174	311,247	1,433,975	1,324,936	24,902,944	4,086,531	8,479,395	4,721,814	3,740,897	4,980,737	2,280,912
1980 overpayments claimed as a credit	3,505,065	27,527	97,840	134,899	1,617,232	244,299	711,696	391,807	317,802	405,525	263,203
1981 estimated tax payments	47,815,714	291,298	1,387,468	1,282,486	25,110,584	4,176,102	8,189,011	4,585,134	3,589,280	5,203,511	2,157,020
Less: Refund of estimated tax payments	3,499,772	7,577	51,327	92,429	1,824,801	333,851	421,138	255,106	166,031	628,083	138,977
Payments with applications for —											
First extension of filing time	7,852,284	37,914	226,091	292,686	4,067,155	756,413	1,303,853	659,380	642,699	749,112	414,711
Second extension of filing time	4,265,423	8,778	160,044	80,316	2,389,426	510,322	555,255	232,006	322,785	378,263	182,207
Credit for tax paid by regulated investment companies	18,215	*229	3,585	*245	832	*4,841	*87	*87	[3]	6,921	*1,476
Credit for tax on special fuels, nonhighway gasoline, and lubricating oil	43,661	5,712	4,202	4,408	14,230	9,665	2,962	1,862	1,098	676	1,787
Overpaid windfall profit tax	290,784	436	68,532	457	176,107	32,232	6,830	6,538	292	5,784	405
Tax due at time of filing	27,473	—	*78	*1	33	*6,649	*741	*741	—	19,895	*75
Tax overpayment	22,365	—	*158	*1	35	*6,649	*729	*729	—	14,428	*365
Tax from Section 1 (1120 F)	5,807,375	141,654	165,513	534,641	1,659,008	318,499	1,394,368	848,182	543,454	986,030	595,441
U.S. tax paid or withheld at source (1120 F)	7,650,736	91,561	376,524	369,685	3,094,342	652,970	1,460,545	807,926	647,582	1,065,814	534,812
Returns of Small Business Corporations, Form 1120S											
Number of returns	541,489	26,611	6,870	56,341	40,509	25,154	173,353	47,354	125,465	57,686	151,187
Net income:											
Number of returns	265,466	10,692	2,854	27,634	20,716	10,307	85,203	28,321	56,803	28,494	77,998
Amount	8,454,022	494,154	386,514	820,992	1,214,820	322,954	2,546,908	1,202,521	1,337,169	847,692	1,793,791
Deficit	6,583,276	614,408	448,480	525,986	670,779	599,105	1,712,770	357,605	1,352,752	609,468	1,393,247
Income subject to corporation tax	*9,360	*415	1,498	—	*3,145	—	*4,302	126	4,176	—	—
Income tax, total	*2,143	*80	**	—	*881	—	**	**	*728	—	—
Regular and alternative tax	*2,098	*80	**	—	*881	—	**	**	*728	—	—

*Estimate should be used with caution because of the small number of sample returns on which it is based.
**Data deleted to avoid disclosure of information for specific corporations. Deleted data are included in the appropriate totals.
[1]Includes "Nature of business not allocable" which is not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
[3]Less than $500 per return.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS

Table 14 — Book Net Income or Deficit and Provision for Federal Income Tax, by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total[2]	Wholesale trade	Retail trade		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Total returns of active corporations:											
Number of returns	2,812,420	85,370	33,363	276,395	251,294	109,127	816,836	279,003	534,080	469,795	752,813
Net income (less deficit)	213,648,962	328,308	5,620,746	3,455,058	116,775,393	19,573,717	33,320,403	22,656,413	10,619,479	26,346,494	8,197,916
Returns with book net income or deficit:											
Number of returns, total	2,646,442	78,631	31,938	264,825	238,382	101,302	777,038	268,318	505,445	439,892	703,270
With book net income	1,526,703	42,883	17,445	140,300	145,119	53,950	460,536	174,857	284,385	247,849	413,436
Amount	278,603,454	3,478,959	9,539,336	6,842,709	100,514,079	33,553,020	40,244,413	25,216,480	14,978,531	70,662,457	13,634,890
With book deficit	1,119,739	35,748	14,493	124,525	93,262	47,352	316,502	93,462	221,061	192,043	289,834
Book net income (less deficit)	209,757,785	1,419,992	6,907,959	2,724,088	77,911,856	30,292,712	28,168,312	19,440,044	8,715,925	55,232,488	7,052,798
Net income (less deficit)	194,219,951	375,562	3,505,748	3,212,782	104,311,564	17,897,925	32,239,082	22,118,506	10,074,880	25,256,478	7,361,680
Provision for Federal income tax, net:											
Number of returns	887,190	21,873	10,715	83,063	97,090	26,775	271,142	112,356	158,052	165,674	209,064
Amount	74,674,356	407,561	3,030,065	1,924,208	35,970,192	13,091,907	10,064,219	5,210,796	4,836,668	7,105,746	3,055,447
Provision for Federal income tax (+):											
Number of returns	832,219	19,582	10,111	76,398	89,517	25,050	256,816	104,210	151,900	154,605	198,407
Amount	83,180,555	452,933	3,200,865	2,138,185	38,971,091	13,590,896	10,947,705	5,782,988	5,147,620	10,576,046	3,274,686
Provision for Federal income tax (—):											
Number of returns	54,971	2,291	604	6,665	7,573	1,725	14,326	8,145	6,152	11,069	10,657
Amount	8,506,199	45,372	170,800	213,977	3,000,898	498,989	883,486	572,192	310,952	3,470,300	219,239
Total income tax after investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel and research activities credits	73,700,555	407,053	2,640,708	1,852,863	44,647,532	4,678,451	10,147,152	5,697,380	4,433,414	6,519,857	2,777,557

[1]Includes "Nature of business not allocable" which is not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
NOTE: Returns with book net income or deficit reported an amount of foreign tax credit of $19,051,675,000 and an amount of U.S. possessions tax credit of $1,945,637,000. 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120S and 1120-DISC

Table 15 — Tax Preference Items: Number of Returns, and Tax Preference and Related Items, by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total[2]	Wholesale trade	Retail trade		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Number of returns of active corporations, other than Forms 1120S and 1120-DISC	**2,261,523**	**58,760**	**26,492**	**220,054**	**210,785**	**83,971**	**634,374**	**222,713**	**408,489**	**412,024**	**601,448**
Returns with tax preference items:											
Number of returns	20,275	593	3,034	830	3,024	796	2,398	1,425	965	8,244	1,352
Total assets	4,867,573,874	4,207,279	79,179,163	36,082,241	1,441,546,385	688,493,396	220,497,898	99,450,329	121,024,707	2,346,161,919	51,262,533
Business receipts	2,833,623,081	4,195,519	50,336,334	41,145,034	1,689,542,147	413,059,823	458,817,979	252,440,545	206,374,445	135,278,194	41,230,486
Bad debts	10,921,484	8,095	75,242	54,076	3,054,639	1,632,123	1,082,223	452,915	629,304	4,840,364	174,547
Depreciation	112,684,042	165,843	3,200,081	837,122	57,289,179	36,060,789	6,065,432	2,079,944	3,985,330	6,367,641	2,694,800
Amortization	2,306,135	3,616	29,869	20,904	971,984	420,007	127,156	37,858	89,299	273,520	459,069
Depletion	6,393,228	11,821	1,266,652	48,047	4,311,328	548,338	78,017	72,371	5,646	119,008	9,670
Net income	146,459,391	456,101	5,302,730	1,371,149	97,239,682	19,923,762	7,956,583	3,535,368	4,420,032	11,639,637	2,561,176
Regular and alternative tax before credits[3]	62,298,586	169,576	2,161,512	540,377	42,485,706	8,628,250	3,284,242	1,483,364	1,800,573	3,966,951	1,060,878
Tax from recomputing prior-year investment credit	727,481	2,259	16,982	6,730	399,686	186,388	62,453	29,177	33,276	36,128	16,855
Additional tax for tax preferences	524,502	2,261	94,264	8,157	229,024	30,306	26,604	10,321	16,283	124,198	9,620
Additional tax for tax preferences deferred from prior years	6,928	*5	1,217	773	2,679	376	*104	*40	*64	1,506	*269
Income tax after credits[3]	31,021,558	151,089	1,316,354	385,722	19,501,506	3,882,334	2,517,842	1,195,990	1,321,547	2,584,050	681,508
Tax preference items:											
Accelerated depreciation on -											
Low income rental housing	62,515	*212	*220	2,944	34,112	1,488	10,300	5,415	4,885	10,434	2,805
Other real property	1,069,458	3,764	15,127	14,257	566,629	118,634	144,663	26,202	118,428	135,687	70,697
Leased personal property	38,863	*33	*1,366	*281	22,457	*1,291	7,550	*6,340	*1,210	3,496	*2,388
Amortization of -											
Certified pollution control facilities	91,220	*186	689	*421	28,499	60,063	*1,103	*1,053	49	133	*127
Railroad rolling stock	12	—	—	—	—	*12	—	—	—	—	—
On-the-job training facilities	1,080	—	—	—	70	1,014	—	—	—	—	—
Child care facilities	5,030	—	*1,724	—	*105	15	15	—	15	*3,080	*91
Reserves for losses on bad debts of financial institutions	636,056	—	*19	*24	*1,396	*865	*389	*316	*73	633,283	80
Depletion	2,653,666	14,517	915,154	41,165	1,358,565	173,639	65,821	60,870	4,951	74,815	9,681
Capital gains	4,496,111	40,852	229,564	55,378	2,293,282	390,998	351,924	144,108	207,627	1,031,789	100,935
Intangible drilling costs	211,153	*467	33,107	*1,144	157,617	*268	*1,165	435	*730	17,011	*375
Total items of tax preference	9,264,896	60,032	1,196,969	115,615	4,462,734	748,288	582,934	244,740	337,971	1,909,447	187,178

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Includes "Nature of business not allocable" which is not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
[3]Credits include foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel and research activities credits.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120S AND 1120-DISC

Table 16 — Number of Returns and Selected Tax Items, by Size of Total Income Tax After Credits

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Size of total income tax after credits	Number of returns of active corporations, other than Forms 1120S and 1120-DISC	Total income subject to tax	Income tax before credits[1]		Foreign tax credit	U.S. possessions tax credit	Investment credit	Jobs credit	Research activities credit	Income tax after credits[1]
			Total	Regular and alternative tax						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	**2,261,523**	**241,487,007**	**102,255,708**	**100,642,318**	**21,828,686**	**1,945,637**	**18,887,286**	**472,895**	**639,302**	**58,442,576**
Returns with net income	1,323,377	240,162,256	101,987,310	100,578,875	21,827,707	1,945,637	18,862,325	472,636	639,066	58,200,655
Returns without net income	938,146	[2]1,324,751	268,398	63,443	979	—	24,960	259	235	241,921
Returns with regular and alternative tax before credits[1]	1,153,690	240,413,266	102,038,453	100,642,318	21,828,686	1,945,637	18,887,286	472,895	639,302	58,225,322
Returns with total income tax after credits[1]	998,740	235,442,769	100,093,222	98,479,832	20,940,732	1,089,404	18,483,817	465,388	634,331	58,442,576
Under $6,000	729,581	10,107,322	2,086,292	2,008,010	28,502	114,428	690,693	144,047	4,211	1,097,327
$6,000 under $10,000	79,504	3,892,464	856,904	830,549	7,387	*30,512	184,662	21,956	1,697	610,164
$10,000 under $15,000	42,120	3,983,142	725,290	705,074	23,054	*16,640	151,459	14,063	1,426	517,425
$15,000 under $20,000	23,745	2,170,741	625,884	605,966	77,409	*14,872	110,364	9,613	1,503	411,345
$20,000 under $25,000	17,393	1,733,342	508,325	494,680	16,321	*12,678	78,768	7,645	1,430	391,049
$25,000 under $50,000	38,446	5,633,787	1,947,539	1,903,432	166,837	121,739	293,065	20,659	6,896	1,337,131
$50,000 under $75,000	15,926	3,439,194	1,309,775	1,284,122	44,874	83,485	190,386	10,780	3,363	975,809
$75,000 under $100,000	9,977	2,924,621	1,174,854	1,147,887	29,388	107,733	158,838	9,322	3,982	865,154
$100,000 under $250,000	22,581	12,012,489	5,129,019	5,056,486	845,437	198,621	506,690	26,853	15,248	3,533,577
$250,000 under $500,000	9,090	9,244,156	4,049,106	3,977,063	303,818	*117,129	446,249	19,449	13,797	3,147,243
$500,000 under $1,000,000	5,076	10,043,659	4,496,932	4,398,386	288,873	75,481	589,947	23,357	19,635	3,497,206
$1,000,000 under $10,000,000	4,636	44,308,030	19,893,937	19,514,414	3,292,891	*196,087	3,939,992	74,512	116,342	12,267,763
$10,000,000 under $50,000,000	543	44,863,131	20,319,428	19,950,167	4,490,185	—	3,990,458	57,524	174,895	11,599,067
$50,000,000 under $100,000,000	69	15,602,540	7,041,161	6,972,569	1,193,549	—	1,115,859	10,572	33,499	4,686,534
$100,000,000 or more	54	65,484,152	29,928,777	29,631,028	10,132,206	—	6,036,388	15,037	236,407	13,505,780

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Credits include foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel, and research activities credits.
[2]Amount was reported by life insurance companies and banks with life insurance departments taxable under special provision of the Internal Revenue Code.
NOTE: 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."

RETURNS OF ACTIVE CORPORATIONS, OTHER THAN FORMS 1120S and 1120-DISC

Table 17 — Increasing Research Activities Credit Items, by Selected Industrial Divisions

[All figures are estimates based on samples — money amounts are in thousands of dollars]

Item	All industrial divisions[1]	Selected industrial divisions									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale and retail trade			Finance, insurance, and real estate	Services
							Total[2]	Wholesale trade	Retail trade		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Number of returns of active corporations, other than Forms 1120S and 1120-DISC	**2,261,523**	**58,760**	**26,492**	**220,054**	**210,785**	**83,971**	**634,374**	**222,713**	**408,489**	**412,024**	**601,448**
Returns with increasing research activities credit items, other than Forms 1120S and 1120-DISC											
Number of returns	12,072	134	137	292	7,133	248	1,769	1,280	489	436	1,890
Qualified research expenses, total	13,543,182	24,425	135,429	23,315	11,651,566	897,898	235,665	163,360	72,305	292,381	281,914
Wages for qualified services	9,407,637	12,316	108,541	14,532	8,157,074	542,138	162,511	109,197	53,314	201,072	208,867
Cost of supplies used	2,830,676	8,580	13,964	2,340	2,569,174	141,103	31,476	27,621	3,854	29,928	34,111
Rental or lease costs for personal property	327,489	790	1,397	1,058	225,227	48,416	13,841	7,231	6,610	23,056	13,702
65 percent of contract research expenses paid or incurred	836,298	2,599	9,434	3,425	628,750	114,768	24,504	17,099	7,405	33,929	18,888
65 percent of amounts paid or incurred to qualified organizations	137,112	140	2,093	1,960	67,371	51,473	3,334	2,211	1,122	4,396	6,344
Base period research expenses, total	17,498,359	31,356	143,009	23,666	15,421,172	1,220,984	167,326	107,834	59,492	293,304	197,173
Wages for qualified services	12,640,082	12,525	122,782	15,000	11,220,941	782,442	124,567	76,957	47,610	210,145	151,312
Cost of supplies used	3,474,057	9,212	11,807	2,473	3,210,868	166,200	19,192	16,681	2,511	34,984	19,322
Rental or lease costs for personal property	387,988	741	1,445	983	282,839	56,800	10,197	4,714	5,484	19,316	15,667
65 percent of contract research expenses paid or incurred	839,669	8,849	5,595	2,773	632,295	142,916	12,359	8,685	3,674	26,050	8,832
65 percent of amounts paid or incurred to qualified organizations	149,916	29	1,381	2,437	67,585	72,626	1,009	798	*212	2,810	2,039
Adjusted total	9,694,437	17,284	77,360	11,161	8,543,140	624,524	117,224	80,144	37,080	172,216	131,158
Tentative credit	873,999	1,717	12,851	2,392	713,784	65,737	22,581	15,422	7,159	25,470	29,412
Allowable credit	873,446	1,717	12,851	2,392	713,234	65,737	22,576	15,422	7,154	25,471	29,413
Limitation of credit	28,616,999	68,361	588,276	173,123	20,619,006	2,675,609	1,687,628	701,239	986,389	2,182,112	622,807
Research activities credit	639,302	1,118	11,425	2,864	514,218	59,390	17,615	11,481	6,134	14,145	18,472

*Estimate should be used with caution because of the small number of sample returns on which it is based.
[1]Includes "Nature of business not allocable" which is not shown separately.
[2]Includes "Wholesale and retail trade not allocable" which is not shown separately.
NOTE: 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."

Section 5

Explanation of Terms*

The following explanations include definitions and limitations of terms used, and adjustments made in preparing the statistics. These explanations are designed to aid the user in interpreting the statistical content of this report and should not be construed as interpretations of the Internal Revenue Code or policies. Code sections cited were those in effect for the Income Years of the report. Whenever a year is cited, it refers to the calendar year, unless otherwise stated.

The instructions for the tax forms in section 6 will provide additional information about many items. Finally, definitions marked with the symbol (#) have been modified from prior year reports to reflect processing or tax law changes as well as clarifications of the explanations.

Accounting Periods

Among the several classifications used in this report, tax return data are classified according to the accounting periods used by corporations. For a detailed discussion of this classification, see "Time Period Employed" in section 1.

Accounts and Notes Payable

This item consisted of accounts payable and mortgages, notes, and bonds payable in less than one year. Each is described separately under its own heading below.

Accounts Payable

Relatively short-term liabilities arising from the conduct of trade or business which were not secured by notes of indebtedness were generally included under this heading. Nontrade payables, on the other hand, were generally includable in the estimates for "Other Current Liabilities."

Banks and savings institutions may have reported deposits and withdrawable shares in accounts payable. When these amounts could be identified, they were transferred to "Other Current Liabilities."

Additional Tax for Tax Preferences (#)

Additional tax for tax preferences, the so-called "minimum tax," was intended to make possible the taxation, to some extent, of selected income and deduction items (described by law as "tax preferences") afforded special tax treatment in the computation of taxable income.

For the most part, the 15 percent tax was levied on the sum of a corporation's tax preferences which exceeded $10,000 or the current-year income tax (including tax from recomputing prior-year investment credit) reduced by foreign tax credit, investment credit, U.S. possessions tax credit, work incentive (WIN) credit, jobs credit, nonconventional source fuel credit and alcohol fuel credit. The carryover of regular taxes as an offset to preference income was discontinued (except for taxes due to income from timber) for tax years beginning after June 30, 1976.

Tax preference items were: (1) accelerated depreciation (depreciation in excess of the amount computed under the straight-line method allowed on personal property subject to a lease, low-income rental housing, and other real property) [This tax preference applied in the case of property placed in service before 1981. For preferences applicable in the case of property placed in service on January 1, 1981 or later, see the "Changes in Law" section of this book]; (2) amortization (special rapid write-offs in excess of what otherwise would have been a depreciation deduction under Code section 167 for certified pollution control facilities, railroad rolling stock, on-the-job training facilities, and child care facilities); (3) reserves for losses on bad debts of financial institutions (additions to reserves for bad debts in excess of actual bad debt losses, based on prescribed rules); (4) depletion (depletion deduction in excess of the cost or other basis of the property, reduced by depletion taken in prior years); (5) capital gains (net long-term capital gain in excess of net short-term capital loss when this amount was taxed at the special lower capital gains rate; the preference item applied only if the alternative tax under Code section 1201 applied, and the preference items equaled the alternative tax on taxable income minus tax on taxable income figured under code section 11 or similar section, with the result divided by 0.46); and (6) intangible drilling costs. Tax preferences for "accelerated depreciation subject to a lease" and "intangible drilling costs" were not applicable to corporations other than Small Business Corporations electing to be taxed through their stockholders and Personal Holding Companies. There were also special rules in effect for timber income, including both gains from the cutting of timber and the long-term gains from the sale of timber.

In general, all corporations were liable for the additional tax. However, regulated investment companies and real estate investment trusts were subject to the tax only on amounts attributable to tax preferences not passed through to their stockholders for taxation. Small Business Corporations electing to be taxed through their stockholders were liable for the additional tax only on certain capital gains, on accelerated depreciation subject to a lease, and on intangible drilling costs. All other items of tax preference for these corporations were passed on to the stockholders for taxation. However, members that were Domestic International Sales Corporations (DISC's) were not subject to the additional tax for tax preferences.

*Joe Voith was responsible for Section 5, Explanation of Terms.

In addition, members of a controlled group of corporations filing separate returns were required to apportion a single $10,000 statutory exclusion among the members of the group either equally or based on a plan adopted for all members. The Revenue Act of 1978 revised the method of computing the exemption from the additional tax for tax preferences for members of controlled groups of corporations. The $10,000 exemption was allocated to each of the component members of the group in proportion to each member's regular tax deduction.

Advertising

Advertising expenses were allowable as a deduction under Code section 162, if they were ordinary and necessary and bore a reasonable relation to the trade or business of the corporation. The amount shown in the statistics includes advertising identified as a cost of sales and operations as well as advertising reported separately as a business deduction.

The types of expenditures covered by the advertising deduction may have varied somewhat from company to company and a few companies did not separately identify advertising when it was included in the cost of sales and operations. In addition, certain kinds of advertising expenditures, such as for billboards, were capitalized and recovered only as part of depreciation.

Alcohol Fuel Credit (#)

If alcohol (other than alcohol produced from petroleum, natural gas, or coal) was used as a fuel (either blended or straight) of a type suitable for use in internal combustion engines, a nonrefundable income tax credit was provided. In general, the credit was available to the blender in the case of blended fuels and to the user or retail seller in the case of straight alcohol fuels. The amount of the credit was 40 cents per gallon for alcohol of at least 190 proof, 30 cents per gallon for alcohol between 150 and 190 proof. No credit was available for alcohol of less than 150 proof.

The credits were generally available for alcohol sold or used after September 30, 1980, and on or before December 31, 1992. A 7-year carryforward of unused credits was provided with the exception that no carryforward could be made to a year beginning after 1994. The limitation on the amount of allowable credit for alcohol used as fuel and the carryover provisions were applied to the remaining tax liability after other certain credits had been applied.

Allowance for Bad Debts

Most corporations identified on their balance sheet the allowance or reserve set aside to cover uncollectible or doubtful notes, accounts, and loans as an adjustment to notes and accounts receivable. A few corporations, however, reported only net receivables and, thus, did not show their allowance for bad debts. In addition, tax return balance sheets used by life and certain mutual insurance companies did not require the allowance to be reported. The statistics for both the allowance and for the gross amount of "Notes and Accounts Receivable" are understated by these unidentified amounts.

Since corporation tax return balance sheets did not provide for the separate reporting of reserves for uncollectible mortgage and real estate loans, many banks and savings and loan associations may have included the item in the allowance for bad debts. If, on the other hand, these reserves were reported in supporting schedules, they were later added to the allowance for bad debts during statistical processing.

Alternative Tax

See "Income Tax."

Amortization

Amortization was a deduction for recovery of certain expenditures over a certain period of time in a manner similar to straight-line depreciation. Typically, the period of time over which the expenditure was written off was much shorter than if depreciation had been used; often, depending on the specific provision of the law, the period of time was only 60 months. The following types of amortization, applicable to the statistics in this report, were specifically mentioned in the Code as allowable deductions:

- bond premiums (Code section 171)
- child care facilities (Code section 188)
- coal mine safety equipment (Code section 187)
- incorporation costs (Code section 248)
- lessee's improvements to leased property (Code section 178)
- on-the-job training facilities (Code section 188)
- organizational expenditures of corporations (Code section 248)
- pollution control facilities (Code section 169)
- railroad rolling stock (Code section 184)
- railroad tunnel bores and grading (Code section 185)
- rehabilitation expenses of certain historic structures (Code section 191) and demolition thereof (Code section 280B)
- research and experimental expenditures (Code section 174)
- trademark and trade name expenditures (Code section 177).

Of these, amortization of leasehold improvements was frequently reported as depreciation and amortization of bond premiums (as well as of such other financial items as loan or mortgage costs) was often reported as part of "other deductions." Write-offs of patents, copyrights, and other intangibles were usually included in depreciation. None of these amounts involved rapid write-offs of the assets concerned. Therefore, in order to confine the statistics insofar as possible to rapid write-offs, identifiable amounts reported as amortization that related to leasehold improvements, bond premiums (or other financial items), and intangible assets, and, in addition, to depreciable assets other than those eligible for rapid amortization, were transferred to "depreciation" or "other deductions," as appropriate. (See also "Depreciation" and "Other Deductions.")

The amounts shown in the statistics include any identifiable amortization (as described above) reported as part of the cost of sales and operations.

See also "Additional Tax for Tax Preferences."

Annual Returns

Annual or calendar year returns were those filed for the 12-month period beginning in January and ending in December. Most of the larger corporations filed for this period. Figure B in section 1 shows the percentage of returns filed for each of the accounting periods covered in this report.

Bad Debts

Bad debts occurring during the year, or a reasonable addition to an allowance or reserve for bad debts, were allowable as a deduction under Code section 166.

Commercial banks, mutual savings banks, savings and loan associations, small business investment companies and other financial institutions were per-

mitted to take a deduction for a reasonable addition to their bad debt balance which was far greater than that allowed other businesses. Unlike other businesses, which could deduct additions to their reserves only to the extent justified by their actual loss experience, these financial institutions could elect to increase their reserves based on percentages of outstanding loans. However, certain restrictions were introduced in 1969 to begin to bring these institutions in line with other businesses.

For commercial banks, beginning with 1969, deductible additions to the reserves were to decrease in three transitional steps. These steps were to be completed by 1988, at which time the deduction would have to be based on actual losses for the current and 5 preceding years, the same as for other businesses. For taxable years beginning after 1975, but before 1982, the percentage for eligible loans outstanding used as the basis for the deduction was 1.2 percent.

For small business investment companies, deductions for additions to the reserves, using an industry average as the norm, were permitted during the first 10 years of a company's existence. Thereafter, additions to the reserves had to be based on its own experience.

For mutual savings banks, savings and loan associations, and cooperative banks, the deduction was 40 percent of an adjusted taxable income figure before reduction by the bad debts deduction, provided it did not increase the reserve beyond 6 percent of qualifying loans.

For banks and other financial institutions, corporate or government debts evidenced by certain bonds which became worthless during the year were chargeable as bad debts under Code section 582. For other corporations, such losses were subject to the special capital gain or loss provisions of the law. See the explanation for "Net Capital Gains" in this section.

Recoveries of bad debts previously deducted by corporations which used the reserve method were netted against the year's bad debts deduction. However, amounts of recovered bad debts reported by corporations which deducted actual bad debts were included in "Other Receipts."

See also "Additional Tax for Tax Preferences."

Book Net Income (or Deficit)

This was the after-tax profits as reported in tax return schedules reconciling income per books of account with income per Internal Revenue Code (see Schedule M-1, "Reconciliation of income per books with income per return," on the Form 1120 return facsimile in section 6 of this report), or in the case of most insurance companies, from the annual statements filed with the return.

For the most part, tax law provisions agree with accepted accounting practices and recognize the application of general accounting principles to the conditions and practices of a particular trade or business. However, for certain kinds of income, deductions, or transactions, the law allowed or required special accounting that differed from generally accepted accounting methods.

Three fundamental reasons account for most of the disparity between tax and book profits: (1) different methods of depreciation or amortization; (2) accounting differences in timing the receipt of income and the expensing of deductions, e.g., installment sales, income from construction contracts, prepaid income or anticipated future losses or expenses, income from foreign subsidiaries and expenses typically capitalized on the books but expensed on the tax return (e.g., intangible drilling costs), or vice versa; and (3) recognition of certain income and deductions for tax purposes only, e.g., the foreign dividend income resulting from foreign taxes deemed paid, or for book purposes only, e.g., interest on State and local Government obligations, lobbying expenses, and certain undistributed profits of foreign subsidiaries.

The data shown are subject to certain limitations. Although all corporations were required to provide data for a reconciliation of profits, some did not include them in their tax returns as originally filed, while others provided them in schedules of their own design from which total book net income could not always be determined. This last group included those consolidated returns in which book net income was shown separately for each affiliated corporation, but the consolidated net income after reduction by intercompany transactions was not shown. (See "Consolidated Returns" in this section.) Also, net income for tax purposes is likely to be more uniformly determined than net income for book purposes because of the necessity to conform to provisions of the Internal Revenue Code, although complete uniformity is lacking because of the various elections, special treatments, and other provisions in the law.

In addition, book net income was calculated after taxes were deducted. The income tax liability reported on the tax return often differs from the book amount because of the several methods of accounting for taxes on the books. The statistics may be slightly overstated depending on how parent corporations accounted for the earnings of their nonconsolidated subsidiaries. Duplication resulted when the parent reported its equity in subsidiaries in its book net income and the subsidiaries then also reported their individual book net incomes on their own returns.

On a historical basis, both book income and net income are affected by changes in accounting practices by particular companies, in generally accepted accounting principles, and in tax law. Moreover, because more definitive measures of the differences between tax and book profits are not available, there is no way of knowing how much of the difference is permanent (because of different definitions) or only temporary (timing differences would be expected to "wash out" over a number of years).

Business Receipts

Business receipts were, in general, the gross operating receipts of the corporation reduced by the cost of returned goods and allowances.

Business receipts included rents reported as a principal business income by real estate operators and by certain types of manufacturing, public utility, and service corporations. The latter corporations included manufacturers that frequently rented rather than sold products, such as automatic data processing equipment; lessors of public utility facilities, such as docks, warehouses, and pipelines; and companies engaged in rental services, such as the rental of automobiles or clothing.

Some corporations treated sales taxes and excise and related taxes included in the sales price of their products as part of their gross receipts from sales; others reported their receipts after adjustment for these taxes. When treated as receipts, sales taxes and excise and related taxes were deducted on the tax return as part of the cost of sales and operations or were included in the separately itemized deduction for taxes paid. In any case, the receipts as reported by the taxpayer were included in the statistics. See also "Cost of Sales and Operations" and "Taxes Paid."

In the finance, insurance, and real estate industries, business receipts included such banking items as fees, commissions, trust department earnings, exchange collections, discounts, and service charges,

when identified in schedules attached to the return. Business receipts also included interest which could not be separately identified as such. (Interest, the principal operating income of banking and savings institutions, is shown separately in the statistics under "Other Interest" and is, therefore, excluded from business receipts.) Special statistical treatment was required for the few banking institutions which reported the purchase and sale of Federal funds as part of cost of sales and operations and business receipts, respectively. For the statistics, the amount paid by the banking institutions for these funds was excluded from the "Cost of Sales and Operations" and a corresponding amount was excluded from business receipts.

Also in the finance, insurance, and real estate industries, premium income of most insurance companies was included in business receipts. However, certain mutual insurance companies with total receipts of less than $500,000 were not required to report premium income. Therefore, total business receipts for insurance carriers are slightly understated.

Generally, in the finance, insurance, and real estate industries, income from investments, when identified in schedules attached to the return, was allocated to one of the specific types of investment income for which statistics are shown separately. Rent reported by real estate operators, however, was accepted as business receipts.

Business receipts reported by stock and commodity brokers, dealers, and exchanges, by condominium management and cooperative housing associations, and by real estate subdividers, developers, and operative builders required special statistical treatment. For these operations, net profit or loss from the sale of stocks, commodities, or real estate, when identifiable, was allocated to the statistics for net gain or loss from sales or exchanges of noncapital assets. If the corporation reported both business receipts and cost of sales and operations without identifying the source, and the cost of sales and operations was 50 percent or more of the business receipts, the items were considered to include stock, commodity, or real estate transactions and only the net gain or loss was used for the statistics. Otherwise, business receipts for these companies were used as reported and included commissions and service fees.

For Domestic International Sales Corporations (DISC's), business receipts included only "qualified" export receipts, i.e., the sum of (1) gross receipts from noncommission sales of export property, leasing or renting of export property, services related and subsidiary to a qualified export sale or lease, engineering and architectural services, and export management services, and (2) commissions earned by DISC's acting as commission agents for someone else (rather than the gross receipts on which the commissions were earned). In other words, "qualified" receipts were those which were considered to be export-related and as such were the only receipts included in the statistics for business receipts. Receipts not considered to be export-related (i.e., "nonqualified" receipts) were included in "Other Receipts."

In addition to the income types described above which were uniquely treated by law, by the tax return, or for the statistics, there were certain other kinds of income from sales and operations that are not reflected in business receipts. In general, this income was included as part of the much broader category, sales of property used in trade or business. For additional information about this income, see "Net Capital Gains" and "Net Gain (or Loss), Noncapital Assets."

Capital Stock

This end-of-year balance sheet equity item included amounts shown for outstanding shares of both common and preferred stock.

Cash

This balance sheet asset item included the amount of actual money or instruments and claims which were usable and acceptable as money on hand at the end of the taxable year.

For Domestic International Sales Corporations (DISC's), this item was the sum of the following accounts shown separately on the tax return: working capital (i.e., cash and necessary temporary investments) and funds awaiting investment (i.e., cash in U.S. banks in excess of working capital needed to acquire other qualified assets).

Compensation of Officers

Salaries, wages, stock bonuses, bonds, and other forms of compensation were included in this deduction item if they were identified as having been paid to officers for personal services rendered. Understatement was possible to the extent compensation was reported as part of another deduction item (such as an overall employee compensation figure) and, if not clearly identified, was included in the statistics for "Cost of Sales and Operations" or "Other Deductions."

Consolidated Returns (#)

Consolidated returns were income tax returns which contained the combined financial data of two or more corporations meeting the following requirements: (1) a common parent corporation owned at least 80 percent of the voting power of all classes of stock and at least 80 percent of each class of nonvoting stock (except stock which was limited and preferred as to dividends) of at least one member of the group; and (2) these same proportions of stock of each other member of the group were owned within the group.

Corporations electing to file consolidated returns in one year had to file consolidated returns in subsequent years, with certain exceptions. The consolidated filing privilege could be granted to all affiliated domestic corporations connected through stock ownership with a common parent corporation except: (1) regulated investment companies; (2) real estate investment trusts; (3) corporations for which an election to be treated as a possessions corporation under Code section 936(e) was in effect; (4) corporations designated tax-exempt under Code section 501; and (5) Domestic International Sales Corporations (DISC's). Under prior law, affiliated insurance companies were allowed to file a consolidated return if they were taxable under the same provisions of the Code. However, noninsurance companies with which they also may have been affiliated could not be included in the same return. Starting with taxable years beginning after December 31, 1980, insurance companies were allowed to file a consolidated return which included noninsurance companies as long as the noninsurance companies had been members of the affiliated group for 5 taxable years, that is, since January 1, 1976.

A consolidated return, filed by the common parent company, was treated as a unit, each statistical classification being determined on the basis of the combined data of the affiliated group. Therefore,

filing changes to or from a consolidated return basis affect year-to-year comparability of certain statistics (such as data classified by industry and size of total assets).

Constructive Taxable Income from Related Foreign Corporations

This item represented the sum of (1) "Includable Income from Controlled Foreign Corporations" and (2) "Foreign Dividend Income Resulting from Foreign Taxes Deemed Paid."

Includable income from Controlled Foreign Corporations represented amounts, not actually received, which a domestic corporation owning at least 10 percent of a Controlled Foreign Corporation was required by Code section 951 to include in its gross income. For most purposes, the foreign corporation was considered controlled if more than 50 percent of its voting stock was controlled by U.S. persons, including domestic corporations, each of whom owned at least 10 percent of its voting stock.

The includable income consisted of:

(1) subpart F income, defined below;

(2) any previously excluded subpart F income which had been invested in qualified assets in "less developed countries," but which was now either withdrawn from these countries or remitted to the U.S. stockholders and was thereupon taxable; and

(3) any increase in Controlled Foreign Corporation earnings due to investment in U.S. property.

Subpart F income, defined in Code section 952, included:

(1) income attributable to premiums received by foreign insurance companies that were Controlled Foreign Corporations (here defined in terms of 25 percent voting stock ownership), 75 percent or more of whose insurance business was on U.S. risks; and

(2) "foreign base company income," which included:

(a) "foreign personal holding company income" (income derived from portfolio investments or from "passive" investments);

(b) "foreign base company sales income" (generally from the sale of property produced in the United States or a foreign country by one corporation and sold by a related corporation, generally a trading company, organized in another country having a low rate of taxation, for use outside that country); and

(c) "foreign base company services income" (in general, income from services performed or furnished for a related person, which included corporations, outside the country of incorporation of the Controlled Foreign Corporation, but with certain exceptions).

Foreign base company income excluded income from qualified investments in less developed countries or from sales of U.S. exports as well as income derived from use of aircraft or vessels in foreign commerce and related services.

Foreign dividend income resulting from foreign taxes deemed paid related to certain foreign taxes on profits of companies which were 10 percent or more owned by domestic corporations. If dividends were distributed to a domestic corporation (from these foreign profits), the domestic corporation was required to increase (or "gross-up") such dividends by a proportionate amount of the foreign taxes deemed paid on the foreign profits for which the domestic corporation claimed a foreign tax credit. See also "Foreign Tax Credit."

The Tax Reform Act of 1976 provided that dividends from less developed country corporations (as formerly defined in Code section 955) be treated the same as dividends from other foreign corporations. Thus, the amount of the dividend was grossed-up by the amount of foreign taxes deemed paid on that dividend. The gross-up treatment for distributions of current income was generally effective for taxable years beginning after December 31, 1975. However, distributions made in taxable years beginning after December 31, 1975, and received by domestic corporations before January 1, 1978, were to be grossed-up only to the extent that the distributions were made from earnings and profits of the foreign corporation accumulated in taxable years beginning after December 31, 1975. Prior to the 1976 Act, only those dividends received from "developed country" corporations were required to be grossed-up.

Analysis of returns of some of the larger corporations revealed instances where amounts reported as foreign dividend income resulting from foreign taxes deemed paid were actually dividends received from foreign corporations, and instances where amounts reported as dividends received from foreign corporations were actually the gross-up of foreign taxes deemed paid. (Both of these items were reportable on the dividends received schedule of the income tax return.) If these amounts were so identified on supporting schedules they were transferred to the correct item for the statistics.

In table 13 foreign dividend income resulting from foreign taxes deemed paid and includable income from controlled foreign corporations are shown separately. In all other tables these two items are combined and shown under the statistics for constructive taxable income from related foreign corporations.

Contributions or Gifts

Contributions or gifts to charitable, religious, educational, and similar organizations were deductible under Code sections 170, 809, and 882. In general, the deduction was limited to 5 percent of net income computed without regard to this deduction; certain additional adjustments were required in the case of life insurance companies. Amounts contributed in excess of this limitation during the 5 preceding years could be carried forward and included in the current-year deduction as long as the sum of the current-year contributions and the amounts carried forward did not exceed the limitation based on current-year income. The excess was again carried forward until the 5-year carryover period expired. The amounts shown, therefore, include some contributions actually made in previous years, and exclude some contributions made in the current year which exceeded the current-year 5-percent limitation.

Cost of Property Used for Investment Credit

Amounts included under this heading are estimates for the total cost or basis of depreciable property (defined in Code section 48 and described under "Investment Credit" in this section) reported in connection with the computation of the investment credit. Only property with a useful life of 3 years or more was eligible for investment credit.

Although corporations generally reported their investments at cost, most corporations claiming the investment credit for leased property used the fair market value instead.

The statistics include amounts reported but not used for the computation of the investment credit. A limitation, for instance, was placed on the amount of used property which could be taken into account in the computation of the credit. (See "Investment Credit".) Also included were amounts which were ultimately used in the computation of the credit by end-of-the-year stockholders of Small Business Corporations electing to be taxed through those stockholders.

Cost of Sales and Operations

Cost of sales and operations generally consisted of the direct costs incurred by the corporation in producing goods or providing services. Included were costs of materials used in manufacturing; costs of goods purchased for resale; direct labor; and certain overhead expenses, such as rent, utilities, supplies, maintenance, and repairs.

Corporations with manufacturing or production operations were required to compute taxable income in accordance with the "full absorption" method of inventory costing as prescribed by the income tax regulations. In general, under full absorption costing, certain indirect production costs as well as direct production costs were allocated to goods produced during the taxable year, whether included as costs of the taxable year or as inventory at the close of the year determined in accordance with the corporation's method of identifying goods in inventory. In determining inventory costs, indirect production costs were: (1) always included, such as for repairs, indirect labor, and indirect materials and supplies; (2) not required to be included, such as for marketing expenses, selling or other distribution expenses, and interest; or (3) included or excluded from the cost of sales and operations depending on how such costs were treated in the corporation's books of account. These costs included insurance costs, taxes paid, and depletion expenses. Thus, the statistics also include certain indirect production costs reported by corporations as a cost of sales.

Corporations not using the full absorption method before September 19, 1973, had to change to that method. Corporations which made the election during the first 180 days of any taxable year beginning after September 18, 1973, and before November 29, 1975, could prorate any inventoriable costing adjustments over a period designated by the corporation at the time of the election, starting with the year of the transition. The transition period could not exceed the lesser of 10 taxable years or the number of years for which the prior inventory costing method was used. Corporations which switched after the transition period were not eligible to use the transitional rules. These inventory costing adjustments were included in the statistics for the income or deduction items in which they were reported by the corporation.

Included in cost of sales were costs incurred by Domestic International Sales Corporations (DISC's) for warehousing (which could include rental warehouse facilities, labor, heat and power) of export-related articles.

Sales taxes and excise and related taxes may have been reported in cost of goods sold schedules when corporations treated these taxes as part of the sales price of products. When taxes were identified in cost of goods sold schedules, they were added to the statistics shown for the separate deduction for "Taxes Paid." Similarly, expenses for depreciation, depletion, amortization, rent of buildings or real estate, advertising, contributions to pension plans, and contributions to employee benefit programs, whether direct or indirect costs in the case of corporations with manufacturing or production operations, were transferred to their respective deduction categories when identified in cost of goods sold schedules.

The income or loss from sales of securities, commodities, or real estate by stock and commodity brokers, dealers, and exchanges, and by real estate subdividers, developers, and operative builders was transferred from business receipts, and the net profit or loss from these transactions included in net gain or loss from sales or exchanges of noncapital assets.

See also "Business Receipts."

Cost of Treasury Stock

This item was the total value of issued common or preferred stock which had been reacquired and was held at the end of the accounting year by issuing corporations. The stock, which was available again for resale or cancellation, may have been purchased by the corporation or acquired through donation or as settlement of a debt. Treasury stock was not a part of capital stock outstanding and did not include unissued capital stock.

The amounts shown may be somewhat understated. Treasury stock intended for resale may have been reported as an asset on some tax returns and, if not clearly identified as for resale, would have been included in the statistics for "Other Investments." When identified, though, such stock was transferred to the statistics for "Cost of Treasury Stock."

Credit for Tax on Special Fuels, Nonhighway Gasoline and Lubricating Oil

Section 39 of the Code allowed a credit in full or in stated amounts for excise taxes on:

(1) gasoline used on farms for farming purposes,

(2) gasoline used for nonhighway purposes or by local transit systems,

(3) lubricating oil used for nonhighway purposes, and

(4) noncommercial aviation fuels used for nontaxable purposes or fuels which were resold during the taxable year.

These taxes could be applied as a credit against income tax liability as an alternative to having the taxes refunded directly. These items also included amounts refunded through Domestic International Sales Corporations (DISC's) although these corporations were nontaxable.

Credit for Tax Paid by Regulated Investment Companies

Regulated investment companies were required to pay a tax (at capital gains rates) on amounts of undistributed net long-term capital gain less net short-term capital loss. Stockholder corporations, for their part, were required to include in the computation of their long-term capital gains any such gains designated by the parent as undistributed dividends. The stockholder corporations were then deemed to have paid the tax on the undistributed long-term capital gain dividends and were allowed a credit (or a refund) for the tax they were deemed to have paid. It is this credit which comprises this item.

Depletable Assets

Depletable assets represented, in general, the gross end-of-year value of mineral property, oil and gas wells, other natural deposits, standing timber, intangible development and drilling costs capitalized, and leases and leaseholds, each subject to depletion. Accumulated depletion represented the cumulative adjustment to these assets shown on the corporation's books of account. In some instances, depletable assets may have been included with "Depreciable Assets," or may have been reported as land or as "other investments" by the taxpayer, and could not be identified for this report.

The value of depletable assets and accumulated depletion may not be closely related to the current-year depletion deduction. The depletable assets and accumulated depletion balance sheet accounts reflected book values; the depletion reflected the amount claimed for tax purposes.

Depletion

This deduction was allowed for the exhaustion of natural deposits and timber. For standing timber, depletion was computed on the basis of cost. In the case of natural deposits, the depletion could be computed either on the basis of cost or upon a fixed percentage of the gross income, less rents and royalties, from the depletable property. Generally, for gas and oil wells the gross income was the actual sales price, or representative market or field price if the gas or oil was later converted or manufactured prior to sale. For other natural deposits, gross income was the gross income from mining, defined to include extractive and certain treatment processes. Also included as gross income were exploration expenditures, previously deducted, that were required under provisions of Code section 617 to be recaptured when the mine reached the production stage.

Under elective provisions of the Code, exploration and development expenditures connected with certain domestic natural deposits (except gas and oil) could be deducted currently, treated as deferred expenses, or capitalized. The write-offs of amounts deferred or capitalized were not included as part of depletion.

Percentage depletion, though based on percentages of gross income from depletable property, was limited. Generally, it could not exceed 50 percent of the net income from the property computed without the depletion deduction. Percentage rates of gross income for each type of natural deposit were listed in Code section 613 and ranged from 5 to 22 percent.

The 22 percent depletion rate for oil and gas wells applied only to domestic crude oil and domestic natural gas. Specifically covered were: (1) regulated natural gas; (2) natural gas sold under a fixed contract; (3) any geothermal steam deposit in the United States or a U.S. possession which was determined to be a gas well according to Code section 613; and (4) small (independent) producers and royalty owners. The depletion rate applicable under the first three exceptions was 22 percent of gross income from the property, less rents and royalties paid, limited to 50 percent of the net income from the property before the depletion deduction. The limitation in the case of small (independent) producers and royalty owners was 65 percent of net income from all sources. If the 65 percent limitation caused an amount to be disallowed for a taxable year, the disallowed portion could be carried over to the next year for inclusion in the depletion deduction, provided it was within the limitation for that year.

Crude oil refiners and retailers that processed daily more than 50,000 barrels of crude oil and certain retailers of oil, natural gas, or any of their derivative products were specifically denied the use of the percentage depletion allowance. Retailers were defined for this purpose as those that sold such products through retail outlets they operated, or to any person who was obligated to sell under the taxpayer's trademark or permitted to operate one of the retailer's outlets. However, percentage depletion was allowed in connection with the following types of retail sales: (1) direct bulk sales of oil or natural gas to industrial or commercial users; (2) sales of oil, natural gas or any of their derivative products when gross receipts for a taxable year were less than $5 million; and (3) sales by retail outlets of oil, natural gas or any of their derivative products, made outside the United States, if none of the corporation's domestic production was exported during the taxable year or the immediately preceding taxable year.

The depletion rate for oil and gas covered under the small (independent) producer and royalty owners exemption provisions was 22 percent of the maximum daily average of 1,000 barrels. The depletion rate was to be reduced to 20 percent for 1981 and subsequent years.

As explained under "Net capital gains", the cutting of timber was eligible for net long term capital gain treatment under Code section 1231. If timber depletion was used in the computation of gain (or loss), it could not be identified for the statistics. Because of taxpayer reporting variations involving the computation of gain or loss, or of gross receipts from sales (and the cost of sales and operations or depletion deduction), the depletion statistics may be incomplete for industries in which sales of cut timber or of lumber or wood products are a major source of income.

The amounts shown in the statistics include any identifiable depletion reported as part of the cost of sales and operations.

See also "Additional Tax for Tax Preferences."

Depreciable Assets

Depreciable assets, reported on the corporation's end-of-year balance sheet, consisted of tangible property (such as buildings and equipment) which was used in the trade or business or held for the production of income and which had a useful life of 1 year or more. The statistics for this item could include fully depreciated assets still in use and partially completed assets for which no deduction was allowed, when the corporation reported them as depreciable in its balance sheet. The statistics for depreciable assets exclude those intangible assets which were depreciable or amortizable only for tax purposes. Such assets, patents and copyrights for example, were includable in "Intangible Assets." The amounts shown as accumulated depreciation represent the portion of the assets that were written off in the current year, as well as in prior years.

The amounts shown for depreciable assets are, in general, the gross amounts before adjustments for depreciation or amortization charged in current and prior years. Some corporations, however, reported only the net amount of depreciable assets after adjusting for these depreciation or amortization charges. Among the corporations reporting only a net amount of depreciable assets were many insurance carriers reporting balance sheet information in the format required by State insurance regulations. This format usually provided for the reporting of only net depreciable assets and only the home and branch office buildings and equipment were included. Other real estate holdings of these corporations were reported as "other investments."

The value of depreciable assets and accumulated depreciation may not be closely related to the current-year depreciation deduction. The depreciable assets and accumulated depreciation balance sheet accounts reflected book values; the depreciation deduction reflected the amount claimed for tax purposes.

Depreciation (#)

Depreciation deducted as a reasonable allowance for the exhaustion, wear and tear, and obsolescence of business property was allowable under Code section 167. A deduction for depreciation was not allowable on inventories, or land apart from the physical improvements or developments added to it.

Several methods of computation could have been used in determining the deduction for the year. A common method was straight-line, whereby an equal amount of depreciation is deducted (after salvage value is taken) in each year of the useful life of the asset. The declining balance and the sum-of-the-years-digits

methods, whereby a larger portion of the asset's cost is written off during the earlier years of its life than during its later years, were also commonly used. Accelerated methods of depreciation were restricted for public utilities and certain kinds of real property.

A corporation operating a railroad and using the retirement-replacement method was allowed a current depreciation deduction for the replacement of an existing railroad crosstie regardless of the quality or kind of material used.

Property lives could be based either on the corporation's own experience, asset-by-asset, or on the Class Life Asset Depreciation Range (CLADR) system which provided for generally shorter than average lives. For a detailed description of the CLADR system, see Statistics of Income--1976, Corporation Income Tax Returns.

Amounts shown as depreciation include any identifiable depreciation reported in schedules in support of the cost of sales and operations. Also included as depreciation were amounts deducted on leasehold improvements, patents, and copyrights, small amounts of additional first-year depreciation allowed under Code section 179 and amounts deducted for prepublication expenditures by corporations in the printing and publishing industries.

To comply with the definition of depreciation under the Internal Revenue Code, so-called amortization on station connections in the communications industry and of capitalized film production costs in the motion picture industry reported elsewhere in the return were also included in the statistics.

These methods of depreciation apply almost exclusively to property placed in service before January 1, 1981. Most property placed in service after December 31, 1980 is subject to the Accelerated Cost Recovery System (ACRS). See the "Changes in Law" section of this report for an explanation of the ACRS System.

Distributions to Stockholders

Distributions to stockholders consisted of the corporation's own stock, and of cash and other property, generally reported as part of the analysis of unappropriated retained earnings. Liquidating dividends, when identified, were excluded.

In those instances where a corporation reported only a single total for distributions to stockholders and did not identify these distributions as cash or stock or other property, that total was treated as a distribution to stockholders in cash and property other than in the company's own stock.

Regulated investment companies and real estate investment trusts could treat certain dividends paid after the close of their taxable year as distributions during the current taxable year. In a similar manner, for Small Business Corporations electing to be taxed through stockholders, distributions of money made within 2-1/2 months after the close of the taxable year were considered to be distributions of the corporation's undistributed taxable income of the preceding taxable year. Otherwise, the statistics do not include amounts taxed to stockholders in the current year, but which would not actually be distributed to them until a future year. Conversely, the statistics do include amounts taxed through stockholders in previous years, but which were not actually distributed until the current year.

For Domestic International Sales Corporations (DISC's), only amounts actually distributed (i.e., distributions that were made to meet the DISC qualification requirement under Code section 992, including "deficiency distributions" made after the close of the taxable year to avoid disqualification as a DISC, or other actual distributions) were included in the statistics. Dividends which were not actually distributed, but rather deemed distributed under section 995, were excluded.

Dividends Received from Domestic Corporations

Dividends received from domestic corporations represented most distributions from current as well as accumulated earnings and profits of companies incorporated in the United States. (For a discussion of other distributions of domestic corporations, see "Other Receipts" in this section.) For the most part, dividends received from domestic corporations represented those recognized in computing the special deduction from net income for domestic intercorporate dividends received. (See also "Statutory Special Deductions.")

Certain domestic dividends, although not deductible, were nevertheless included in dividends received from domestic corporations. These were dividends received by regulated investment companies, real estate investment trusts, and Small Business Corporations electing to be taxed through stockholders. Dividends from Domestic International Sales Corporations (DISC's) were also included as domestic dividends received, but were not deductible. Certain other dividends, not deductible, were treated for the statistics as "Other Receipts."

For most of the domestic dividends received, the deductible portion was equal to 85 percent (about 60 percent for dividends received on certain preferred stock of public utilities). However, a 100-percent deduction was allowed for dividends received by members of a controlled group from other members of the same controlled group when a consolidated return was not used to report for the group as a whole. This deduction was allowed when the group did not elect to file a consolidated return and agreed instead to apportion a single surtax exemption among the group members in computing income tax.

Dividend distributions among member corporations electing to file a consolidated return were eliminated from the statistics as part of the consolidated reporting of tax accounts. For tax purposes, dividends reported on these returns represented amounts received from corporations that were outside the tax-defined affiliated group.

For a discussion of the dividends received from a DISC see "Domestic International Sales Corporation Returns."

Dividends Received from Foreign Corporations

These dividends were paid from current as well as accumulated earnings and profits of companies incorporated in foreign countries.

Dividends received from foreign corporations consisted of:

(1) dividends, subject to the 85-percent deduction, received by U.S. corporations from those foreign corporations at least 50 percent or more of whose gross income was "effectively connected" with business conducted in the United States;

(2) dividends, subject to the 100-percent deduction, received by U.S. corporations from wholly-owned foreign subsidiaries all of whose gross income was "effectively connected" with the conduct of a U.S. trade or business; and

(3) any other foreign dividends, not subject to a deduction, which included: certain gains from the sale, exchange, or redemption of Controlled Foreign Corporation stock and foreign dividends received by Small Business Corporations electing to be taxed through stockholders.

Excluded from the dividend statistics was the "gross-up" of foreign taxes deemed paid on the

profits from which the dividends of foreign subsidiaries were distributed. This was done even though "foreign dividend income resulting from foreign taxes deemed paid" (gross-up) was considered by law to be part of the dividends received. Dividends only constructively received from foreign subsidiaries, reported on the tax returns as "includable income from Controlled Foreign Corporations," were also excluded. If these amounts were actually distributed at a later date, they were neither retaxed nor reported. For the statistics, both items were combined and shown under "Constructive Taxable Income from Related Foreign Corporations."

The foreign dividend statistics presented in this report are subject to certain limitations. Some corporations reported certain foreign dividends as "includable income from Controlled Foreign Corporations," while others did the reverse, since both were reported in the schedule for dividends received. Also, some corporations included as foreign dividends the gross-up of dividends by foreign taxes paid or deemed paid ("foreign dividend income resulting from foreign taxes deemed paid"), while others did the reverse. Where these variations in taxpayer reporting were identified, the amounts were transferred to the correct item for the statistics.

Domestic International Sales Corporation Returns

Form 1120-DISC, Domestic International Sales Corporation Return, was filed by corporations which were established under the Revenue Act of 1971 in order to provide a system of tax deferral on profits derived from exports of U.S. goods and services.

The profits of DISC's were not taxed to the DISC's, but were instead taxed to the stockholders (mainly parent corporations) when distributed or deemed to be distributed to them. A stockholder of a DISC was treated as having received a distribution taxable as a dividend equal to the stockholder's pro rata share of the sum of: (1) the gross interest derived during the taxable year from producer's loans; (2) the gain recognized by the DISC during the taxable year on the sale or exchange of property, other than property which in the hands of the DISC is a qualified export asset, previously transferred to it in a transaction in which gain was not recognized in whole or in part, but only to the extent that the transferor's gain on the previous transfer was not recognized; (3) the gain (other than the gain described in (2)) recognized by the DISC during the taxable year on the sale or exchange of property (other than property which in the hands of the DISC is stock in trade or other property described in Code section 1221(1)) previously transferred to it in a transaction in which gain was not recognized in whole or in part, but only to the extent that the transferor's gain on the previous transfer was not recognized and would have been treated as ordinary income if the property had been sold or exchanged rather than transferred to the DISC; (4) 50 percent of the taxable income of the DISC for the year attributable to "military property" (i.e., property which is an arm, ammunition, or implement of war designated pursuant to the Military Security Act of 1954); (5) the taxable income for the taxable year attributable to "base period export gross receipts" (For taxable years beginning in 1977 through 1980, the base period years were 1973 through 1976. Starting with taxable years beginning in 1980, the base period advanced each year. For example, the base period was 1975 through 1975 for taxable years that began in 1981, and 1975 through 1978 for taxable years that began in 1982.) (6) the sum of: (a) one-half of the excess of the taxable income of the DISC for the taxable year, before reduction for any distributions during the year, over the sum of the amounts deemed distributed for the year under Code section 995; (b) an amount equal to (a) multiplied by the "international boycott factor;" and (c) any illegal bribe, kickback, or other payment paid by or for the DISC to a representative of a foreign government; and (7) the amount of foreign investment attributable to producer's loans of a DISC for the taxable year. For this purpose, taxable income was the DISC's net income minus statutory special deductions. See "Tax Deferred Income and Income Taxable to Stockholders."

The amount deemed distributed was fully taxable to the stockholders. Income taxation was deferred on the remainder of the DISC's taxable income which was not deemed distributed until one of the following events occurred: (1) the income was actually distributed to the DISC's stockholders; (2) a stockholder disposed of the DISC stock; (3) the DISC was liquidated; or (4) the election to be treated as a DISC was terminated or revoked.

Corporate stockholders receiving DISC dividends were not permitted the intercorporate dividends received deduction. The dividends received deduction was designed to prevent multiple taxation of corporate earnings; consequently, as a DISC itself was not subject to taxation the dividends received deduction was not applicable.

Dividends (deemed or actual) paid by a DISC were treated as dividends from a foreign corporation to the extent the dividends were attributable to certain export receipts of the DISC. Thus, all stockholders could claim a foreign tax credit for any foreign taxes imposed on a DISC dividend. Stockholders that were corporations could also claim an indirect credit for foreign taxes paid by a DISC.

To qualify as a DISC, a corporation must have been organized under the laws of any State or the District of Columbia, have only one class of stock, issued outstanding capital stock with a par or stated value of at least $2,500, and satisfied the "gross receipts" and "gross assets" tests.

The gross receipts test required that at least 95 percent of the corporation's gross receipts consist of "qualified export receipts." Qualified export receipts were: gross receipts from the sale, exchange, or other disposition of "export property" (described below); gross receipts from the lease or rental of export property, which were used by the lessee of such property outside the United States; gross receipts from the sale, exchange, or other disposition of "qualified export assets" (other than export property); gross receipts from services which were related and subsidiary to any qualified sale, exchange, lease, rental, or other disposition of export property; dividends with respect to stock of a related foreign export corporation; interest on any obligation which was a qualified export asset; gross receipts from engineering or architectural services for construction projects located (or proposed for location) outside the United States; and gross receipts from the performance of managerial services in furtherance of the production of other qualified export receipts of a DISC.

The gross assets test required that at least 95 percent of the corporation's assets be "qualified export assets." In general, qualified export assets were inventories of "export property" (i.e., property which: (1) had been manufactured, produced, grown or extracted in the United States by other than a DISC; (2) was held primarily for sale or lease in the ordinary course of business for direct use, consumption, or disposition outside the United States; and (3) had at the time of sale or lease by the DISC not more than one-half of its fair market value attributable to imported articles); necessary operational equipment and supplies; trade receivables from export sales (including commissions receivable); producer's

loans (i.e., loans of the DISC's profits to a U.S. export producer whether or not related to the DISC); working capital (i.e., cash and necessary temporary investments); investments in related foreign export corporations (including real property holding companies and associated foreign corporations); obligations issued, guaranteed, or insured by the Export-Import Bank or the Foreign Credit Insurance Association; and, obligations of the Private Export Funding Corporation.

A DISC, which for a taxable year failed to satisfy the gross receipts test or the gross assets test, could nevertheless satisfy these qualification requirements by making a "deficiency distribution" for such a year, whereby the DISC made a distribution to its stockholders after the close of the taxable year. The DISC, at this time, had to demonstrate that the failure to make these distributions prior to the close of the year was due to reasonable cause.

To qualify as a DISC, a new or previously existing corporation had to file an election requesting to be treated as a DISC. For the election to be valid, all stockholders of the corporation on the first day of the election year must have consented in writing. The election remained valid unless the corporation revoked it or failed to qualify as a DISC for 5 consecutive years.

A DISC usually acquired export property from its parent or an affiliated corporation ("related suppliers") and then sold the property abroad; however, it could act simply as a commission agent on export sales of related suppliers. The method used for allocating income between a DISC and its related suppliers was achieved through special intercompany pricing rules. This allocation of income was affected to the extent that the DISC itself incurred "export promotion expenses" (i.e., the ordinary and necessary expenses incurred to obtain qualified export receipts).

The types of corporate organizations not eligible to be treated as a DISC were: (1) tax-exempt corporations; (2) Personal Holding Companies; (3) banks and trust companies; (4) mutual and savings banks, domestic building and loan associations, and cooperative banks; (5) insurance companies; (6) regulated investment companies; and (7) Small Business Corporations electing to be taxed through their stockholders.

For any taxable year in which a corporation was a DISC or in which at any time it owned, directly or indirectly, stock in a DISC or a former DISC, the corporation was not allowed to take the Western Hemisphere Trade Corporation deduction.

For additional information regarding DISC's see Annual Reports, The Operation and Effect of the Domestic International Sales Corporation Legislation issued by the Department of the Treasury as required by the Revenue Act of 1971.

Employee Benefit Programs

Contributions made by employers to such plans as death benefit plans, health plans, accident and sickness plans, and other welfare plans were deductible under Code section 162. The statistics for this item include amounts identified in the cost of sales and operations schedules.

Estimated Tax Payments

Estimated tax payments were quarterly installments required if a corporation's income tax (including tax from recomputing prior-year investment credit and additional tax for tax preferences) after credits (including foreign tax, investment, work incentive (WIN), possessions tax, jobs, nonconventional source fuel, alcohol fuel and research credits) was reasonably expected to exceed the sum of the exemption from estimated tax under Code section 6154 and any payment credits (including Federal excise tax paid on special fuels, nonhighway gasoline, and lubricating oil). Estimated tax was the excess of the expected tax over the exemption. The statutory exemption from estimated tax was $40.

Estimated tax payments shown in this report may be somewhat less than the legal maximum percentages of tax due because, under the provisions of Code section 6655, certain tolerances were allowed in the relationship of the installments payments to the tax. For example, a corporation was not required to pay an estimated tax greater than the amount of tax liability for the previous year provided that the corporation had a tax liability for the previous year. Besides the limitations based on law, payments shown in the statistics may be slightly understated because of taxpayer reporting variations and the inability to identify all of the amounts from the tax returns.

Separate statistics are presented for net estimated tax payments, 1980 overpayments claimed as a credit, 1981 estimated tax payments, and refund of estimated tax payments.

Foreign Tax Credit

Code section 901 allowed a credit against the U.S. income tax for income, war profits and excess profits taxes paid or accrued to foreign countries or U.S. possessions including Puerto Rico. Credit was also allowed against the U.S. tax under sections 902 and 960 for foreign taxes "deemed paid." Foreign taxes included amounts paid by partnerships that were allocated directly to the partners (including those that were corporations) for their use as a credit (or a deduction, as described below).

The credit could be claimed by domestic corporations, and also by foreign corporations engaged in trade or business in the United States for foreign taxes on income "effectively connected" with the U.S. business.

However, the credit was not allowed for Small Business Corporations electing to be taxed through stockholders even when these corporations were taxed on certain capital gains income. These corporations had to deduct from gross income any foreign taxes they paid and could not pass them on to their stockholders for their use as a foreign tax credit. The credit was also not allowed, for regulated investment companies which elected under Code section 853 to allow their stockholders to claim the credit for the foreign taxes paid by these companies. Since Domestic International Sales Corporations (DISC's) themselves were not taxable, the foreign tax credit was not applicable; however, DISC stockholders could claim an indirect credit for foreign taxes paid by a DISC.

A corporation that claimed the foreign tax credit could not also claim a business deduction for foreign taxes paid. The U.S. income tax which could be reduced by the credit excluded the tax from recomputing prior-year investment credit, the additional tax for tax preferences (minimum tax), and the Personal Holding Company tax.

Under Code section 902, credit was allowed for foreign taxes deemed paid when a domestic corporation received a dividend from a foreign corporation in which it owned a 10-percent-or-more voting stock interest, for the taxes paid on the foreign corporation's profits out of which the dividends were paid. A portion of the taxes paid or accrued by the "first-tier" foreign corporation was deemed to have been paid by the domestic corporation. The taxes eligible for credit were determined based on the relationship between the foreign corporation's profits and the amount paid to the domestic corporation as dividends.

In addition, if the first-tier foreign corporation owned 10 percent or more of the voting stock of a "second-tier" foreign corporation from which it received a dividend, the first-tier foreign corporation was deemed to have paid a proportionate amount of the foreign taxes of the second-tier foreign corporation. In turn, the domestic corporation was deemed to have paid a portion of these same taxes. However, a foreign tax credit was not allowed unless the percentage of voting stock owned by the domestic corporation in the first-tier foreign corporation and the percentage of voting stock owned by the first-tier foreign corporation in the second-tier foreign corporation equalled at least 5 percent when multiplied together.

The second-tier foreign corporation was deemed to have paid a proportionate amount of the foreign taxes paid or accrued by a "third-tier" foreign corporation whenever it owned 10 percent or more of the voting stock of a third-tier foreign corporation from which it received a dividend, and the product of the following equalled at least 5 percent: the percentage of voting stock owned by the domestic corporation in the first-tier foreign corporation, the percentage of voting stock owned by the first-tier foreign corporation in the second-tier foreign corporation, and the percentage of voting stock owned by the second-tier foreign corporation in the third-tier foreign corporation. In turn, the first-tier foreign corporation and the domestic corporation were deemed to have paid a portion of these same taxes.

Credit computed the same way as that described above under Code section 902 was also allowed for taxes deemed paid on distributions constructively received from Controlled Foreign Corporations under section 951. The credit was allowed for these distributions if the domestic corporation owned 10 percent or more of the voting stock of the first-tier Controlled Foreign Corporation.

Domestic corporations were allowed to claim a credit on foreign taxes deemed paid by a third-tier foreign corporation whose undistributed subpart F income was taxed to its stockholders.

In the case of taxes paid on "foreign mineral income," the foreign tax credit was reduced to the extent that (1) the foreign tax exceeded the U.S. income tax payable on such income and (2) the excess was due to the lower profits recognized for U.S. tax purposes because of the deduction for percentage depletion. (See "Depletion.")

A special reduction of the foreign taxes available for credit was prescribed for foreign taxes paid on "foreign oil and gas extraction income" (i.e., taxable income derived from sources without the United States and its possessions from the extraction of minerals from oil or gas wells, or the sale or exchange of assets used by the taxpayer in the trade or business of such extraction) and otherwise eligible for the credit. The foreign oil and gas extraction taxes which could be used to compute the credit could not exceed 100 percent of the regular tax rate which applied to that corporation. Foreign taxes in excess of these rates were lost to the taxpayer for foreign tax credit purposes. They also could not be claimed as a business deduction.

These special reductions were in addition to the general limitation on the credit. The Tax Reform Act of 1976 repealed the per-country limitation on the foreign tax credit and required corporations to compute the limitation using the overall method. This mandatory use of the overall method was generally effective for taxable years beginning after December 31, 1975, but a later effective date applied to income from U.S. possessions and certain mining companies. The separate limitation for certain interest income that was previously computed using the per-country method was required to be computed using the overall method.

Generally, four types of income from foreign sources were specified for purposes of computing the foreign tax credit. For taxes paid in connection with certain interest income, the credit was computed separately. Also, for dividends received from DISC's that were attributed to certain export receipts (and were thereby regarded as foreign dividends), the foreign tax credit limitation was computed separately with respect to aggregate dividends received from all DISC's, and then to other foreign source income. Additionally, corporations had to compute their foreign tax credit separately for foreign oil-related income, which included foreign oil and gas extraction income. Finally, all other sources of income were treated, in the aggregate, separately.

Foreign taxes in excess of the limitation for any one year could be carried back, chronologically, to the 2 preceding years and then carried over to the 5 succeeding years to reduce income tax, subject to the foreign tax credit limitation of the years to which they were carried. (Excess taxes carried back or carried over were applied against the amount by which a limitation exceeded the creditable foreign taxes in a given year.)

Income Subject to Tax

The 1954 Code provided different tax bases upon which tax was levied for different types of corporations. These were the "taxable income" base defined by Code section 63, used by the majority of corporations, and to which the tax rates applied; a variation of this base in combination with long-term capital gain when the lower capital gains rate was applicable; the special capital gains tax base of Small Business Corporations electing to be taxed through their stockholders; the several tax bases applicable to insurance companies; and the amounts taxable to regulated investment companies and real estate investment trusts. All of these tax bases are under the heading, Income Subject to Tax. However, small amounts of regulated investment company undistributed long-term capital gains (described below) were excluded. Since Domestic International Sales Corporations (DISC's) themselves were not taxable, income subject to tax for these corporations was not applicable (see "Domestic International Sales Corporation Returns").

For most corporations, income subject to tax consisted of net income minus certain "statutory special deductions" (described in this report under a separate heading). However, there were certain exceptions. In some cases, the statutory special deductions for dividends received and for dividends paid on certain preferred stock of public utilities exceeded net income. For these returns, income subject to tax was reduced to zero and the excess of the two special deductions became the statutory loss for the year, available for net operating loss deduction purposes over the prescribed carryback and carryover periods.

Also, the tax bases applicable to Small Business Corporations electing to be taxed through their stockholders, life insurance companies, regulated investment companies, and real estate investment trusts were not defined as net income less statutory special deductions.

Depending on which resulted in the lowest tax, the tax base for Small Business Corporations electing to be taxed through their stockholders was: (1) net income; (2) net long-term capital gain in excess of $25,000, when net long-term capital gain was more than 50 percent of a net income that was over $25,000; or (3) the amount attributed to gain from the disposi-

tion of property using a "substituted basis" (i.e., the basis that was transferred from another corporation which was not a Small Business Corporation electing to be taxed through its stockholders). No net operating loss or "special deductions" were available.

For the life insurance company statistics, net income was derived from gain or loss from operations to which statutory special deductions were added back; income subject to tax was the smaller of gain from operations (which included statutory special deductions) or taxable investment income. To this amount the following were added: (1) when taxable investment income was smaller than gain from operations, 50 percent of the difference between these two amounts, and (2) amounts subtracted from the policyholders' surplus account (which contained income nontaxable in the year earned, but taxable later on when withdrawn from this reserve account, even if the company had no current-year net income).

In addition, the life insurance company provisions applied to life insurance departments of mutual savings banks, where the departments were separately taxed from the remainder of the banks. However, data for the banking and life insurance departments were combined in the statistics.

In the case of regulated investment companies and real estate investment trusts, any net long-term capital gain (reduced by net short-term capital loss) which was not distributed to stockholders was taxed to the companies at the capital gains rate, even though the alternative tax method was not allowed. The balance of undistributed income was taxed at the normal tax and surtax rates. Undistributed net long-term capital gain taxed at the capital gains rate was not available from the income tax computation schedule of the return form and no attempt was made to obtain it from attached schedules for the statistics.

See also "Income Tax."

Income Tax (*)

Income tax was the gross amount of income tax liability before deducting the foreign tax, U.S. possessions tax, investment, work incentive (WIN), jobs, nonconventional source fuel, alcohol fuel and research credits. (This item did not apply to DISC's, which are taxable through their stockholders; see "Domestic International Sales Corporation Returns" in this section.)

Effective for taxable years beginning after December 31, 1978, and before January 1, 1982, the corporate tax rates were:

Taxable income	Tax rate
Under $25,000	17 percent
$25,000 to $50,000	20 percent
$50,000 to $75,000	30 percent
$75,000 to $100,000	40 percent
Over $100,000	46 percent

For taxable years beginning on January 1, 1982, the corporate tax rates were:

Taxable income	Tax rate
Under $25,000	16 percent
$25,000 to $50,000	19 percent
$50,000 to $75,000	30 percent
$75,000 to $100,000	40 percent
Over $100,000	46 percent

For fiscal year taxpayers, the benefit of the lower corporate rates applies to the part of the fiscal year 1981-1982 that falls after December 31, 1981.

For corporations with net long-term capital gains, an alternative method of tax computation was required if using the alternative method resulted in a lower tax liability than the regular method. For these corporations the excess of net long-term capital gain over net short-term capital loss was taxed at the capital gains rate while the balance of income was taxed at the regular tax rate. This method of computing income tax was not available to regulated investment companies and real estate investment trusts. The alternative capital gains rate was 28 percent. (See "Net Capital Gains" in this section.)

In addition to the normal and alternative taxes, the statistics for income tax also include:

(1) an additional tax for tax preferences ("minimum tax" described under a separate heading);

(2) the tax from recomputing a prior-year investment credit (described under a separate heading);

(3) the 28-percent tax on certain long-term capital gains of Small Business Corporations electing to be taxed through their stockholders; and

(4) the 28-percent tax on undistributed net long-term capital gain (reduced by net short-term capital loss), and the normal tax and surtax on the balance of undistributed income of regulated investment companies and real estate investment trusts.

Income tax shown in this report for returns without net income was attributable to the small number of returns showing:

(1) income tax under special provisions of the Internal Revenue Code applicable to life insurance businesses;

(2) tax from recomputing a prior-year investment credit;

(3) additional tax for tax preferences ("minimum tax").

Statistics for income tax do not reflect the Personal Holding Company tax, nor do they reflect any adjustments to the tax liability such as those resulting from:

(1) recomputation of the current year taxable income to reflect the carryback of net operating losses and certain capital losses for future years;

(2) reduction of income tax by foreign tax, investment, U.S. possessions tax, work incentive (WIN) and jobs credits recomputed to take account of the carryback of unused investment credits and of unused foreign taxes, of certain future years;

(3) audit examinations and other enforcement activities; and

(4) uncollectible taxes.

Therefore, the statistics differ somewhat from the actual income tax collections and the final income tax liability of corporations for the Tax Year. Publication 55, Annual Report of the Commissioner and Chief Counsel of Internal Revenue, contains income tax collection data on a fiscal year basis as opposed to the income year basis used in this publication. Publication 55 is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC, 20402.

Intangible Assets

The total gross value (before the reduction by amounts of accumulated amortization) of contracts, copyrights, formulas, licenses, patents, registered trademarks, research or experimental expenditures and similar assets were included in this category only if amortization (or depreciation) was actually being taken. These assets could be amortized only if they had a definite life and value. Other intangible assets which were not amortizable were included in the statistics under "Other Assets."

Accumulated amortization represented the cumulative adjustment to these intangible assets as shown on the corporation's books of account. Amounts of accumulated depreciation shown as adjustments to intangible assets are included in the statistics with "Accumulated Amortization."

Interest on State and Local Government Obligations

The interest on obligations issued by States, municipalities and other local Governments, the District of Columbia, and U.S. possessions, including Puerto Rico, was exempt from the income tax. The amounts shown for this item are reduced by the amortizable bond premium.

For statistical presentation, this interest is shown as part of the income statement and is included in "Total Receipts." Most corporations reported this tax-exempt interest in the "Reconciliation of income per books with income per returns" (see Schedule M-1 on the Form 1120 tax return facsimile in section 6 of this report).

Interest on U.S Government Obligations

This taxable interest, a component of total receipts, was received from obligations issued by the United States, its agencies, or its instrumentalities. The amounts shown for this item are reduced by the amortizable bond premium.

Interest Paid

These amounts include interest paid by corporations on business indebtedness including amounts paid on installment purchases if they were stated in the contract, as well as certain "unstated" amounts under Code section 483. For banking and savings institutions the amounts also included interest paid on deposits and withdrawable shares.

Inventories

Based on amounts reported on the balance sheet, inventories included such items as raw materials, finished and partially finished goods (work in progress), merchandise on hand or in transit, and growing crops reported as assets by agricultural concerns. Inventories were generally valued at cost or at the lower of cost or market price. When valued at cost, inventories were generally identified by first-in, first-out (FIFO) or last-in, first-out (LIFO) methods.

Amounts reported by investment and holding companies (other than operating holding companies), security and commodity brokers, dealers and exchanges, and real estate developers and operative builders, were excluded from inventories and included in the statistics for "Other Investments." For 1981, amounts reported by banks and certain other corporations within the "Finance, Insurance, and Real Estate" industrial division were excluded from inventories and included in the statistics for "Other Current Assets." However, for consolidated returns which included these types of companies, amounts which could not specifically be identified on a company-by-company basis were accepted as reported and included in the statistics for inventories.

See also "Cost of Sales and Operations."

Investment Credit (#)

Investment credit was the reduction of income tax allowed corporations for investment in qualifying depreciable (or amortizable) property with a useful life of at least 3 years. Such property could not be disposed of or cease to be qualifying property prior to the end of the useful life used as the basis of the credit; otherwise, the credit already taken had to be repaid as an additional tax for the year in which the disposition or disqualification occurred. (See "Tax from Recomputing Prior-Year Investment Credit.")

Property eligible for investment credit also included "qualified progress expenditures", property the corporation elected to claim advance credits for taxable years before the qualified property was placed in service. The investment credit (before limitations) was equal to 10 percent for "investment qualified for credit" for all corporate taxpayers and 11 percent for corporations that contributed 1 percent of their qualified investment to an "employee stock ownership plan" (ESOP). As described below, the credit could be as much as 11.5 percent of the qualified investment if it were derived in connection with an ESOP. "Qualified investment" in used property was limited to $100,000 per taxable year.

Special rules required that the ESOP (also referred to as a TRASOP or Tax Reduction Act Stock Ownership Plan) be established in writing, designed to invest primarily in securities, and funded by transfers of the corporation's securities (cash could be transferred if it were used to purchase the corporation's securities). Further, the ESOP qualifying rules required the total amount transferred to be allocated to the participants' account, and the participants had to be able to direct the plan as to how the allocation should be voted.

Corporations claiming the 1 percent ESOP credit could also claim up to a maximum of 0.5 percent additional credit if their employees matched the amount the corporation contributed to a qualified ESOP. Thus, the investment credit for these corporations could be up to 11.5 percent. The additional 0.5 percent credit was not allowed for public utilities which were required to pass through benefits of the investment credit to their consumers in the form of lower rates, instead of using the credit to offset the cost of capital investment.

For property acquired and placed in service during the 1975-1976 period, the 10 (or 11) percent rate generally applied. The 10 (or 11) percent rate was also applicable to the extent of the cost (or other basis) incurred for property constructed, reconstructed, or erected during this period. However, for property ordered during this period, but not placed in service until 1981, and property acquired after December 31, 1980, the credit was to be figured at 7 percent (or 4 percent of public utility property).

While a corporation could claim only one-half the regular investment credit, i.e., 5 percent, for such acquisitions, this restriction did not deny a larger credit if the property qualified under other investment credit provisions. Thus, corporations that did not use qualified withdrawals to purchase, construct, or reconstruct qualified vessels could claim the full investment credit. However, if borrowed funds were used, any amount that was repaid with qualified withdrawals had to be recaptured as tax from recomputing prior-year investment credit. Moreover, the amount of indebtedness being liquidated with the qualified withdrawals and subject to recapture could not exceed one-half of the full investment credit taken on the purchase price of the qualified vessel.

The income tax available for investment credit did not include the tax from recomputing prior-year investment credit, the additional tax for tax preferences, the Personal Holding Company tax, and the special capital gains tax on Small Business Corporations electing to be taxed through their stockholders. (Since these corporations were not

eligible to claim the investment credit, their investment was allocated among the stockholders who then claimed the credit.) In addition, the tax available for credit was after reduction by the foreign tax credit and the U.S. possessions tax credit, but before reduction by the work incentive (WIN) credit, the jobs credit, the nonconventional source fuel credit, the alcohol fuel credit, and research credit.

Under prior law, the investment credit could equal the income tax available for the credit, unless the available tax was in excess of $25,000 plus 50 percent of the excess over $25,000. The $25,000 limitation was uniquely applied to members of controlled groups (as defined by Code section 1563) in that it was applied to the group as a whole and, thus, had to be apportioned among the component members of the group when separate tax returns were filed for each member.

The Revenue Act of 1978 provided that for taxable years ending after December 31, 1978, the 50-percent limitation be increased over a transitional period to 90 percent, to be phased in at 10 additional percentage points a year. Thus for taxable years ending in 1979 the percentage was 60, for taxable years ending in 1980 the percentage was 70, and for taxable years ending in 1981 the percentage was 80.

The 1978 Act extended the investment credit to rehabilitation expenditures for commercial buildings and certified historic structures. Qualified rehabilitation expenditures were costs that were required to be capitalized and that were incurred for property or additions or improvements to property with a useful life of at least five years. The expenditures must have been incurred after October 31, 1978, in connection with the rehabilitation of a qualified rehabilitated building. A qualified rehabilitated building was a building (and its structural components) that satisfied the following requirements: (1) had been rehabilitated; (2) was placed in service before the beginning of the rehabilitation; (3) retained in place at least 75 percent of the existing walls of the building as external walls in the rehabilitation process; and (4) at least 20 years had to elapse between the date the physical work in the rehabilitation of the building began and the later of (a) the date the building was first placed in service or (b) the date the building was placed in service in connection with a prior rehabilitation for which an investment credit was allowed for rehabilitation expenditures.

Rehabilitation costs that qualified for the investment credit were treated as new property. Therefore, qualified expenditures were not subject to the $100,000 used property limitation, except to the extent they were for property that otherwise qualified for the investment credit.

Costs of rehabilitating a historic structure (as defined in Code section 191) qualified for the investment credit only if the rehabilitation was certified as historic by the Secretary of the Treasury. If the taxpayer elected five year amortization for certified rehabilitation expenditures, the expenditures were not eligible for the investment credit.

Prior to the enactment of the 1978 Act, the investment credit was allowed for only half of a taxpayer's investment in a pollution control facility if the taxpayer had elected five-year amortization for the facility. The Revenue Act of 1978 increased the percentage allowable from 50 percent to 100 percent.

Under the Tax Reduction Act of 1975, for public utility companies that were adversely affected by increasing energy costs and whose total qualified investment was 75 percent or more "public utility property," the percentage limitation was increased from 50 percent to 100 percent. This increased limitation was to be reduced gradually to 50 percent over the 5-year period, 1977 through 1981, by 10 percent annual decrements. Thus, in 1979 the percentage limitation was to be 70 percent, and in 1980 the percentage limitation was to be 60 percent. However, the Revenue Act of 1978 permitted these selected public utilities to apply whichever limitation entitled them to use the greater amount of investment credits--the alternative decreasing limitation under the 1975 Act or the general increasing limitation under the 1978 Act.

Tentative investment credit represented the earned credit before taking into account the statutory limitations based on the presence and size of income tax.

Certain limitations on the credit were applicable to special classes or kinds of corporations. Code section 46 limited the applicability of the credit for mutual savings banks, building and loan associations, and cooperative banks by reducing the qualified investment and $25,000 tax liability limitation by 50 percent. In the case of regulated investment companies and real estate investment trusts, the qualified investment and $25,000 tax liability limitation were reduced in the same proportion in which the organization's taxable income was reduced by dividends paid to stockholders. Similarly, in the case of cooperatives, the qualified investment and $25,000 tax liability limitation were reduced in the same proportion as that by which the organization's taxable income was reduced by patronage dividends and nonpatronage distributions. Code section 48 reduced the tax and used property limitations for members of "controlled groups" so that the group as a whole was subject to the same dollar limitations as an individual corporation not part of a group. For this purpose, the controlled group was somewhat more broadly defined than it was for ordinary tax computation purposes.

Generally, the investment credit that could not be claimed due to the preceding limitations became the unused investment credit for the current taxable year and could be used to reduce the income tax liability in other years.

Other than for qualified progress expenditures credit was allowed for the first year that the property was placed in service. Property qualifying for the credit was defined as tangible personal property, tangible real property (except buildings and their structural components), elevators and escalators, and single-purpose agricultural and horticultural structures.

"Tangible personal property" comprised all property contained in or attached to a building, such as machinery or equipment. Certain types of property, even though physically located outside a building or accessory to a building, were also considered tangible personal property. Tangible personal property also included livestock other than horses, and certain motion picture and television film.

"Tangible real property" was property used as an integral part of manufacturing, production, or extraction; or, used in furnishing transportation, communication, electrical energy, gas, water, or sewage disposal services; or, used as a research or bulk storage facility in connection with any of these activities.

"Single-purpose agricultural structures" were structures used to house particular types of livestock (including poultry) and the equipment necessary to raise and feed that livestock. "Single-purpose horticultural structures" were greenhouses used for the commercial production of plants.

For the taxable year in which progress expenditure property was placed in service, investment qualified for credit was the full cost or basis of the property

reduced by that portion of qualified progress expenditures on which credits were previously taken.

"Public utility property," which was generally eligible for the credit, was property used predominantly in the business of selling or furnishing: (1) electrical energy, water, or sewage disposal services; (2) gas through local distribution systems; (3) telephone services, and telegraph services by means of domestic telegraph operations; and (4) other communication services except international telegraph services. However, the rates for any of these services had to be established or approved by certain types of government regulatory bodies. When acquired by nonregulated companies, the type of communication property (or property used for communication purposes) normally used by regulated utilities was also included in public utility property subject to the credit.

Also ineligible for the investment credit were: (1) property used for lodging, except for coin-operated machines in apartment buildings; (2) property used predominantly outside the United States, except for commercial communication satellites, submarine telephone cable used exclusively in communication links between the United States and foreign countries, and drilling equipment used in international or territorial waters; (3) property used by certain tax-exempt organizations; (4) property used by governmental units, or international organizations; (5) property consisting of horses, or of other livestock if sold and replaced by substantially identical animals during a relatively short specified period of time; (6) pollution control facilities, railroad rolling stock, coal mine safety equipment, on-the-job training and child care facilities, and expenditures for the rehabilitation of low-income rental housing, for which the special 5-year amortization was elected in lieu of ordinary depreciation; and (7) certain foreign-produced property that was stated under executive order of the President.

The discussion under Changes in Law in Section 2 explains the effects of the Economic Recovery Tax Act of 1981 on Investment Credit.

Investment Credit Carryover (#)

If part of an investment credit earned in any year ending after December 31, 1973, could not be used because of tax liability limitations, it could be carried back three years or forward fifteen years. The unused credit was applied first to the earliest of the years to which it could be carried, and then to each of the other tax years, in chronological order. Because the data in this book do not include any information from amended returns, the statistics will not reflect any changes in tax liability due to investment credit carryback.

Investment Qualified for Credit

See "Investment Credit."

Investments in Government Obligations

This balance sheet asset item comprised (1) bonds or other obligations of a State or U.S. possession (including Puerto Rico), including obligations of political subdivisions and of the District of Columbia, and (2) U.S. obligations, including those of instrumentalities of the Federal Government. In those instances where a corporation reported only one total for investments in Government obligations and did not indicate whether the obligations represented those of the United States or of State and local Governments, the total was treated as investments in U.S. obligations.

Jobs Credit

In place of the general jobs tax credit, which expired at the end of 1978, the Revenue Act of 1978 provided a new targeted jobs credit to encourage the hiring of needy youths and others who often had difficulty finding jobs even when the economy was prosperous.

The Revenue Act of 1978 created the targeted jobs credit. It was allowed to taxpayers who hired individuals from any of the following targeted groups: (1) vocational rehabilitation referrals; (2) economically disadvantaged youth; (3) Vietnam veterans from an economically disadvantaged family; (4) Supplemental Security Income (SSI) benefit recipients; (5) general assistance recipients; (6) economically-disadvantaged former felons; and (7) youths participating in a qualified cooperative education program.

The credit was limited to the sum of 50 percent of "qualified first-year wages" and 25 percent of "qualified second-year wages." The 1978 Act also limited the amount of qualified wages that could be taken into account in computing the credit. The limit was 30 percent of the total FUTA wages paid by the employer during the calendar year ending within the taxable year. The 30 percent limit applied only to qualified first-year wages. Qualified second-year wages were not subject to that limitation. The 1978 Act did not provide for any carryover of amounts in excess of that limitation. FUTA wages were defined as the first $6,000 of wages per employee during the calendar year. The Revenue Act of 1978 further limited the credit to 90 percent of the employer's income tax liability. Furthermore, the credit was allowed only after all other nonrefundable credits were taken. If after applying all other nonrefundable credits, the remaining tax liability for the year was less than the targeted jobs credit, the excess could be carried back three years and carried forward seven years, beginning with the earliest year. For certain agricultural and railroad employees not covered by FUTA, the credit was computed using social security (FICA) or Railroad Unemployment Insurance Act (RUIA) records.

Excluded from the amount of qualified wages were on-the-job training payments; payments to individuals for whom a WIN credit was claimed; and wages paid or incurred after December 31, 1980. Additionally, more than 50 percent of the remuneration paid for qualified employees must have been paid for services in a trade or business of the employer.

Any new jobs credit that was not claimed currently, based on the presence or size of income tax, could have been carried back to each of the three preceding taxable years (beginning with the earliest year) to be applied against income tax for those years; any remaining amount could have been carried over for up to seven years. Any unused credit that was still not used at the end of a 10-year period was lost.

Land

Land, which was reported as a separate capital asset on the balance sheet, may be understated in this report because it could not always be identified. Some corporations may have included land as part of depreciable or depletable assets or included it in "other investments." Some corporations may have included land as part of depreciable assets; if so, the amount was reclassified as land.

Loans from Stockholders

This balance sheet liability item was regarded as long-term in duration and may have included loans from

affiliated corporations as well as from other stockholders.

Loans to Stockholders

This balance sheet asset item was regarded as long-term in duration and included loans to affiliated corporations as well as to other stockholders.

Members of Controlled Groups (Ø)

Members of controlled groups were those corporations related to one another generally through 80 percent or more common stock ownership and which could file separate tax returns, under special provisions of the Code.

These provisions also effectively covered the filing prerequisites for most consolidated returns since the stock ownership requirement used to define an affiliated group eligible to file a consolidated return was similar to the controlled group ownership requirements. In computing income tax, Code section 1561 limited the surtax exemption to one per group, whether or not the group was included in a consolidated return. (See "Consolidated Returns.")

The controlled group provisions applied when (1) a common parent corporation had 80 percent or more control of one or more chains of subsidiaries (parent-subsidiary group), or (2) five or fewer persons (individuals, estates, or trusts), individually or in combination, had 80 percent or more control of each of two or more corporations, but where the sum of each person's "identical" ownership in the group totaled more than 50 percent (brother-sister group). "Identical" ownership was considered to be the lowest common percent of ownership of an individual owner in each of the corporations comprising the group. Thus, if a company had ownership in each corporation in a given group and the smallest percent ownership was, for example, 5 percent of corporation A, that company's identical ownership in the entire group was considered to be 5 percent. Combination groups were possible when a person or persons controlled two or more corporations, one of which was the parent of one or more subsidiary corporations.

Under prior law, two or more related life insurance companies were required to be treated as a controlled group separate from any other corporation to which they have been related. Starting with taxable years beginning after December 31, 1980, insurance companies were allowed to be included with noninsurance companies as long as the noninsurance companies had been members of the affiliated group for 5 taxable years (see "Consolidated Returns"). Domestic International Sales Corporations (DISC's) were generally members of controlled groups. However, control was defined in terms of 50 percent stock ownership.

Control was based on the total combined voting power or total value of all classes of outstanding shares. Certain stock was disregarded altogether and special constructive stock ownership rules applied depending on the type of controlled group involved. Certain corporations were not considered as members of controlled groups. Included in this category were franchised corporations, tax-exempt organizations, foreign corporations with income not effectively connected with a U.S. trade or business, and corporations which were members of the controlled group for less than one-half the days in their taxable year that preceded December 31.

Mortgage and Real Estate Loans

In general, mortgage and real estate loans were the total amount a corporation loaned on a long-term basis, accepting mortgages, deeds of trust, land contracts, or other liens on real estate as security.

Because the return form did not provide a separate place for reporting any reserve for uncollectible mortgage and real estate loan accounts, such reserves may have been included in the "Allowance for Bad Debts," shown in this report as an adjustment to "Notes and Accounts Receivable." If a corporation reported an uncollectible mortgage and real estate loan reserve on a separate schedule, those amounts were moved, in this report, to "Allowance for Bad Debts."

Mortgages, Notes, and Bonds Payable

These liabilities were separated on the balance sheet according to the length of time to maturity of the obligations. The length of time to maturity was based on the date of the balance sheet rather than on the date of issue of the obligations. Accordingly, long-term obligations, maturing within the coming year were included together with short-term obligations in the statistics for mortgages, notes, and bonds payable in less than one year.

Deposits and withdrawable shares may have been reported in mortgages, notes, and bonds payable by banks and savings institutions. When identified, such amounts were transferred to "Other Current Liabilities."

Net Capital Gains (Net long-term capital gain reduced by net short-term capital loss) (Net short-term capital gain reduced by net long-term capital loss)

Net capital gains represented the excess of gains over losses from the sales or exchanges of capital assets subject to the limitations described below. Gains and losses were short-term if the asset was held for 12 months or less, or long-term if the asset was held for more than 12 months.

Net short-term gains (reduced by net long-term losses) were taxed as ordinary income. However, net long-term gains (reduced by net short-term losses) were taxed at a rate of 28 percent.

Excess net losses could be carried back as short-term losses to be applied against the net capital gains of the 3 preceding years; any losses remaining after carryback were carried over the 5 succeeding years. Use of the carryback for excess net losses was limited; it was not allowed to increase or cause a deductible "net operating loss" for prior years and was not allowed for foreign expropriation capital losses (although a special carryover period of 10 years for such losses was allowed instead) or for capital losses of Small Business Corporations electing to be taxed through their stockholders. If the unused capital loss carryover was not eliminated within the prescribed span of years, it could not be taken.

In general, "capital assets" for tax purposes meant property regarded or treated as an investment, such as stocks and bonds. Code section 1221 defined the capital assets (or transactions) to which special treatment applied as all property held by the corporation except:

(1) stock in trade, or property of a kind includable in inventories;

(2) property held for sale to customers in the ordinary course of business;

(3) notes and accounts receivable acquired in the ordinary course of business;

(4) certain short-term Government obligations sold at a discount;

(5) depreciable property used in the trade or business;

(6) real property used in the trade or business; and

(7) certain copyrights, literary, musical, or artistic compositions or similar properties.

Net gains from dispositions of some of the property types excluded from the definition of capital assets under Code section 1221 could receive capital gain treatment under special conditions set forth in other sections, while net gains from some of the property types included under the definition could be denied capital gain treatment under still other sections. The latter are referred to under the heading, "Net Gain (or Loss), Noncapital Assets."

Property used in trade or business, excluded from the tax definition of capital assets, received special treatment under Code section 1231. Gains and losses from sales or other dispositions of this property had to be aggregated first. If the overall result was a net gain, it was included in the computation of net long-term capital gain or loss. If the overall result was a net loss, it was included in the computation of net gain or loss from sales of property other than capital assets. Thus, a net gain under section 1231 could receive the more beneficial treatment of a long-term capital gain taxable at the alternative tax rate, while a net loss under section 1231 could receive the more beneficial treatment as an ordinary loss fully deductible against all types of income and not just against capital gain income.

The types of property (or transactions) to which Code section 1231 applied were:

(1) real and depreciable property used in the trade or business, held for more than 12 months and not includable in inventory or not held for sale in the ordinary course of business;

(2) timber cut by the taxpayer during the year, if owned, or held under contract to cut, for more than 12 months and if an election was made under Code section 631 to treat the cutting as a sale or exchange of property used in trade or business (the holding period was measured up to the time of cutting);

(3) domestic iron ore, timber, or coal, held for more than 12 months, if disposed of under a royalty contract whereby the owner retained an economic interest in the property, so that under Code section 631, the net gain or loss on the royalty income was treated as a net gain or loss on a sale or exchange of property used in trade or business;

(4) unharvested crops disposed of with the land on which they were growing and used in the business of farming if the land was held for more than 12 months; and

(5) certain livestock.

The amounts of gain eligible for capital gains treatment under Code section 1231 was reduced in the case of certain real and depreciable property by Code sections 1245, 1250, 1251, 1252, and 1254, and in the case of certain mining property, by section 617.

Code section 1245 provided that eligible gain for most depreciable property, except certain kinds of real property, be based on the amount of depreciation allowed on it prior to 1962. Code section 1250 provided that eligible gain for certain depreciable realty be based on a percentage of the excess of accelerated depreciation over straight-line depreciation allowed prior to 1963 and on the length of time the property was held. However, with certain exceptions for sales of housing, no gain based on excess depreciation taken after 1969 was eligible for capital gains treatment.

Code section 1251 further limited the eligible gain for certain types of real or depreciable property to the amount in excess of farm net losses accumulated after 1969 or, in the case of farmland, to an amount in excess of certain agricultural deductions accumulated during the most recent 5-year period. Code section 1252 went further, by then limiting the gain treatment of farmland depending on the length of time the property was held. Code section 1254 limited the gain treatment on sales of residential real property and on the disposal or sale of productive oil and gas wells.

Code section 617 limited eligible gain on certain mining property to an amount in excess of the sum of current- and recent-prior year deductions for exploration and development expenditures.

None of these Code provisions had any effect on the treatment under Code section 1231 of losses resulting from the disposition of such property. For a description of the property to which Code sections 1245, 1250, 1251, 1252, 1254, and 617 applied, see the explanation of "Net Gain (or Loss), Noncapital Assets."

Net gains and certain net losses under Code section 1231 also resulted from "involuntary conversions," not only of the property types or transactions otherwise covered by Code section 1231, but also of the capital assets defined in Code section 1221, if they were held for more than 6 months. Gain or loss from involuntary conversions such as by condemnation were included in the regular consolidation of Code section 1231 gains and losses previously described. However, a separate netting of gains and losses was required for involuntary conversions by theft, or from fire, storm, shipwreck or other casualty, whether insured or uninsured. If the result was a net loss, it was treated as a fully deductible loss (without regard to other Code section 1231 transactions) and was excluded from the capital gain statistics. If, on the other hand, the result was a net gain, then it was consolidated with other gains and losses under Code section 1231. See the discussions of "Net Gain (or Loss), Noncapital Assets" and "Other Deductions."

See also, "Additional Tax for Tax Preferences."

Net Gain (or Loss), Noncapital Assets

In general, "noncapital assets" related to property of a business nature. The computation of net gain or loss, noncapital assets, resulted mostly from the sale or exchange of: (1) certain depreciable, depletable, and real property (described below); (2) notes and accounts receivable acquired in the ordinary course of business for services rendered or from the sale of property includable in inventory, or ordinarily held for sale; (3) certain copyrights, literary, musical, or artistic compositions or similar properties; (4) securities by dealers; (5) securities, including Government obligations, and other evidence of indebtedness, such as convertible debentures, by banking, savings, and certain other financial institutions; (6) certain patents, inventions or designs, secret formulas or processes, and similar property rights by domestic corporations to their more-than-50-percent owned foreign subsidiaries; and (7) qualified export assets by Domestic International Sales Corporations (DISC's). Also included in the computation were amounts resulting from certain "involuntary conversions" including net losses from casualty and theft, and amounts resulting from certain sales, exchanges, or redemptions of Controlled Foreign Corporation stock (see "Dividends Received from Foreign Corporations").

With respect to the statistics for net gain or loss, noncapital assets, the following assumption was made in the case of sales of stocks and commodities by stock and commodity dealers; and sales of real estate by real estate subdividers, developers, and operative builders. If these transactions were included on the tax return in gross receipts and cost of goods sold, instead of in net gain or loss from noncapital assets, the resulting profit or loss from the transactions (representing the difference between the receipts and the cost of sales) was transferred to the statistics for net gain or loss, noncapital assets, but only if the cost of sales was 50 percent

or more of the receipts (if less than 50 percent, the receipts were regarded as commission income). The tax return data for receipts and cost of sales were accordingly adjusted for the statistics.

As explained under "Net Capital Gains," a net gain from dispositions of (or certain transactions involving) specified types of business assets that were considered noncapital assets based on Code section 1221 could receive capital gains treatment under section 1231. Gains and losses from these dispositions or transactions first had to be aggregated. If the overall result was a net gain, it was included in the computation of net long-term capital gain, but if the overall result was a net loss, it was included in the computation of net gain or loss, noncapital assets. The special treatment in this computation of gains and losses resulting from involuntary conversions, due mostly to casualty and theft, is described under "Net Capital Gains." Form 4797, Supplemental Schedule of Gains and Losses, called for net losses from casualty and theft to be included in the computation of "net gain or loss, noncapital assets" (although some corporations reported them in "other deductions").

The amount of gains (but not losses) on dispositions of property includable in the computation of net gain or loss under Code section 1231, was limited as a result of sections 1245, 1250, 1251, 1252, 1254 (described below), and 617. To the extent the amount eligible for capital gains treatment was thereby reduced, the amount included in the statistics for net gain or loss, noncapital assets, was increased.

Code sections 1245 and 1250 applied to certain depreciable property. Sections 1251 and 1252 prescribed additional rules for much of this same property if it was used in the business of farming, as well as for certain other types of property used in farming and covered under section 1231. Section 617 applied to certain depletable property.

Code sections 1245 and 1250:

The depreciable property to which Code section 1245 applied was: (1) personal property other than livestock, whether tangible (such as machinery and equipment) or intangible (such as patents and copyrights); and (2) other tangible property including certain realty other than buildings and their structural components, if it was an integral part of specified business activities, or which constituted research or storage facilities used in connection with such activities. The business activities qualifying were manufacturing, production, or the providing of transportation, communications, electrical energy, gas, water, or sewage disposal services.

Gain from the sale of residential rental property that was equal to the excess of accelerated depreciation over straight-line depreciation was recaptured as ordinary income.

The depreciable property to which Code section 1250 applied was real property not already covered by section 1245. In general, this property consisted of buildings and their structural components, in the case of tangible property; or leaseholds of land, in the case of intangible property.

The amount of gain on dispositions of depreciable property under Code sections 1245 and 1250, treated as ordinary income and included in the statistics for net gain or loss, noncapital assets, generally depended upon the amount of depreciation claimed on the asset after a certain date prior to its disposition, although other factors were also considered in the case of section 1250 dispositions.

Under Code section 1245, the amount of gain treated as ordinary income was based on the depreciation (or amortization in the case of defense "emergency facilities") allowed or allowable after 1961 (after 1963 for elevators and escalators and after 1969 for livestock (including fur-bearing animals such as chinchillas, minks, and foxes)). This "depreciation recapture" applied to dispositions of property made during taxable years beginning after 1962 (after 1963 for elevators and escalators and after 1969 for livestock).

Under Code section 1250, the amount of gain treated as ordinary income was based, in general, on the excess of accelerated over straight-line depreciation allowed or allowable after 1963. However, this "depreciation recapture" was further qualified in the case of depreciation taken during 1963-69 so that if the property was held for more than 20 months, the "recapture" was further reduced to a proportion of this difference until, when the property was held for 10 years, the "recapture" as ordinary gain was not applicable at all. For depreciation taken after 1969, these qualifications were rescinded (with certain exceptions for residential rental housing, housing rehabilitation expenditures, and Government-subsidized housing), so that the entire amount of post-1969 excess depreciation was "recaptured" as ordinary income.

Code sections 1251 and 1252:

Under Code section 1251, net gain or loss from noncapital assets included ordinary gains from the sale or other disposition of certain types of farm business property which would otherwise have been eligible for long-term capital gain treatment under section 1231. Dispositions already regarded as ordinary gain or loss using section 1250 rules were excluded.

Amounts treated as ordinary gain were based on farm net losses accumulated after 1969. These net losses were before consideration of the gain or loss under Code section 1231 and, over the years, were first offset against any farm net income. The resulting accumulated loss was then applied against the gain on farm property. If the gain exceeded the accumulated loss, it was treated as ordinary gain to the extent of the loss and only the excess gain was eligible for capital gains treatment. If the reverse was the case, the gain was similarly treated and the excess loss was carried over for use in connection with future gains. For electing Small Business Corporations, this recapture of farm losses was less restrictive and was applicable only if farm net loss exceeded $25,000, nonfarm net income exceeded $50,000, and none of the stockholders had a farm net loss of their own. Section 1251 was not applicable if farming operations were accounted for on an accrual basis, inventories used, and deductible amounts capitalized and recovered over the years through depreciation, even though the law permitted expensing of the full amount currently on an elective basis.

Code section 1231 property subjected to these recapture rules included depreciable personal property; livestock (including fur-bearing animals such as chinchillas, minks, and foxes), except poultry; unharvested crops sold with the land on which they were growing; and land. For land, there was a limitation under section 1251 on the amount of gain treated as ordinary income: the amount recaptured could not exceed accumulated deductions for soil and water conservation and land clearance expenditures in the current and 4 preceding taxable years. However, there was an additional recapture for land, under section 1252. This recapture was based on a declining annual percentage of total post-1969 deductions for these same expenditures. The percentage was reduced to zero when land was held for 10 years or more, at which time the additional recapture did not apply.

Code section 1254:

Code section 1254 required recapture of amounts deducted for intangible drilling expenses on productive wells to the extent that those amounts deducted exceeded the amounts which were allowable had the intangible drilling expenses been capitalized and amortized over the useful life of the well. This was in addition to the requirement that the gain on the sale of oil and gas property be recognized as ordinary income to the extent of depreciation of tangible personal property.

Code section 617:

Under Code section 617, corporations engaged in domestic mining operations that elected to claim unlimited deductions for exploration and development expenses (except for oil and gas) had to "repay" their post-1969 deductions when the mine reached the producing stage or when it was sold. If the mine was sold, the profit was treated as an ordinary net gain from a noncapital asset to the extent that the gain was equal to or less than any post-1969 deductions not already "recaptured" prior to the sale. Such gains are reflected in the statistics for net gain (or loss), noncapital assets. Any net gain in excess of the deductions was a net gain under section 1231, and eligible for capital gains treatment.

Net Income (or Deficit)

This is the difference between gross receipts and the ordinary and necessary business deductions allowed by the Code, and reflects not only actual receipts but "constructive" receipts (i.e., certain income from Controlled Foreign Corporations and foreign dividend income resulting from foreign taxes deemed paid) as well. Interest from State and local government obligations was excluded from these items.

Because certain statutory special deductions from net income were allowed most corporations in computing their income subject to tax, the statistics for net income are generally larger than the amounts shown for "Income subject to tax." Included in the net income statistics are amounts for Small Business Corporations (only certain long-term capital gains were taxable to these corporations). Also, the net income statistics include amounts for Domestic International Sales Corporations (DISC's); these corporations were not taxable.

For mutual insurance companies other than life or marine and other than certain fire or flood insurance companies, the net income (or deficit) in this report is the sum of the net investment income or loss, the statutory underwriting income or loss, and the subtractions from the Protection Against Loss (PAL) account before reduction by the statutory special deductions allowed corporations in general. Consequently, net income (or deficit) reflects not only the ordinary business deductions, but the statutory deductions from underwriting income allowed only to these mutual insurance companies. Net income (or deficit) also reflects the additions (if any) to taxable income of amounts in the PAL account previously deferred from taxation. Further, for some small mutual insurance companies electing to report under Code section 821(c), net income was net investment income only. (Electing companies were not required to report underwriting income.) The section 821(c) provisions were applicable only to companies with income from investments (other than capital gains), with premiums of less than $500,000, and with no reserve in the PAL account.

For life insurance companies, the net income (or deficit) used for statistical purposes comprised the gain or loss from operations adjusted by adding back the dividends received and the operations loss deductions. Gain or loss from operations (which included both underwriting and investment income) represented gross taxable receipts reduced by ordinary and necessary business deductions and by additions to required reserves, certain other statutory deductions pertinent only to these companies, and by the dividends received and operations loss deductions.

Net Long-Term Capital Gain Taxed at Alternative Rate

This part of the tax base was used for the tax computation for those returns using the alternative tax rate. The alternative method, allowed under Code section 1201, was used if it provided a lower tax liability than did the use of the tax rates on total taxable income. See the discussions of "Income Subject to Tax" and "Income Tax."

Income subject to tax for returns with alternative tax was the sum of (1) net long-term capital gain (reduced by net short-term capital loss), and (2) income taxed at regular rates (the balance of taxable income).

For most corporations, use of the alternative tax did not affect the amount shown as "Income Subject to Tax." However, when net long-term capital gain (reduced by net short-term capital loss) was greater than taxable income (net income minus statutory special deductions), but the alternative rate (28 percent) applied to the capital gains was less than the regular rates applied to taxable income, the capital gains, rather than taxable income, became the tax base and was used for the "Income Subject to Tax" statistics.

Net Worth

Net worth represented the stockholders' equity in the corporation (total assets minus the claims of creditors). In the statistics, net worth comprises the net sum of the following items:

(1) capital stock;
(2) paid-in or capital surplus;
(3) retained earnings, appropriated;
(4) retained earnings, unappropriated;
(5) less: cost of treasury stock; and
(6) shareholders' undistributed taxable income (Form 1120S only)

Each of these items is explained under its own heading in this section.

Noncalendar Year Returns

Returns filed for a 12-month accounting period ending in other than December were included in this classification. Figure B in section 1 shows the percentage of returns filed for each of the accounting periods covered in this report.

Nonconventional Source Fuel Credit (#)

Prior to 1980, no income tax credit was available for the production and sale of fuel derived from energy sources other than oil and conventional sources of natural gas. Congress believed that the use of fuels derived from energy sources other than oil and conventional natural gas should be encouraged by providing a tax incentive for their production and sale. Because these alternative fuels frequently compete with oil and gas, Congress believed that production incentives should be linked to the

uncontrolled price of domestic oil and should phase out as that price rose to the level where efficiently produced alternative fuels could compete effectively with oil.

Generally, the credit was equal to $3 for each 5.8 million British Thermal Units (BTU's) of energy produced from qualified sources. (One barrel of crude oil contains approximately 5.8 million BTU's.) The Crude Oil Windfall Profit Tax Act of 1980 provided a tax credit for the domestic production and sale of qualified fuels to unrelated persons. Such fuels generally had to be produced and sold after December 31, 1979, and before January 1, 2001, from facilities placed in service after December 31, 1979, and before January 1, 1990, or from wells drilled after December 31, 1979, and before January 1, 1990, on properties which began production after December 31, 1979.

The credit was available for production and sale of the following:

(1) fuel produced from shale and tar sands;
(2) gas produced from geopressurized brine, Devonian shale, coal seams, or a tight formation;
(3) gas produced from biomass;
(4) liquid, gaseous, or solid synthetic fuel (including alcohol) produced from coal (including lignite), including such fuels when used as feedstocks;
(5) qualifying processed wood fuels; and
(6) steam from solid agricultural byproducts (not including timber byproducts).

The tax credit was to be phased out proportionately as the annual average wellhead price for a barrel of uncontrolled domestic oil (the "reference price") rose, adjusted for inflation. The reference price was to be estimated by the Secretary of the Treasury and published, together with the inflation adjustment factor, by April of the year following that for which the credit was to be computed.

The credit was claimed on Form 6602, Nonconventional Source Fuel Credit, for taxable years ending after December 31, 1979. The limitation on the amount of the allowable Nonconventional Source Fuel Credit was applied to the remaining tax liability after other credits had been applied.

Notes and Accounts Receivable

In general, notes and accounts receivable were the gross amounts arising from business sales or services to customers on credit during the ordinary course of trade or business which would normally be converted to cash within 1 year. Current nontrade receivables were generally included in "Other Current Assets."

The balance sheets on most corporation income tax forms called for the reporting of both "gross" receivables and the "allowance for bad debts." However, some corporations reported only the net amount. In the case of insurance companies filing balance sheets in the form required under State law, only the net amount was reported.

Loans and mortgages may have been reported in notes and accounts receivable by savings and loan associations. When identified, such mortgage loans were transferred to "Mortgage and Real Estate Loans."

The "Allowance for Bad Debts," shown as an adjustment, may also include the reserves for the separate account "Mortgage and Real Estate Loans." As a result, it was possible for the "Allowance for Bad Debts" to exceed the amount of notes and accounts receivable.

In those tables where the item "Notes and Accounts Receivable, Net" appears, the amount shown includes a deduction of "Allowance for Bad Debts."

Number of Returns

Returns of inactive corporations were excluded from the statistics. (See "Returns of Inactive Corporations.") The number of Form 1120-DISC and Form 1120S returns filed, respectively, by Domestic International Sales Corporations and Small Business Corporations for which an election was made to be taxed through stockholders are included in each total number (except for those tables which specifically exclude these returns) and are also shown separately in some of the tables.

See also "Consolidated Returns" and "Returns of Active Corporations."

Other Assets

In general, other assets comprised noncurrent assets which were not allocable to a specific account on the balance sheet, and certain accounts for which no distinction could be made between current and noncurrent status.

Includable were items such as deferred charges reported as noncurrent by the corporations, interest discounts, guaranty deposits, and intangible assets not subject to amortization. Other assets of banks included property held in trust if included in the banks' assets. Other assets of life insurance companies included the market value of real estate and that portion of stock and bond holdings in excess of book value. For Domestic International Sales Corporations (DISC's), this item also included "nonqualified assets" (i.e., assets that were not export-related or that failed to meet the requirements indicated for "qualified export assets" in Code section 993).

Other Capital Assets Less Reserves

This item consisted of depletable assets less accumulated depletion, land, and intangible assets less accumulated amortization. Each is described separately under its own heading in this section.

Other Current Assets

Other current assets included assets not allocable to a specific current account in the return balance sheet, and assets specifically reported as short-term by the corporation, as well as marketable securities other than Government obligations.

Includable were prepaid expenses, nontrade receivables, coupons and dividends receivable, claims and judgments, and similar items. For construction corporations, amounts reported as current for contract work in progress in excess of billings were includable.

Also includable in other current assets were amounts reported as inventories on nonconsolidated returns of banks.

Other Current Liabilities

Other current liabilities included, for the most part, certain amounts due and payable within the coming year. The account comprised accrued expenses, as well as current payables not arising from the purchase of goods and services and not evidenced by bonds, notes, or mortgages. Examples of other current liabilities were taxes accrued or payable, accrued employee accounts such as for payrolls and contributions to benefit plans, dividends payable, overdrafts, accrued interest or rent, and deposits and withdrawable shares of banking and savings institutions.

For construction corporations, amounts of advances of deposits on uncompleted contracts or jobs in progress were included in this item, if reported as current.

Other Deductions

Other deductions comprised (1) business expenses which were not allocable to a specific deduction item on the return form, or which were not included elsewhere on the return form, and (2) certain amounts which were given special treatment in the course of statistical processing.

The first category included such items as administrative, general, and selling expenses; bonuses and commissions; delivery, freight, and shipping expenses; sales discounts; travel and entertainment expenses; utility expenses not reported as part of the cost of goods sold; and similar items. Included in this category are any amounts deducted for the removal of architectural and transportational barriers to the handicapped and elderly under Code section 190.

The second category included salaries and wages not reported as a cost of sales and operations and not reported as a part of another deduction item; amortization of bond premiums, loan and mortgage costs, and other financial items reported as amortization rather than as part of other deductions; unrealized profit on current-year installment sales; reported amounts of negative income; and certain "involuntary conversions" (described below). Also included were itemized business deductions and other deductions unique to Domestic International Sales Corporations (DISC's), life and most mutual insurance companies. In the case of DISC's, the statistics include deductions such as those for market studies, sales commissions, and freight and other expenses (whether or not they were considered export promotion expenses).

The statistics for other deductions may include losses resulting from involuntary conversions by theft, or from fire, storm, shipwreck, or other casualty, if these losses were reported in the taxpayer's own schedule for other deductions. For the statistics, no attempt was made to transfer the data to the ordinary gains or losses computation. Losses from involuntary conversions which were reported as ordinary losses derived from Form 4797, Supplemental Schedule of Gains and Losses, were included in the estimates for "Net Gain (or Loss), Noncapital Assets." See also the discussion under "Net Capital Gains" in this section.

Other Interest

Included in this item were amounts received on loans, notes, mortgages, bonds, bank deposits, and corporate bonds less amortizable bond premiums. For installment sales, interest received included amounts stated in the contract and certain unstated amounts of interest, as provided in Code section 483.

For Domestic International Sales Corporations (DISC's), this item included "Interest on Producer's Loans." See the explanation of "Domestic International Sales Corporation Returns" in this section.

Other Investments

This category generally included long-term non-Government investments and certain investments for which no distinction could be made as to their current or long-term nature. Non-Government investments generally not held for conversion to another form within the coming year included stocks, bonds, loans on notes or bonds, loans to subsidiaries, and other types of financial securities. Also included in this category were investments unique to Domestic International Sales Corporations (DISC's), such as investments in related foreign export corporations, Export-Import Bank obligations, and producer's loans.

Real estate not reported as a fixed asset could also be included. In certain instances, land and buildings owned by real estate operators (except lessors of real property other than buildings), and real holdings of insurance carriers (other than their home office and branch office buildings and equipment), were reported as "other investments."

In one respect the statistics may be somewhat overstated. Treasury stock held for resale or for future distribution may have been reported as an asset on some tax returns and, if not clearly identified as Treasury stock, would have been included in the statistics for "Other Investments." When these amounts could be identified, they were transferred to the liability side of the balance sheet statistics under "Cost of Treasury Stock."

Also includable in other investments were amounts reported as inventories on nonconsolidated returns of holding and other investment companies (except operating holding companies); security and commodity brokers, dealers, and exchanges; and real estate subdividers, developers, and operative builders.

Other Investments and Loans

This item consisted of loans to stockholders, mortgage and real estate loans, and other investments. Each is described separately under its own heading in this section.

Other Liabilities

Other liabilities were obligations which were not allocable to a specific account on the balance sheet and which were either noncurrent accounts, in general not due within 1 year, or accounts which could not be identified as either current or long-term.

Examples of other liabilities were deferred or unearned income not reported as part of a current account, provisions for future taxes based on the effects of either accelerated depreciation or possible income tax adjustments such as for the investment credit, and principal amounts of employee and similar funds.

Other Receipts

Other receipts included amounts not elsewhere reported on the return form, such as: profits from sales of commodities other than the principal commodity in which the corporation dealt; income from minor operations; cash discounts; income from claims, license rights, judgments, and joint ventures; net amount earned under operating agreements; profit from commissaries; profit on prior-years' collections (installment basis); profit on the purchase of a corporation's own bonds; recoveries of losses and bad debts previously claimed for tax purposes; refunds for the cancellation of contracts; and income from sales of scrap, salvage, or waste. Also regarded as other receipts were certain dividends received, such as from Federal Reserve and Federal Home Loan Banks, and from the following special classes of corporations: corporations deriving a large percent of their gross income from sources within a U.S. possession; and tax-exempt charitable, educational, religious, scientific and literary organizations, and mutual and cooperative societies including farmers' cooperatives.

For Domestic International Sales Corporations (DISC's), other receipts comprised all "nonqualified" gross receipts reported on the return except nonqualified dividends. In addition, in the case of DISC's acting as commission agents for someone else, only the commissions earned and not the underlying gross

receipts on which the commissions were earned were included in the statistics. Nonqualified gross receipts thus took into account: (1) sales of goods and services for ultimate use or consumption in the United States; (2) exports subsidized by the U.S. Government; (3) certain direct or indirect sales or leases for use by the U.S. Government; and (4) sales to other DISC's in the same controlled group of corporations.

See also "Business Receipts."

Overpayments Claimed as a Credit

This was the amount of the 1980 overpayment the corporation specifically requested to be credited to the 1981 year's estimated tax, in lieu of requesting a refund in 1980. The credit is reflected in the amount shown as estimated tax payments in table 8.

Paid-In or Capital Surplus

This balance sheet item comprised additions to the corporation's capital from sources other than earnings. These sources included amounts of surplus occasioned by donation, appreciation of assets, receipts from the sale of capital stock in excess of stated value, stock redemptions or conversions, and similar transactions. The amounts shown are after deducting any negative amounts.

Part-Year Returns

Part-year returns were those filed for accounting periods of less than 12 months. Such returns were filed as a result of business liquidations, reorganizations, mergers, and changes to new accounting periods. Figure B in section 1 shows the percentage of returns filed for each of the accounting periods covered in this report. Data from part-year returns are included in the statistics.

Payments With Applications for Extension of Filing Time (Forms 7004 and 7005)

These statistics were derived from the income tax returns rather than from the application for extension of time to file, Form 7004, and the application for additional extension of time to file, Form 7005, or their equivalents. Corporations which filed Form 7004 on time and paid the required amount of tax liability (tentatively determined) were granted an automatic extension of 3 months in which to file returns. A second extension (requested on Form 7005) of 3 months could be granted under certain conditions.

Requesting the extension of time to file the return did not postpone the payment of tax. When an extension was requested on Form 7004, at least half of the unpaid balance of the tax liability tentatively determined (taking into account any credits against tax, as well as any estimated tax payments) was due. If the option of paying the tentatively determined tax liability on an installment basis (with the balance due on or before 3 months after the regular filing date) was not used, the entire amount was due with the application. If a second extension of time to file was applied for, the balance of any unpaid tax liability was due at the time of the application.

The statistics may be slightly understated because of taxpayer reporting variations and because of the inability to identify the total amount from the tax returns.

Pension, Profit-Sharing, Stock Bonus, and Annuity Plans

Contributions made by employers to these plans were deductible under Code section 404. The Code imposed limitations on the amounts deductible for the taxable year and provided a carryover feature for certain amounts paid in excess of these limitations. Deductions were also allowed for employer contributions made to benefit plans established for certain U.S. citizens employed for foreign subsidiaries and branches of domestic corporations. The statistics for this item include such amounts identified in the cost of sales and operations schedules.

The Employee Retirement Income Security Act of 1974 (ERISA) revised the requirements relating to participation, vesting, and funding private pension and employee benefit plans, and the deductibility of employer contributions for these plans. Under ERISA, employee benefit plans generally had to meet certain compulsory standards before the related trusts set up by the employer to administer them could be exempted from income taxation and before employers could deduct their contributions to these trusts.

Personal Holding Company Tax

In addition to being subject to regular income tax and additional tax for tax preferences, corporations classified as Personal Holding Companies were subject to another tax equal to 70 percent of their "undistributed Personal Holding Company income."

The term Personal Holding Company was applied to certain closely-held corporations whose income was from passive sources (generally investments and personal service contracts) rather than from the actual active conduct of a trade or business. The 70 percent tax was imposed on the taxable income (especially defined) from passive sources reduced by amounts distributed to owners.

Since most Personal Holding Companies distributed all of their Personal Holding Company income, only a small number were actually subject to the tax. In addition, the tax is slightly understated because the Personal Holding Company tax was not always reported separately from the regular income tax.

The tax appears in the statistics for industries other than "Holding and other investment companies" because a Personal Holding company could be a subsidiary included in a consolidated return classified in some other industry.

Provision for Federal Income Tax

In general, this was the net amount of Federal income tax accrued, or the provision for such tax, for the taxable year as reported in corporations' books of account and in tax return schedules reconciling book and tax profits (see Schedule M-1, "Reconciliation of income per books with income per return," on the Form 1120 return facsimile in section 6 of this report), or in the case of most insurance companies, from the annual statements filed with the returns.

When corporations identified the amount of Federal income tax which was current and the amount which was deferred, only the amount reported as current was used for the statistics. Deferred Federal income tax as shown on the books of account represented the tax consequence resulting from differences between book and tax accounting in the recognition of various items of income and expenses. (See "Book Net Income (or Deficit).")

Corporations occasionally reported foreign and State taxes together with Federal taxes and the components were not separately identified. The resulting effect on the statistics was to overstate the provision for Federal income tax. This had no effect, of course, on the after-tax profit amount shown in the statistics as "Book Net Income (or Deficit)."

Refunds of Estimated Tax Payments

A corporation which had determined that it had overpaid its estimated tax could have filed for a quick refund or adjustment of the overpayment even before it had filed its return. To have done so, the estimated tax overpayment had to be at least $500 and be at least 10 percent of the expected "final" income tax liability reported on the tax return.

The application for refund had to be made within 2-1/2 months after the close of the taxable year and before the corporation had filed its income tax return. If the refund (or credit against another tax owed, in lieu of a refund) was subsequently determined to be excessive, the tax on the excess included a penalty amount determined at a rate of 90 percent of the adjusted prime rate (as determined under section 6621) per year of the excess.

Rent Paid on Business Property

This deduction consisted of rents paid for the use of land or structures, and rents paid for leased roads, rolling stock, and work equipment for railroad companies. Identifiable amounts of taxes paid and other expenses of lessees in connection with rent paid were included in their respective deduction headings.

Rents

These were the gross amounts received for the use or occupancy of property. Expenses related to rental property, such as depreciation, repairs, interest paid, and taxes paid, were not deducted directly from the rental income, but were reported as business deductions from total receipts. The rental income of manufacturing, public utility, and service corporations, which frequently leased rather than sold their products, was included in the "Business Receipts" rather than in rents.

Repairs (#)

Repairs reported as an ordinary and necessary business expense were the costs of maintenance and incidental repairs and could include the cost of labor, supplies and other items which did not add to the value or appreciably prolong the life of the property. Expenditures for new buildings, machinery or equipment, or for permanent improvements which increased the cost or basis of the property were not deductible currently and were charged to capital expenditures, which were generally depreciable.

For taxpayers using the Class Life Asset Depreciation Range (CLADR) system, relatively few elected an alternative method of computing the deduction for repairs on property placed in service before 1981. This method was available when ambiguity existed as to whether expenditures for repairs, maintenance, rehabilitation, or improvement of depreciable property could be deducted in the year paid or incurred, or had to be capitalized and depreciated over the useful life of the property.

Under the rules prescribed, all qualifying expenditures within a given asset guideline class were treated as currently deductible repairs provided they did not exceed the "repair allowance." The repair allowance for an asset guideline class was based on the percentage prescribed for that class applied to the "average" cost or unadjusted basis of "repair allowance property" in that class. Amounts in excess of the percentage had to be capitalized and recovered as depreciation. This method of deducting expenses for repairs, together with the termination of the CLADR depreciation system, was repealed effective with assets placed in service in 1981.

Research and Experimentation Credit (#)

This new credit is discussed under "Changes in Law" in Section 2 of this report.

Retained Earnings, Appropriated

Earnings set aside for specific purposes and not available for distribution to stockholders were included under this heading. Included were guaranty funds and reserves for plant expansion, bond retirements, and contingencies for extraordinary losses. Specifically excluded were the reserves for bad debts, for depreciation, for depletion, and for amortization, which were shown separately; and, the reserves for taxes, and unrealized profits or unearned income, which were includable in "Other Liabilities."

Retained Earnings, Unappropriated

Retained earnings, unappropriated, consisted of the retained earnings and profits of the corporation less any reserves (shown in the statistics as "Retained Earnings, Appropriated"). The statistics shown are net figures after deduction of any negative amounts.

For Domestic International Sales Corporations (DISC's), this item included previously taxed income, accumulated DISC income, and other earnings and profits.

Similarly, for Small Business Corporations electing to be taxed through their stockholders, this item included earnings from before the corporation's election as well as earnings since the election, to the extent that they had not yet been distributed to the stockholders. (See "Stockholders' Undistributed Taxable Income Previously Taxed.")

Returns of Active Corporations

These returns were the basis for all financial statistics presented in the report. They comprised the vast majority of the returns filed, and were defined for the statistics as returns of corporations reporting any income or deduction items.

Returns of Inactive Corporations

Corporations in existence during any portion of the taxable year were required to file a return even though they may have been inactive. Inactive corporations are defined for this report as returns showing no item of income or deduction. Financial data from these returns were excluded from the statistics.

Returns With Net Income

Returns with net income were those showing gross taxable receipts exceeding the ordinary and necessary business deductions allowed by the Code. (See "Net Income (or Deficit).")

Returns Without Net Income

Returns without net income were those for which ordinary and necessary business deductions allowed by

the Code exceeded gross taxable receipts. In addition to deficit returns, this classification also included returns whose gross taxable receipts and business deductions were equal. (See "Net Income (or Deficit).")

Royalties

Royalties were payments received, generally on an agreed percentage basis, for the use of property rights. Included were amounts received from such properties as copyrights, patents, and trademarks; and from natural resources such as timber, mineral mines, and oil wells. The amount reported was the gross amount received. Expenses relating to royalties, depletion or taxes, for example, were not deducted directly from this income, but were reported among the various business deductions from total gross income.

Excluded from the statistics were certain royalties received under a lease agreement on timber, coal deposits, and domestic iron ore deposits, which were allowed special tax treatment. Under elective provisions of Code section 631, the net gain or loss on such royalties was included in the computation of net gain or loss on sales or exchanges of certain business property under section 1231. If the overall result of this computation was a net gain, it was eligible for treatment as a long-term capital gain, taxable at the capital gains rates. If the overall result was a net loss, it was fully deductible in the current year as an ordinary noncapital loss. See the discussions of "Net Capital Gains" and "Net Gain (or Loss), Noncapital Assets."

Size of Business Receipts

Size of business receipts was based on the gross amounts from sales and operations for industries except those in the finance, insurance, and real estate divisions. For these industries, total receipts, which is the sum of business receipts and investment income, were used as the basis for classification. See the discussions of "Business Receipts" and "Total Receipts."

Size of Income Tax After Credits (#)

Income tax after credits was the net amount of income tax liability after deducting the foreign tax, investment, possessions tax, jobs, work incentive (WIN), nonconventional source fuel, alcohol fuel credit, and research credit. It included the regular tax and alternative tax. As such, it excluded the tax from recomputing prior-year investment credit and additional tax for tax preferences.

Size of Total Assets

Size of total assets was based on the amount reported in the end-of-year balance sheet. Returns with zero assets were used as a classification for returns of: (1) liquidating or dissolving corporations which had disposed of all their assets and whose income tax returns were final returns; (2) merging corporations whose assets and liabilities were included in the returns of the acquiring corporations; (3) corporations filing a part-year tax return because of a change in accounting period; and (4) foreign corporations with income effectively connected with the conduct of a trade or business within the United States (except foreign insurance companies providing balance sheet information for U.S. branches). See also "Total Assets and Total Liabilities."

Small Business Corporation Returns

Form 1120S, U.S. Small Business Corporation Income Tax Return, was filed by corporations electing to be taxed through stockholders under section 1372 of the Code.

To qualify as a Small Business Corporation, a firm had to be a domestic corporation, with no more than ten stockholders, each of which was an individual (or an estate) and none of which was a nonresident alien. For taxable years beginning after December 31, 1976, a Small Business Corporation which had been an electing Small Business Corporation for 5 consecutive taxable years could have as many as fifteen stockholders (see "Number of Stockholders"). The Revenue Act of 1978 permitted the number of stockholders to be 15 even if the five-year rule was not met. This provision was effective for taxable years beginning after December 31, 1978. This 1978 Act also provided that a husband and a wife were to be treated as one stockholder for purposes of determining the number of stockholders in a corporation to determine eligibility to qualify as a Small Business Corporation. The corporation could have only one class of stock and could not be a member of an affiliated group eligible to file a consolidated return. Moreover, the corporation could not receive more than 80 percent of its gross receipts from sources outside the United States nor more than 20 percent from passive investments (interest, rents, royalties, annuities, and gains from the sale or exchange of stock and securities). The 20 percent passive-income limitation did not apply during the first 2 years of business unless such income, for the year in question, was $3,000 or more.

Net income of Small Business Corporations was computed in the same manner as for most corporations. The net operating loss deduction and other statutory special deductions allowed most corporations, such as for dividends received, could not be taken.

An electing Small Business Corporation was generally not taxed. However, an existing corporation that elected (under Code section 1372) to become a Small Business Corporation was subject to a special tax for the first 3 taxable years of the election. On the other hand, a new corporation which was an electing Small Business Corporation for each year of its existence was not subject to the special tax at all. Section 1378 of the Code provided that the amount of the tax was the lower of the following: (1) 30 percent of the excess of net long-term capital gain (reduced by net short-term capital loss) over $25,000 when net long-term capital gain was more than 50 percent of a net income that was over $25,000; (2) 30 percent of the gain from the disposition of property using a "substituted basis" (i.e., the basis that was transferred from another corporation which was not also an electing Small Business Corporation); or (3) the tax rates applied to net income. Foreign tax credit, investment credit, U.S. possessions tax credit, work incentive (WIN) credit, jobs credit, nonconventional source fuel credit, alcohol fuel credit and research credit were not available to the corporation to reduce this tax (although the cost of investment credit property and WIN program salaries and wages were allocated to stockholders for their use in computing the credits).

Generally, the income of the Small Business Corporation was taxable to its stockholders as ordinary income. Net long-term capital gains (reduced by any tax paid on them by the corporation) were not taxable as ordinary income, but instead retained their character in the hands of the stockholders. Also, stockholders were allowed to deduct their share of the

corporation's deficit from other forms of individual (or fiduciary) income as part of their net operating loss deduction. Undistributed income earned in previous years was taxable to stockholders in the year it was earned, and could be distributed during the current year without any further tax.

Statutory Special Deductions

Statutory special deductions is the term used for the statistics to describe the deductions for: (1) net operating losses of prior years, and (2) total "special deductions" as defined by the Code, i.e., the sum of deductions for intercorporate dividends received and for dividends paid on certain preferred stock of public utilities. Since these deductions were allowed by law, in addition to ordinary and necessary business deductions, they are shown as deductions from net income.

In general, net income less statutory special deductions equalled income subject to tax. However, the two dividend deductions were not restricted to returns with net income, nor, in general, to the amount of net income, and thus became part of the statutory "net operating loss" for some corporations. Statutory special deductions were not allowed to Small Business Corporations for which an election was made to be taxed through stockholders, nor to regulated investment companies and real estate investment trusts.

Although Domestic International Sales Corporations (DISC's) were not taxable, in order to compute "tax deferred income and income taxable to stockholders," two of the statutory special deductions, i.e., net operating loss deduction and intercorporate dividends received deduction, discussed below, were allowed.

Definitions for the statutory special deductions contained in the statistics are as follows:

(1) Net operating loss deduction.-The total net operating loss deduction was based on statutory net operating losses of prior or subsequent years which could be used to reduce taxable income for a specified number of years. The amount shown in this report, however, consists only of losses from prior years actually used to reduce taxable income for the current year. Losses incurred after the current year and carried back to that year at a later date could not be reported on the returns used for this report. In general, losses were carried back over a 3-year period, chronologically, and any amount not offset against income during that time could then be carried forward against income for a period not exceeding 5 years (for losses incurred before 1976) and to 7 years (for losses incurred for 1976 and thereafter). The carryover period for post-1975 losses was revised by the Economic Recovery Tax Act of 1981 as discussed in the "Changes in Law" section of this report. Longer carryover periods were allowed for certain foreign expropriation losses, and for corporations applying for tax assistance under the Trade Expansion Act of 1962, for regulated transportation corporations, and for new life insurance companies, as well as for certain banking and financial institutions (for losses that arose after 1975). Moreover, corporations could elect to forego the carryback period and to add it on, instead, to the regularly-defined carryover period.

Net operating losses on which the current-year deduction was based included: (a) the excess of ordinary and necessary business expenses over income in the previous loss years, and (b) statutory special deductions claimed in the loss year for dividends received and for dividends paid on certain preferred stock of public utilities (or any excess of such deductions over net income).

The net operating loss deducted for the current year was limited to net income reduced, first, by the deductions for dividends received and, second, for dividends paid on certain preferred stock of public utilities.

Net operating losses incurred by Domestic International Sales Corporations (DISC's) were deductible from net income only if the DISC had been a corporation prior to its election to become a DISC and only for losses incurred prior to the election. The statistics are overstated to the extent small amounts of net operating loss deductions were reported by DISC's without net income; no attempt was made to suppress these amounts for the statistics.

For a "parent-subsidiary" controlled group that had elected separate surtax exemptions for each group member under prior law, but which had shifted to a single group exemption and filed a consolidated return under subsequent law, special provisions for the treatment of net operating losses of the individual group members applied. The net operating losses of such individual group members sustained in years during which the election of multiple surtax exemptions was in effect could be carried over and deducted from consolidated net income.

(2) Total special deductions.-The total special deductions contained in this report was the sum of the following deductions:

(a) Intercorporate dividends received deduction.-The intercorporate dividends received deduction, under Code sections 243-246, was the sum of the following components:

(1) A deduction equal to 85 percent of dividends received from domestic corporations which were themselves subject to the income tax. This particular deduction accounted for the major portion of the intercorporate dividends received deduction. Since DISC's were not subject to tax, the intercorporate dividends received deduction was not allowed for dividends received by their stockholders. However, if the dividends were paid out of earnings and profits from a year before the election was made to become a DISC, the stockholders were entitled to the deduction for such dividends.

(2) A deduction equal to 85 percent of certain dividends received from foreign corporations (a) which had been engaged in a trade or business within the United States for at least 3 years, and (b) which also had at least 50 percent of their gross income "effectively connected" with the U.S. trade or business.

(3) A deduction equal to 100 percent of certain intragroup dividends allowed members of controlled groups not electing to file consolidated returns, but sharing instead, a single surtax exemption under Code section 1561.

(4) A deduction equal to 100 percent of dividends received from wholly-owned foreign subsidiaries whose entire gross income was "effectively connected" with the conduct of a trade or business within the United States.

(5) A deduction equal to about 59.13 percent of dividends received on certain preferred stock of public utilities for which a dividends paid deduction, described below, was also allowed the distributing corporation. The applicable percentage was based on the income tax rate.

(6) A deduction equal to 100 percent of dividends received by small business investment companies. For tax returns with net income for the taxable year,

there was a limitation on the deduction, based on net income, for dividends received not subject to the 100 percent deduction (Code section 246). For these returns the deduction could not exceed 85 percent of net income less any 100 percent deduction for domestic intragroup dividends. This limitation was not applicable if the corporation had no net income for the year. In this case, the deduction became part of the statutory net operating loss previously described. In the case of life insurance companies, the above percentage deductions were further reduced by the ratio of investment yield less total exclusions (operations) to investment yield.

(b) Deduction for dividends paid on certain preferred stock of public utilities.-For public utility companies, as defined by law, a special deduction was allowable under Code section 247 for dividends if paid on certain preferred cumulative stock deemed issued prior to October 1, 1942. This deduction, based on the income tax rate, amounted to about 30.4 percent of the dividends paid on such stock.

If the dividends paid were greater than net income reduced (in general) by all other statutory special deductions for the year, the deduction could not exceed the above-described percentage of net income after this adjustment.

Stockholders' Undistributed Taxable Income Previously Taxed

This end-of-year balance sheet item was the accumulated taxable income, i.e., net income (or deficit), earned by Small Business Corporations since they had first elected to be taxed through their stockholders, to the extent that it had not yet been distributed to the stockholders. Taxable income, whether distributed or not to the stockholders, was taxable to the stockholders in the year earned so that later distributions from this account were nontaxable. (See "Small Business Corporation Returns.") This item is reflected in the statistics for "Retained Earnings, Unappropriated" and "Net Worth" in those tables which show these items.

Tax Deferred Income and Income Taxable to Stockholders

This amount represented the net income (less deficit) of a Domestic International Sales Corporation (DISC) minus statutory special deductions (described under a separate heading). This "taxable income" was used in determining the amount of the DISC's earnings and profits that were considered to be "amounts deemed distributed" to stockholders of the DISC. Generally, taxation on a portion of this amount could be deferred indefinitely and the remainder was taxable to stockholders in the year earned.

See also "Domestic International Sales Corporation Returns."

Tax Due at Time of Filing

Tax due was the amount of income tax liability reported as due at the time the return was filed. To show a tax due the return had to have income tax after foreign tax, investment, work incentive (WIN), possessions tax, jobs, nonconventional source fuel, alcohol fuel and research credits. For this purpose, the income tax included tax from recomputing prior-year investment credit, additional tax for tax preferences, tax on undistributed Personal Holding Company income and tax on income from U.S. sources not effectively connected with a U.S. trade or business. Tax due based on this total tax was the amount payable after taking into account (a) credit for taxes deemed paid by regulated investment companies on undistributed capital gain dividends; (b) payments with applications for extension of time in which to file; (c) payments on estimated tax; (d) credit for taxes on special fuels, nonhighway gasoline, and lubricating oil; and (e) U.S. Income tax paid or withheld at Source (for Form 1120F returns).

The entire tax due could be paid with the return at the time of filing, or the corporation could elect to pay the tax due in two equal installments. One installment had to be paid at the prescribed time of filing. The balance was due not later than 3 months after that date.

The amounts shown do not reflect adjustments made after the return was filed. The results of tax audit, the carryback of net operating losses, the carryback of foreign taxes paid or accrued in future years, the carryback of unused investment credit, WIN credit, or jobs credit or the carryback of certain capital losses, may affect the final tax liability and the tax due.

Taxes Paid

Taxes paid included the amounts reported as an ordinary and necessary business deduction as well as identifiable amounts reported in the cost of goods sold and operations schedules. Included among the deductible taxes were ordinary State and local taxes paid or accrued during the year; social security and payroll taxes; unemployment insurance taxes; import and tariff duties; and business, license and privilege taxes. Income and profits taxes paid to foreign countries or U.S. possessions were also deductible unless claimed as a credit against income tax. However, Small Business Corporations electing to be taxed through their stockholders had to deduct from gross income any foreign taxes they paid. They could not claim a foreign tax credit, nor could they pass these taxes on to their stockholders for their use as a foreign tax credit. (See "Foreign Tax Credit.")

Taxes not deductible included Federal income and excess profits taxes, gift taxes and taxes assessed against local benefits.

Some corporations included sales taxes and excise and related taxes, which were part of the sales price of their products, as receipts. When this occurred, an equal and offsetting amount was usually included in the cost of sales and operations or as part of the separate deduction for taxes paid. When included in the cost of sales and operations, these taxes often were not identifiable and, therefore, could not be included in the statistics for taxes paid.

Tax from Recomputing Prior Year Investment Credit

This tax, a recapture of investment credit, was required when depreciable (or amortizable) property used in computing the investment credit of a prior year was either disposed of or ceased to be qualifying property before the end of its useful life assumed at the time the credit was originally computed.

The tax was payable for the year in which the property was disposed of or became disqualified. It amounted to the difference between the credit originally claimed based on the intended life in the year of acquisition and the credit that would have been allowed based on the actual life in the year of disposition or disqualification. Useful life classes for investment credit purposes were shortened for property acquired after August 15, 1971. The revised

useful life classes applied to investment credit property disposed of or disqualified after this date, even if the property was acquired (and the credit claimed) using the longer useful life classes specified under prior law.

Recapture of investment credit was required after August 15, 1971, when investment credit property was effectively disposed of prematurely by reason of casualty or theft. Recapture was also required when the following subsequent elections caused property for which credit had been claimed earlier to cease to be qualifying property: (1) 5-year accelerated depreciation elected for expenditures to rehabilitate low-income rental housing, and (2) 5-year rapid amortization elected for certain expenditures for child care facilities and certain railroad rolling stock.

Transferor railroad companies were exempted from additional tax on the transfer of their rail properties to the Consolidated Rail Corporation (ConRail), i.e., such railroad companies were not liable for tax from recomputing prior-year investment credit.

Unless otherwise indicated, tax from recomputing prior-year investment credit is included in the statistics for "Income Tax" in this report.

See also "Investment Credit."

Tax Net Income (or Deficit) (#)

In order to facilitate comparison between after-tax book and tax profits in table 14, an effort was made to adjust the net income computed under the Internal Revenue Code (and described under a separate heading) in order to recognize taxes in a consistent manner under the two profit concepts, insofar as possible.

Corporations were asked to report book net income as after income tax. Because the net income under the Code was reported before taxes, net income (less deficit) after tax, net, was the term used for the statistics to describe the net income after it was reduced by the income tax. For this purpose, the taxes subtracted from net income were defined to include the sum of the regular income tax, the additional tax for tax preferences, and the taxes from recomputing the prior-year investment credit, reduced by the current year's investment, WIN, jobs, nonconventional source fuel, alcohol fuel and research credits, but not by the foreign tax credit nor U.S. possessions tax credit.

Thus, an "economic" or "accounting" approach was used to compute tax net income in regard to the treatment of foreign income and taxes to the extent that foreign income was included in the income statistics. The U.S. possessions tax credit was also excluded for this purpose.

It was felt that the corresponding income tax, whether domestic or foreign, should be uniformly reflected to the extent possible in the taxes used in this computation. By disregarding the foreign tax credit, foreign income taxes in effect were recognized as a deduction in arriving at tax net income, just as they were in arriving at book net income. To have done otherwise, by treating these taxes as a credit against U.S. tax, would have meant disregarding the effect of foreign income taxes on tax net income altogether. This was because corporations with a foreign tax credit could be thought of as having satisfied their U.S. income tax liabilities by paying taxes (to the extent of the credit) to foreign governments instead of the U.S. Government. The foreign tax credit was, after all, merely a device to prevent double taxation of foreign income.

This approach to foreign taxes for the statistics has drawbacks. The foreign tax credit, because of the limitations required in its computation, was not synonymous with total foreign income taxes. Because of the carryover provisions, some of the taxes credited for the current year were actually paid in other years while other amounts, paid on the current year income, had to be carried to other years for crediting. In addition, most foreign dividends had to be "grossed up" by the foreign taxes deemed paid on this income (see "Constructive Taxable Income from Related Foreign Corporations"). To the extent that such taxes were included as income, tax net income, conceptually, is overstated in comparison to book net income.

The user of the statistics can derive another estimate of tax net income (or deficit) by taking into account only the income tax payable to the United States. Under this approach, the before-tax net income (or deficit) shown in the statistics should be reduced by income tax after the possessions tax, foreign tax, investment, WIN, jobs, nonconventional source fuel, alcohol fuel, and research credits.

Aside from conceptual problems associated with the treatment of foreign income and taxes, it should be noted that Domestic International Sales Corporations (DISC's) and, for the most part, Small Business Corporations electing to be taxed through stockholders, were not subject to the corporation income tax. Therefore, "Tax Net Income (or Deficit)" (the after-tax concept) for these companies is the same as "Net Income (or Deficit)" (the before-tax concept).

See also "Book Net Income (or Deficit)" for some of the other reasons for differences between book and tax profits.

Tax Overpayment (#)

This was the amount reported as the excess of payments and credits for the tax already paid over total income tax liability at the time the return was filed. For this purpose, the income tax liability included tax from recomputing prior-year investment credit, additional tax for tax preferences, tax on undistributed Personal Holding Company income and tax on income from U.S. sources not effectively connected with a U.S. trade or business, and was, after reduction by the foreign tax, possessions tax, investment, work incentive (WIN), jobs, nonconventional fuel, alcohol fuel, and research credits. Overpayment then, was the excess of payments and credits over total tax liability after taking into account (a) credit for taxes deemed paid by regulated investment companies on undistributed capital gain dividends; (b) payments with applications for extension of time in which to file; (c) payments on estimated tax; (d) credit for taxes on special fuels, nonhighway gasoline, and lubricating oil, and (e) U.S. income tax paid or withheld at the source (for Form 1120F returns).

The overpayment could be credited toward the following year's estimated tax, refunded, or partially refunded and partially credited.

The amounts shown do not reflect adjustments made after the return was filed. The results of audit, the carryback of net operating losses incurred in future years, the carryback of certain foreign taxes paid or accrued in future years used to increase the current year foreign tax credit, the carryback of unused investment credit, unused WIN credit or unused jobs credit, or the carryback of certain capital losses, may affect the final tax liability and the tax overpayment.

Since Domestic International Sales Corportions (DISC's) were not taxable, tax overpayment reported on Form 1120-DISC consisted solely of the refund of U.S. excise tax on special fuels, nonhighway gasoline, and lubricating oil.

Tax Preference Items (#)

These items constituted the basis (after adjustments described under "Additional Tax for Tax Preferences") upon which the 15 percent additional tax for tax preferences (or "minimum tax") was levied. They comprised various kinds of tax-favored income and deductions, which, in effect, provided corporations with nontaxable "economic" income.

In general, the tax preference items were attributable to U.S. sources. However, the capital gain preference (described below) included amounts from foreign sources if they were not subject to foreign taxation, or if the foreign tax was a preferential one. Other items attributable to foreign sources were treated as preferences only to the extent they reduced U.S. taxable income.

For Small Business Corporations electing to be taxed through their stockholders, all of the tax preference items described below were reported, but only the capital gain preference and the intangible drilling cost preference were taxable to the corporations themselves. The other items were taxable only to the stockholders of such corporations.

The items of tax preference were:

(1) Accelerated depreciation (depreciation in excess of the amount computed under the straight-line method) allowed on: (a) low-income rental housing; (b) certified historic structure rehabilitation (defined in Code section 167 or Code section 191); (c) other real property (defined in Code section 1250); and (d) personal property (defined by section 1245) subject to a lease. The tax preference in connection with personal property subject to a lease did not apply to corporations other than Personal Holding Companies and Small Business Corporations electing to be taxed through their stockholders. [These tax preferences applied in the case of property placed in service before 1981. For preferences applicable in the case of property placed in service on January 1, 1981 or later, see the "Changes in Law" section of this book.]

(2) Amortization of (a) certified pollution control facilities, (b) railroad rolling stock, (c) on-the-job training facilities, and (d) child care facilities. The tax preference was the excess of these special rapid write-offs over what otherwise would have been a depreciation deduction under Code section 167.

(3) Reserves for losses on bad debts of financial institutions. Financial institutions (mostly banks and savings and loan associations) were allowed deductions for additions to a reserve for bad debts under prescribed rules. When these deductions exceeded amounts based on the actual bad debt loss experience of the institution (or in the case of a new company, industry experience), the excess was considered a tax preference. (The appearance of this preference for other than finance division corporations was caused chiefly by the filing of consolidated returns that included finance subsidiaries.)

(4) Depletion. The excess of the depletion deduction over the cost or other basis of the property (reduced by depletion taken in prior years) was a tax preference.

(5) Capital gains. This tax preference was based on the excess of net long-term capital gain over the net short-term capital loss, when these net gains were taxed at the special lower capital gain rate. The amount treated as a preference was this amount multiplied by a ratio of the regular tax rate less the rate applicable to capital gains (generally 28 percent) to the regular corporate tax rate.

(6) Intangible drilling costs. This was the excess of deductible intangible drilling and development costs incurred in connection with oil and gas wells (other than costs incurred in drilling a nonproductive well) over the amount that would have been deductible if such costs had been capitalized and depreciated under the straight line method.

Items (5) and (6) above were the only tax preferences for which Small Business Corporations electing to be taxed through their stockholders (Form 1120S) would be liable (see the discussion under "Small Business Corporation Returns" in this section). Tax preferences for these corporations were ordinarily passed on to the stockholders for taxation. Regulated investment companies and real estate investment trusts also included capital gains as a tax preference but only to the extent that such gains were not passed on to their stockholders.

Tentative Investment Credit

See "Investment Credit."

Total Assets and Total Liabilities

Total assets and total liabilities were those reported in the end-of-year balance sheet in the corporations' books of account. Total assets were net amounts after reduction by accumulated depreciation, accumulated amortization, accumulated depletion, and the reserve for bad debts. When reserves for bad debts were reported as liabilities, they were treated as reductions from the asset accounts to which they related and the totals of assets and liabilities were adjusted accordingly. When used in this report, the term total liabilities includes both the claims of creditors and stockholders' equity (see "Net Worth"). In addition, total liabilities were net amounts after reduction by the cost of Treasury stock. Moreover, when Treasury stock intended for resale was identified in "Other investments" on the asset side of the balance sheet, it was moved to the liability side for the statistics, and the totals of assets and liabilities were also adjusted.

Asset and liability estimates for returns of corporations that failed to provide complete balance sheet information were imputed from data in other schedules on the return form or by using either reference books or relationships between income statement and balance sheet items on similar returns in the same industrial group.

Because Forms 1120L and 1120M used by life insurance companies and certain mutual insurance companies did not provide for the complete reporting of balance sheet information, asset and liability data for these companies were obtained from reference books or from balance sheets filed with the returns in the form required by State law. These sources were also used for any other insurance companies, not filing returns on Forms 1120L or 1120M, which filed balance sheets in the form required by State law in lieu of the income tax return schedule. (See also "Size of Total Assets.")

Total Deductions

As presented in the tables of this publication, total deductions comprised (1) the cost of sales and operations, (2) the ordinary and necessary business deductions from gross income, and (3) net loss from sales of noncapital assets. Components of total deductions are shown in the income statement segment of various tables throughout this report.

For certain mutual insurance companies, with total receipts under $500,000, total deductions represents only investment expenses; business expenses were excluded by law.

Total Receipts

The components of total receipts are shown in the income statement segment of various tables throughout this report. This amount was derived as follows:

Included items--(1) Gross taxable receipts (before deduction of cost of sales and operations, ordinary and necessary business expenses, and net loss from sales of noncapital assets), and (2) Nontaxable interest received from State and local Government obligations.

Excluded items--(1) Other nontaxable income recognized by the corporation, and (2) Certain taxable income from related foreign corporations only constructively received.

For certain mutual insurance companies, with total receipts under $500,000, the gross taxable receipts included in the statistics represent only the receipts from investments; operating income was excluded by law.

Total Receipts Less Total Deductions

This item differed from net income (less deficit) for tax purposes in that it included nontaxable "Interest on State and Local Government Obligations" and excluded "Constructive Taxable Income from Related Foreign Corporations." As such, it included all of the income "actually" (as opposed to "constructively") received by the corporation and reported on the income tax return.

Unused Investment Credit

This was the portion of the tentative investment credit (plus the carryover of unused credit from prior years) which was in excess of the actual investment credit claimed for the current year. Subject to limitations, the unused credit could be carried back or carried over for use in other years as described under "Investment Credit."

The amounts shown in the statistics were computed on a return-by-return basis by taking the difference between the credit claimed and the sum of the tentative credit and the credit carryover.

U.S. Possessions Tax Credit

In order to provide a tax incentive for domestic corporations to invest in Puerto Rico and U.S. possessions (including American Samoa, Guam, Johnston Island, Midway Islands, and Wake Island, but not the Virgin Islands), the Tax Reform Act of 1976 added, under Code section 936, a new tax credit - the U.S. possessions tax credit. Under Code section 936, the U.S. possessions tax credit was equal to the U.S. tax on the corporations' income from sources within a possession in which the corporations actively conducted a trade or business.

Before the U.S. possessions tax credit could be claimed, a domestic corporation had to make an election and satisfy two tests: (1) receive for the "applicable" period immediately preceding the close of the taxable year at least 80 percent of its gross income from sources within a U.S. possession, and (2) receive for the "applicable" period at least 50 percent of its gross income from the active conduct of a trade or business within a U.S. possession. "Applicable" period was the lesser of 3 years or the period during which the corporation was engaged in the active conduct of a trade or business within a U.S. possession.

For additional information regarding the possessions tax credit, see Operation and Effect of the Possessions Corporation System of Taxation, Fourth Report, issued by the Department of the Treasury as required by the Tax Reform Act of 1976.

Work Incentive (WIN) Credit

This credit was intended to expand job opportunities for Aid to Families with Dependent Children (AFDC) program recipients. Taxpayers were allowed a credit against their income tax liability if they were engaged in a trade or business and hired AFDC recipients under the Work Incentive (WIN) program of the Social Security Act (as authorized by the Revenue Act of 1971) or if they hired AFDC recipients under the Social Security Act, regardless of whether or not they were covered by the WIN program (as authorized by the Tax Reduction Act of 1975).

The Revenue Act of 1978 modified the WIN-welfare recipient credit to make it compatible with the targeted jobs credit. Under the 1978 Act, the WIN-welfare recipient credit was allowed only to taxpayers who paid or incurred "work incentive program expenses" during the taxable year. Work incentive program expenses were the amount of wages paid or incurred by the taxpayer for services rendered by an eligible employee.

An eligible employee must have been either a member of an Aid to Families with Dependent Children (AFDC) family that had been receiving financial assistance for at least 90 continuous days immediately preceding the hiring date, or a WIN registrant. In addition, the employee must have been employed by the taxpayer for more than 30 consecutive days on a substantially full-time basis. Any individual who had displaced another from the taxpayer's employment, or who was a migrant worker, did not qualify as an eligible employee. An individual who performed services for a taxpayer could qualify as an eligible employee even though the services were not performed in the taxpayer's trade or business.

The credit was equal to 50 percent of qualified first-year wages plus 25 percent of qualified second-year wages limited to the taxpayer's actual tax liability. Qualified first-year wages consisted of wages attributable to services rendered by an eligible employee during the one-year period beginning with the day the individual first begins work for the employer. Qualified second-year wages consisted of wages attributable to services rendered during the one-year period beginning at the close of the first-year period. The amount of eligible wages that were taken into account in computing the WIN credit were limited to $6,000 per employee. This limit applied to both the first and second year of employment.

The ordinary deduction for wages had to be reduced by the amount of the WIN credit. This rule was designed to prevent the combination of the credit and the ordinary wage deduction from producing a tax reduction greater than the amount of eligible wages, and to make the percentage reduction in labor costs equal for all trade or business employers, regardless of their tax bracket. This rule applied even though the credit could exceed the tax liability for the year. Any excess WIN credits were subject to carryback and carryover rules.

Qualified WIN credit expenses in excess of the limitation for any one year could have been carried back, chronologically, to the 3 preceding years and then carried over to the 7 succeeding years to reduce income tax, subject to the WIN credit limitations of the years to which they were carried.

Zero Assets

In general, returns in this total assets-size class were:

(1) final returns of liquidating or dissolving corporations which had disposed of all assets;

(2) final returns of merging corporations whose assets and liabilities were reported in the returns of the acquiring corporations;

(3) part-year returns of corporations (except initial returns of newly incorporated businesses); and

(4) returns of foreign corporations with income "effectively connected" with the conduct of a trade or business in the United States (however, balance sheet data for U.S. branches of foreign insurance companies are included in the statistics and are classified by the size of total assets of these branches).

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Section 6

Forms and Instructions

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Form **1120** — Department of the Treasury, Internal Revenue Service

U.S. Corporation Income Tax Return

For calendar year 1981 or other tax year beginning ..... , 1981, ending ..... , 19 .....

▶ For Paperwork Reduction Act Notice, see page 1 of the instructions

OMB No. 1545-0123

1981

Check if a—
A. Consolidated return ☐
B. Personal Holding Co. ☐
C. Business Code No. (See page 9 of Instructions)

Use IRS label. Otherwise please print or type.

Name

Number and street

City or town, State, and ZIP code

D. Employer identification number

E. Date incorporated

F. Total assets (see Specific Instructions) $

Gross Income	1	(a) Gross receipts or sales $ ..... (b) Less returns and allowances $ ..... Balance ▶	1(c)	
	2	Cost of goods sold (Schedule A) and/or operations (attach schedule)	2	
	3	Gross profit (subtract line 2 from line 1(c))	3	
	4	Dividends (Schedule C)	4	
	5	Interest on obligations of the United States and U.S. instrumentalities	5	
	6	Other interest	6	
	7	Gross rents	7	
	8	Gross royalties	8	
	9	(a) Capital gain net income (attach separate Schedule D)	9(a)	
		(b) Net gain or (loss) from Form 4797, line 11(a), Part II (attach Form 4797)	9(b)	
	10	Other income (see instructions—attach schedule)	10	
	11	TOTAL income—Add lines 3 through 10	11	
Deductions	12	Compensation of officers (Schedule E)	12	
	13	(a) Salaries and wages ..... 13(b) Less WIN and jobs credit(s) ..... Balance ▶	13(c)	
	14	Repairs (see instructions)	14	
	15	Bad debts (Schedule F if reserve method is used)	15	
	16	Rents	16	
	17	Taxes	17	
	18	Interest	18	
	19	Contributions (not over 5% of line 30 adjusted per instructions)	19	
	20	Amortization (attach schedule)	20	
	21	Depreciation from Form 4562 (attach Form 4562) ..... less depreciation claimed in Schedule A and elsewhere on return ..... Balance ▶	21	
	22	Depletion	22	
	23	Advertising	23	
	24	Pension, profit-sharing, etc. plans (see instructions)	24	
	25	Employee benefit programs (see instructions)	25	
	26	Other deductions (attach schedule)	26	
	27	TOTAL deductions—Add lines 12 through 26	27	
	28	Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)	28	
	29	Less: (a) Net operating loss deduction (see instructions—attach schedule) 29(a)		
		(b) Special deductions (Schedule C) 29(b)	29	
	30	Taxable income (subtract line 29 from line 28)	30	
Tax	31	TOTAL TAX (Schedule J)	31	
	32	Credits: (a) Overpayment from 1980 allowed as a credit		
		(b) 1981 estimated tax payments		
		(c) Less refund of 1981 estimated tax applied for on Form 4466 ( )		
		(d) Tax deposited: Form 7004 ..... Form 7005 (attach) ..... Total ▶		
		(e) Credit from regulated investment companies (attach Form 2439)		
		(f) Federal tax on special fuels and oils (attach Form 4136 or 4136-T)	32	
	33	TAX DUE (subtract line 32 from line 31). See instruction C3 for depositary method of payment. (Check ▶ ☐ if Form 2220 is attached. See instruction D.) ▶ $	33	
	34	OVERPAYMENT (subtract line 31 from line 32)	34	
	35	Enter amount of line 34 you want: Credited to 1982 estimated tax ▶ Refunded ▶	35	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer ▶ Date ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

Form 1120 (1981) Page 2

Schedule A Cost of Goods Sold (See Instructions for Schedule A)

1	Inventory at beginning of year	
2	Merchandise bought for manufacture or sale	
3	Salaries and wages	
4	Other costs (attach schedule)	
5	Total—Add lines 1 through 4	
6	Inventory at end of year	
7	Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, page 1	
8	(a) Check all methods used for valuing closing inventory: (i) ☐ Cost (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4 (see instructions) (iii) ☐ Writedown of "subnormal" goods as described in Regulations section 1.471-2(c) (see instructions)	
	(b) Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No. If "Yes," specify method used and attach explanation ▶	
	(c) Check if the LIFO inventory method was adopted this tax year for any goods (If checked, attach Form 970.) ☐	
	(d) If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO	
	(e) If you are engaged in manufacturing, did you value your inventory using the full absorption method (Regulations section 1.471-11)? ☐ Yes ☐ No	
	(f) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? If "Yes," attach explanation. ☐ Yes ☐ No	

Schedule C Dividends and Special Deductions (See instructions for Schedule C)

		(A) Dividends received	(B) %	(C) Special deductions: multiply (A) × (B)
1	Domestic corporations subject to 85% deduction		85	
2	Certain preferred stock of public utilities		59.13	
3	Foreign corporations subject to 85% deduction		85	
4	Wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))		100	
5	Total—Add lines 1 through 4. See instructions for limitation			
6	Affiliated groups subject to the 100% deduction (section 243(a)(3))		100	
7	Other dividends from foreign corporations not included in lines 3 and 4			
8	Income from controlled foreign corporations under subpart F (attach Forms 3646)			
9	Foreign dividend gross-up (section 78)			
10	DISC or former DISC not included in line 1 (section 246(d))			
11	Other dividends			
12	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
13	Total dividends—Add lines 1 through 11. Enter here and on line 4, page 1 ▶			
14	Total deductions—Add lines 5 through 12. Enter here and on line 29(b), page 1 ▶			

Schedule E Compensation of Officers (See instruction for line 12)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned 4. Common	5. Preferred	6. Amount of compensation	7. Expense account allowances

Total compensation of officers—Enter here and on line 12, page 1

Schedule F Bad Debts—Reserve Method (See instruction for line 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1976						
1977						
1978						
1979						
1980						
1981						

Schedule J Tax Computation (See instructions for Schedule J on pages 7 and 8)

Note: *Fiscal year corporations, see instructions on pages 10 and 11. Omit line 1, complete line 2(a) and, if applicable, line 2(b), and enter on line 3, the amount from line 44, Part III, of the fiscal year worksheet provided on page 11 of the instructions.*

1 Taxable income (line 30, page 1)

2 (a) Are you a member of a controlled group? ☐ Yes ☐ No

(b) If "Yes," see instructions and enter your portion of the $25,000 amount in each taxable income bracket:
(i) $ (ii) $ (iii) $ (iv) $

3 Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, whichever is less). Check if from Schedule D ▶ ☐

4 (a) Foreign tax credit (attach Form 1118)
(b) Investment credit (attach Form 3468)
(c) Work incentive (WIN) credit (attach Form 4874)
(d) Jobs credit (attach Form 5884)
(e) Other credits (see instructions—attach forms and schedule)

5 Total—Add lines 4(a) through 4(e)

6 Subtract line 5 from line 3

7 Personal holding company tax (attach Schedule PH (Form 1120))

8 Tax from recomputing prior-year investment credit (attach Form 4255)

9 Minimum tax on tax preference items (see instructions—attach Form 4626)

10 Total tax—Add lines 6 through 9. Enter here and on line 31, page 1

Additional Information (See page 8 of instructions)

	Yes	No
G Did you claim a deduction for expenses connected with:		
(1) Entertainment facility (boat, resort, ranch, etc.)?		
(2) Living accommodations (except employees on business)?		
(3) Employees attending conventions or meetings outside the North American area? (See section 274(h))		
(4) Employees' families at conventions or meetings?		
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h))		
(5) Employee or family vacations not reported on Form W-2?		
H (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).)		
If "Yes," attach a schedule showing: (a) name, address, and identifying number; (b) percentage owned; (c) taxable income or (loss) (e.g., if a Form 1120: from Form 1120, line 28, page 1) of such corporation for the tax year ending with or within your tax year; (d) highest amount owed by you to such corporation during the year; and (e) highest amount owed to you by such corporation during the year.		
(2) Did any individual, partnership, corporation, estate or trust at the end of the tax year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) If "Yes," complete (a) through (e)		
(a) Attach a schedule showing name, address, and identifying number.		
(b) Enter percentage owned ▶		
(c) Was the owner of such voting stock a person other than a U.S. person? (See instructions)		
If "Yes," enter owner's country ▶		
(d) Enter highest amount owed by you to such owner during the year ▶		
(e) Enter highest amount owed to you by such owner during the year ▶		
(Note: For purposes of H(1) and H(2), "highest amount owed" includes loans and accounts receivable/payable.)		
I If you were a member of a controlled group subject to the provisions of section 1561, check the type of relationship: (1) ☐ parent-subsidiary (2) ☐ brother-sister (3) ☐ combination of (1) and (2) (See section 1563.)		
J Refer to page 9 of instructions and state the principal: Business activity ... Product or service ...		
K Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 for each such corporation		
L At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions)?		
M Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A or 926.		
N During this tax year, did you pay dividends (other than stock dividends and distributions in exchange for stock) in excess of your current and accumulated earnings and profits? (See sections 301 and 316) If "Yes," file Form 5452. If this is a consolidated return, answer here for parent corporation and on Form 851, Affiliations Schedule, for each subsidiary.		
O During this tax year was any part of your tax accounting records maintained on a computerized system?		

Schedule L Balance Sheets

ASSETS	Beginning of tax year (A)	Beginning of tax year (B)	End of tax year (C)	End of tax year (D)
1 Cash				
2 Trade notes and accounts receivable				
(a) Less allowance for bad debts				
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)				
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets				
(a) Less accumulated depreciation				
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable				
16 Mtges, notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 Loans from stockholders				
19 Mtges, notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Captial stock: (a) Preferred stock				
(b) Common stock				
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach sch.)				
24 Retained earnings—Unappropriated				
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

1 Net income per books
2 Federal income tax
3 Excess of capital losses over capital gains
4 Income subject to tax not recorded on books this year (itemize)
5 Expenses recorded on books this year not deducted in this return (itemize)
(a) Depreciation $
(b) Contributions carryover $
6 Total of lines 1 through 5

7 Income recorded on books this year not included in this return (itemize)
(a) Tax-exempt interest $
8 Deductions in this tax return not charged against book income this year (itemize)
(a) Depreciation $
(b) Contributions carryover $
9 Total of lines 7 and 8
10 Income (line 28, page 1)—line 6 less 9

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)

1 Balance at beginning of year
2 Net income per books
3 Other increases (itemize)
4 Total of lines 1, 2, and 3

5 Distributions: (a) Cash
(b) Stock
(c) Property
6 Other decreases (itemize)
7 Total of lines 5 and 6
8 Balance at end of year (line 4 less 7)

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SCHEDULE D (Form 1120)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

To be filed with Forms 1120, 1120-DISC, 1120F, 1120-H, 1120L, 1120M, 1120-POL, 990-C, and certain Forms 990-T

OMB No. 1545-0123

1981

Name

Employer identification number

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis	f. Gain or (loss) (d less e)
1					

2 Short-term capital gain from installment sales from Form 6252, line 19 or 27	2	
3 Unused capital loss carryover (attach computation)	3	
4 Net short-term capital gain or (loss)	4	

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

5 Enter section 1231 gain from Form 4797, line 5(a)(1)	5	

6					

7 Long-term capital gain from installment sales from Form 6252, line 19 or 27	7	
8 Net long-term capital gain or (loss)	8	

Part III Summary of Schedule D Gains and Losses (Form 1120L filers omit line 11)

9 Enter excess of net short-term capital gain (line 4) over net long-term capital loss (line 8)	9	
10 Net capital gain. Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4)	10	
11 Total of lines 9 and 10. Enter here and on Form 1120, line 9(a), page 1; Form 1120-H, line 6(a), page 1; Form 1120-POL, line 6(a), page 1; or the proper line on other returns. Note: *If there is no entry on line 11, see instructions on capital losses for explanation of capital loss carrybacks.*	11	

Part IV Alternative Tax Computation (Forms 1120-H and 1120-DISC filers omit Part IV)

(Fiscal year filers, do not complete Part IV, but instead see the instructions for the applicable return to figure the tax for fiscal year 1981-82)

12 Taxable income. Enter the amount from (a) Form 1120, line 30, page 1 . . . (b) Form 1120-POL, line 19, page 1 . . . (c) Others—Enter amount from the proper line of other returns	12	
13 Net capital gain from line 10	13	
14 Subtract line 13 from line 12	14	
15 Partial tax. Compute the tax on line 14 as follows (a) Form 1120—In accordance with the instructions for Form 1120, Schedule J . . . (b) Form 1120-POL—46% of line 14 . . . (c) Others—In accordance with the tax computation instructions for applicable return	15	
16 28% of line 13	16	
17 Alternative tax—total of lines 15 and 16. If less than amount of tax figured by regular method, enter here and on Form 1120, Schedule J, line 3; Form 1120-POL, page 1, line 21; or the proper line on other returns. Also check box for Schedule D	17	

For Paperwork Reduction Act Notice, see page 1 of Form 1120 instructions.

Instructions

(References are to the Internal Revenue Code.)

Purpose

Schedule D should be used by a taxpayer who files either Forms 1120, 1120-DISC, 1120F, 1120-H, 1120L, 1120M, 1120-POL, 990-C, or certain Forms 990-T, to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), and gain from the disposition of interest in oil, gas, or geothermal property, should be reported on Form 4797, Supplemental Schedule of Gains and Losses. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use Form 4684, Casualties and Thefts.

Note: Form 1120L filers with gains on property held on December 31, 1958, and certain substituted property acquired after 1958 should see section 817(b) and related regulations before completing Schedule D (Form 1120).

Parts I and II

Generally, you should report the sales and exchanges even though there is no gain or loss. No loss is allowed for a wash sale of stock or securities or from a transaction between related persons. (Sections 1091 and 267.)

In Part I report the sale or exchange of capital assets held one year or less. In Part II report the sale or exchange of capital assets held more than one year.

What are Capital Assets.—Each item of property you held (whether or not connected with your trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property.
4. Accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1. above.
5. Certain short-term Federal, State, and municipal obligations acquired on or before June 23, 1981.
6. A U.S. Government publication (including the Congressional Record), received from the Government or any of its agencies in a manner other than by buying it at the price offered for public sale, which is held by a taxpayer who received the publication or by a second taxpayer in whose hands the basis of the publication is determined, for purposes of determining gain from a sale or exchange, by referring to its basis in the hands of the first taxpayer.

Special Rules for the Treatment of Certain Gains and Losses

Note: *For more information, get* **Publication 544,** *Sales and Other Dispositions of Assets.*

● **Gains and losses on straddles.**—For positions established after June 23, 1981, see sections 1092 and 1234A for rules and definitions to determine gains and losses on straddles. Also after June 23, 1981, interest and carrying charges on straddles generally can no longer be deducted but must be added to the basis. See section 263(g). Also see Form 6781, Gains and Losses from Commodity Futures Contracts and Straddle Positions, for details.

● **Gains and losses on regulated futures contracts marked to market.**—For property acquired and positions established after June 23, 1981, see section 1256 for rules and definitions that apply to determine gains and losses on regulated futures contracts. For an election with respect to such property held on June 23, 1981, see Act Section 508(c) of the Economic Recovery Tax Act of 1981. Also see Form 6781.

● **Gain or loss on certain short-term Federal, State, and municipal obligations.**—Such obligations acquired after June 23, 1981 are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance is considered as a short-term capital gain. See section 1232 (a)(4).

● **Gain from installment sales.**—If you sold property at a gain this year and are to receive any payment in a later tax year, you must use the installment method and file Form 6252, Computation of Installment Sale Income.

However, you may elect out of the installment method by doing the following on a timely filed return (including extensions):

(1) Enter in the margin of Schedule D, next to the sale, "I elect out of the installment method."

(2) If you received a note or other obligation and are reporting it at less than face value, state that fact in the margin and give the percentage of valuation.

Also use Form 6252 if you received a payment in 1981 from a sale made in an earlier year on the installment basis.

● **Gain or loss on an option to buy or sell property.**—See section 1234 for the rules that apply to a purchaser or grantor of an option.

● **Gain or loss from a short sale of property.**—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer.

● **Gains and losses of foreign corporations from the disposition of investment in United States real property.**—Foreign corporations are required to report gains and losses from the disposition of U.S. real property interests occurring after June 18, 1980. See section 897 for details.

● **Loss from the sale or exchange of an insurance company's capital assets.**—Report the loss if the assets were sold or exchanged to get funds to meet abnormal insurance losses. If you are an insurance company taxed under section 831 and are reporting a loss on Schedule D, also attach a schedule similar to Schedule C of Form 1120M. If you are an insurance company taxed under section 821, all references to line numbers on Form 1120 are to be considered as references to the appropriate line on Form 1120M.

● **Loss from securities that are capital assets that become worthless during the year.**—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year. (See section 582 for the rules on the treatment of securities held by a bank.)

How to Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code. For example, if you acquired the property by dividend, liquidation of a corporation, transfer from a shareholder, reorganization, contribution or gift, bequest, bankruptcy, tax-free exchange, involuntary conversion, or wash sale of stock, see sections 301, 334, 362 (or 358), 1015, 1014 (and 1023), 372 (or 374 or 1024), 1031, 1033, and 1091, respectively. Attach an explanation if you use a basis other than actual cash cost of the property.

If you are allowed a charitable contribution deduction because you sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Capital Losses.—The amount of capital losses allowed may not be more than capital gains. A net capital loss may be carried back 3 years and forward 5 years as a short-term capital loss. Carry back a capital loss to the extent it does not increase or produce a net operating loss in the tax year to which you carry it. You may not carry back foreign expropriation capital losses, but you may carry them forward 10 years instead of 5. A net capital loss for a regulated investment company may be carried forward 8 years instead of 5.

At risk limitations (section 465).—If you sold or exchanged an asset used in an activity to which the at risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity. If you have a net loss from the activity, it may be subject to the at risk rules.

Part III—Summary of Schedule D Gains and Losses

If the net long-term capital gain is more than the net short-term capital loss, there is a net capital gain. In that case, you may want to complete Part IV to determine if the resulting alternative tax is less than the tax figured using the regular method.

Part IV—Alternative Tax Computation

● Forms 1120-H and 1120-DISC filers omit Part IV.

● Form 1120L filers see Form 1120L instructions for line 6 before figuring the alternative tax.

In figuring the alternative tax, you do not have to refigure deductions limited by the amount of taxable income (such as contributions and the special deductions in Schedule C of Form 1120).

If the alternative tax amount on line 17 is less than the tax figured by the regular method, enter the amount of alternative tax on Form 1120, Schedule J, line 3; Form 1120-POL, page 1, line 21; or the proper line on other returns. Also check the box for Schedule D.

If there is a net capital gain, you may be liable for minimum tax. See Form 4626, Computation of Minimum Tax—Corporations and Fiduciaries, for more information.

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1981

Department of the Treasury
Internal Revenue Service

Instructions for Form 1120 U.S. Corporation Income Tax Return

(References are to the Internal Revenue Code.)

Tax Highlights

Please note these important changes that have been made because of revisions in the tax law based on the Economic Recovery Tax Act of 1981 enacted into law on August 13, 1981.

A. Reduction in Corporate Tax Rates

Effective for tax years beginning after 1981, the tax rates are reduced for the two lowest taxable income brackets. For the taxable income bracket of $25,000 or less, the tax rate will decrease for 1982, from 17% to 16%, and for 1983, to 15%. For the taxable income bracket over $25,000 but not over $50,000, the tax rate will decrease for 1982, from 20% to 19%, and for 1983, to 18%. The remaining tax rates of 30%, 40%, and 46% did not change.

Because of changes in these tax rates, fiscal year 1981–82 corporations must prorate their tax under section 21. Use the worksheet on page 11 of the instructions to make this computation.

B. Depreciation Changes

The Act created a new method of depreciation, the Accelerated Cost Recovery System. You must use this new system to figure depreciation for most assets you placed in service after December 31, 1980. The Act also repealed the election for additional first-year depreciation for assets acquired after December 31, 1980. See Form 4562, Depreciation, for more information.

C. Investment Credit Changes

Numerous changes have been made in investment credit rules that affect accelerated cost recovery property, at risk rules for a personal holding company, certain rehabilitation expenditures, and oil storage facilities. See Form 3468 and Schedule B (Form 3468).

D. Work Incentive (WIN) Credit Expires

Corporations can no longer claim a WIN credit for wages paid or incurred in any tax year beginning after December 31, 1981.

E. Targeted Jobs Credit

The targeted jobs tax credit has been extended to include wages paid or incurred after December 31, 1981. See Publication 906, Targeted Jobs, WIN, and Research Credits, for more information.

F. Research Credit

Effective for tax years ending after June 30, 1981, an income tax credit is allowed for increasing the qualified research expenses in carrying on a trade or business. See Form 6765, Credit for Increasing Research Activities, and Publication 906, Targeted Jobs, WIN, and Research Credits, for more information.

G. Charitable Contributions

Effective August 14, 1981, a corporation (other than a subchapter S corporation, a personal holding company or a service organization) can receive a larger deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e)(4).

Effective for tax years beginning after 1981, a corporation's charitable contribution deduction will increase from 5% to 10% of its taxable income. See section 170(b)(2).

H. Gains and Losses on Straddles

For positions established after June 23, 1981, see sections 1092 and 1234A for rules and definitions to determine gains and losses on straddles. Also, after June 23, 1981, interest and carrying charges on straddles generally can no longer be deducted but must be added to the basis. See section 263(g) and Form 6781, Gains and Losses from Commodity Futures Contracts and Straddle Positions.

I. Gains and Losses on Regulated Futures Contracts Marked to Market

For property acquired and positions established after June 23, 1981, see section 1256 for rules and definitions that apply to determine gains and losses on regulated futures contracts. For an election with respect to such property held on June 23, 1981, see section 508(c) of the Economic Recovery Tax Act of 1981 and Form 6781.

J. Gain or Loss on Certain Short-term Federal, State, and Municipal Obligations

Such obligations acquired after June 23, 1981, are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance is considered as a short-term capital gain. See section 1232(a)(4).

K. Carryover of Tax Credits

Generally, the carryover period for tax credits (investment credit, WIN credit, jobs credit, and alcohol fuels credit) has been extended from 7 years to 15 years. See section 207(c) of the Economic Recovery Tax Act of 1981.

L. Extension of Net Operating Loss (NOL) Carryovers

Generally, for tax years ending after 1975, the NOL carryover period has been extended from 7 years to 15 years. See section 172(b).

General Instructions

Paperwork Reduction Act Notice

The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Purpose of Form 1120

In general, this form is used to report income, gains, losses, deductions, and credits of U.S. corporations.

B. Filing the Return

Who Must File Form 1120

The organizations listed below must file this form. Note: If an organization more nearly resembles a corporation than a partnership or trust, it will be considered an association taxed as a corporation.

- Domestic corporations, whether or not they have any taxable income, unless exempt under section 501.
- Real estate investment trusts defined in section 856.
- Regulated investment companies defined in section 851.
- Insurance companies described in section 831.

Special Returns for Certain Organizations

Certain organizations, listed below, may have to file special returns.

- Foreign corporations other than life and mutual insurance companies filing Forms 1120L and 1120M: File Form 1120F.
- Life insurance companies (section 802): File Form 1120L.
- Mutual insurance companies (section 821): File Form 1120M.
- Exempt farmers' cooperatives (section 1381): File Form 990–C.
- Exempt organizations with unrelated trade or business income: File Form 990–T.
- Small business corporations (section 1372(a)): File Form 1120S.
- Domestic International Sales Corporations (section 992): File Form 1120–DISC.
- Political organizations (section 527): File Form 1120–POL.
- Homeowners associations (section 528): File Form 1120–H.

When to File

In general, a corporation must file Form 1120 by the 15th day of the 3d month after the end of the tax year. A new corporation filing a short period return must generally file by the 15th day of the 3d month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3d month after the date it dissolved.

File Form 7004 to request an automatic 3-month extension of time to file Form 1120.

File Form 7005 to request an additional extension after obtaining an automatic 3-month extension by filing Form 7004.

Period covered.—File the 1981 return for calendar year 1981 and fiscal years that begin in 1981 and end in 1982. For a fiscal year, fill in the tax year space at the top of the form.

Final return.—If the corporation ceases to exist, write "Final return" at the top of the form.

Where to File

If the corporation's principal business, office, or agency is located in	Use the following Internal Revenue Service Center address
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Michigan, Ohio	Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
California, Hawaii	Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

Corporations having their principal place of business outside the United States or claiming a possessions tax credit (section 936) must file with the Internal Revenue Service Center, Philadelphia, PA 19255.

The separate income tax returns of a group of corporations located in several Service Center regions may be filed with the Service Center for the area in which the principal office of the managing corporation that keeps all the books and records is located.

Signature

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If your corporate officer filled in Form 1120, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares Form 1120 and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120 should not sign. For example, a regular, full time employee of the corporation such as a clerk, secretary, etc. does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120 must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer is required to sign Form 1120, please contact an IRS office.

The preparer required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120 to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045**, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

C. Figuring and Paying the Tax

1. Accounting

Accounting methods.

Taxable income must be computed using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Corporations engaged in farming operations may be required to use the accrual method of accounting. See section 447 for exceptions to the general rule.

Unless the law specifically permits otherwise, the corporation may change the method of accounting used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method. Also see **Publication 538**, Accounting Periods and Methods.

Change in accounting period.

Before you can change an accounting period, you must get the Commissioner's approval (Regulation section 1.442–1) by filing Form 1128, Application for Change in Accounting Period. Also see **Publication 538**, Accounting Periods and Methods.

2. Rounding Off

You may show money items as whole-dollar amounts by dropping amounts under 50 cents and increasing amounts from 50 to 99 cents to the next higher dollar.

3. Depositary Method of Tax Payment

The corporation must pay the tax due either 1. in full when the return is filed or 2. in two equal installments. The installments are due by the 15th day of the 3d month and the 15th day of the 6th month after the end of the tax year.

Deposit corporation income tax payments (and estimated tax payments) with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) servicing the geographic area where the corporation is located. Records of deposits will be sent to IRS for crediting to the corporation's account. See the instructions on the back of Form 503 for more information and exceptions.

Preinscribed FTD Forms 503 will be mailed to the corporation on a regular basis depending on the corporation's tax year. You may apply for these forms from the Internal Revenue Service Center where the corporation files its return. If you do not have these forms when a deposit is due, mail your payment to the Internal Revenue Service Center where the corporation files its return. When applying for FTD Form 503 (and also when making a deposit without FTD Form 503), include the corporation's name, employer identification number, address, and the tax year to which the deposits relate.

Penalty for Overstated Tax Deposits.—If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

4. Estimated Tax

A corporation must make estimated tax payments if it can expect its estimated tax (income tax minus credits) to be $40 or more.

You may use Form 1120–W, Corporation Estimated Tax, as a worksheet to compute estimated tax.

If the corporation overpaid estimated tax, you may be able to get a "quick refund" by filing Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be both 1. at least 10% of expected income tax liability and 2. at least $500. To apply, you must file Form 4466 within

2½ months after the end of the tax year and before Form 1120 is filed.

D. Penalties

Avoid penalties and interest by correctly filing and paying the tax when due. The corporation may have to pay the following penalties unless it can show that failure to file or to pay was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charge on unpaid tax at a rate under section 6621.)

- A corporation that fails to file its tax return when due (including any extensions of time for filing) may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.)
- A corporation that fails to pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

A corporation that fails to pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment. For tax years beginning after December 31, 1981, section 6655(h) modifies the exceptions to the penalty in sections 6655(d)(1) and (2), by requiring certain large corporations to make a minimum payment of estimated tax equal to 65% or more of their current year's tax liability to avoid this underpayment penalty.

If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exceptions the corporation believes it meets. Also be sure to check the box below line 33, Form 1120. If the corporation owes a penalty, enter the amount in the space below line 33.

If there is tax due on line 33, include the amount of the penalty in with the total. If there is a refund due, subtract the amount of the penalty from the overpayment on line 34.

E. Other Forms, Returns, Schedules, and Statements That May Be Required

a. Forms.

The corporation may have to file any of the following:

Forms W–2 and W–3. Employee's wage and tax statement; and Transmittal of income and tax statements.

Form W–2P. Statement for recipients of periodic annuities, pensions, retired pay, or IRA payments.

Forms 1087–DIV, INT, MED, MISC, and OID. Nominees' information returns for reporting dividends, interest, medical and health care payments, miscellaneous income, and original issue discounts that were received as a nominee on behalf of another person.

Form 1096. Annual summary and transmittal of U.S. information returns.

Form 5452. Corporate report of nontaxable dividends.

Forms 966 and 1099L. Information returns regarding dissolution or liquidation, and distributions in liquidation.

Forms 1099–BCD, DIV, F, INT, MED, MISC, NEC, OID, PATR, and R. Information returns for reporting interest on bearer certificates of deposit, certain dividends and distributions, payments for certain fishing boat crew members, interest income, medical and health care payments, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, and total distributions from profit-sharing plans, retirement plans, and individual retirement arrangements.

Form 4136–T. For use by the ultimate purchaser to claim a credit for Federal tax paid on gasoline, diesel fuel, and special fuels used in a qualified taxi providing qualified taxi service.

Form 5713. International boycott report for persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott, may have to complete Schedule A or Schedule B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, and DISC benefits.

b. Consolidated return.

The parent corporation of an affiliated group of corporations must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, each subsidiary must attach Form 1122, Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

File supporting statements for each corporation included in the consolidated return. Use columns to show the following, both before and after adjustments:

- Items of gross income and deductions.
- A computation of taxable income.
- Balance sheets as of the beginning and end of the tax year.
- A reconciliation of retained earnings.
- A reconciliation of income per books with income per return.

Attach consolidated balance sheets and a reconciliation of consolidated retained earnings.

c. Real estate investment trusts.

Attach the appropriate schedules. See sections 856–860 for special rules.

d. Statements.

Stock ownership in foreign corporations. Attach the required statement if the corporation owned 5% or more in value of the outstanding stock of a foreign personal holding company. See section 551(c).

A corporation that controls a foreign corporation, or that is a 10%-or-more shareholder of a controlled foreign corporation, may have to file Forms 2952, Information Return with Respect to Controlled Foreign Corporations, and 3646, Income from Controlled Foreign Corporation.

Transfers to a corporation controlled by the transferor. If a person receives stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the person (transferor) and the transferee must attach the information required by Regulation section 1.351–3.

Corporations that liquidate within one calendar month under section 333. These corporations must attach a computation of accumulated earnings and profits, including all items of income and expense accrued up to the date the transfer of all property is completed. Use the format in Rev. Proc. 75–17, 1975–1 C.B. 677.

e. Amended return.

Use Form 1120X, Amended U.S. Corporation Income Tax Return, to correct any error in a previously filed income tax return.

f. Financial statements.

You may use either Schedule L or copies of other balance sheets required by Federal, State, or other authorities. The balance sheets must agree with your books and records. You must reconcile any differences. On line 1 of whatever balance sheet you use, include as cash any certificates of deposit and other cash equivalents.

Banks, insurance companies, and other corporations required to file substantially similar statements of income and expense to any Federal, State, or other authority may file copies of such statements instead of the information required on lines 1 through 30 of Form 1120. Railroads may substitute Form 1090, Statement of Income, and Profit and Loss Accounts. In these cases, use Schedule M–1 to reconcile taxable income with the net profit that is shown on the statement and that would be entered as line 30.

Statements filed under this procedure must contain sufficient information to enable IRS to reconstruct an income and expense statement and a balance sheet similar to that contained on Form 1120, without contacting the taxpayer during processing.

g. Attachments.

If you need more space on forms or schedules, attach separate sheets to the back of Form 1120. Attach schedules in alphabetical order and forms in numerical order. Be sure to put the taxpayer's name and employer identification number (EIN) on each sheet.

Specific Instructions

These instructions are numbered to correspond to the line items of Form 1120 and its schedules. Other line items on the form are self-explanatory.

Identification Information. Enter the information called for at the top of the form.

Employer Identification Number. If the employer identification number (EIN) on the label is wrong or if the corporation did not receive a label, enter the correct number at the top of the return.

A corporation that does not have an EIN should apply for one on Form SS–4, Application for Employer Identification Number. You can get this form at any IRS or Social Security Administration office. Send Form SS–4 to the same Internal Revenue Service Center to which you send Form 1120. If you have not received the EIN by the filing time for Form 1120, write "Applied for" in the space for the EIN.

Total Assets. Enter the total assets of the corporation. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Gross Income

Line 1

Gross receipts

Enter gross receipts or sales from all business operations except those that must be reported in lines 4 through 10. For reporting advance payments and long-term contracts, see Regulation section 1.451–5.

If the installment method is used, enter on line 1 the gross profit on collections from installment sales, and carry the same amount to line 3. Attach a schedule showing the following for the current year and the 3 preceding years: a. gross sales, b. cost of goods sold, c. gross profits, d. percentage of gross profits to gross sales, e. amount collected, and f. gross profit on amount collected.

Line 2

Cost of goods sold

See the instructions for Schedule A.

Line 4

Dividends

See the instructions for Schedule C.

Line 6

Other interest

Enter interest on loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc.

Do not offset interest income against interest expense.

Line 7

Gross rents

Enter the gross amount received for the rent of property. Deduct expenses such as repairs, interest, taxes, and depreciation in the proper lines for deductions.

Line 9(a)

Capital gain net income

Every sale or exchange of a capital asset must be reported in detail on Schedule D, even though no gain or loss is indicated.

If the net long-term capital gain is more than the net short-term capital loss, or if there is only a net long-term capital gain, compute the alternative tax to see if it produces a smaller tax.

Line 9(b)

Net gain or (loss)

Enter the net gain or loss from Form 4797, Supplemental Schedule of Gains and Losses, line 11(a), Part II.

Line 10

Other income

Enter any other taxable income not listed above, and explain its nature on an attached schedule. Examples of other income are recoveries of bad debts deducted in prior years under the specific charge-off method; the amount of credit for alcohol used as fuel that was entered on Form 6478, Credit for Alcohol Used as Fuel; and refunds of taxes deducted in prior years. Do not offset current year's taxes with tax refunds.

If "other income" consists of only one item, explain what it is in parentheses on line 10.

Deductions

Transaction between related taxpayers. See section 267 for limitation on deductions for unpaid expenses and interest.

Line 12

Compensation of officers

Complete Schedule E, columns 1 through 6, for all officers. Complete Schedule E, column 7, for your six highest paid officers. To determine the highest paid officers, add all allowances, including expense account allowances, to each officer's compensation. Expense account allowance means 1. amounts, other than compensation, received as advances or reimbursements and 2. amounts paid by or for the corporation for expenses incurred by or on behalf of an officer. Column 7 does not have to be completed for any officer whose combined amount is less than $50,000.

In a consolidated return, each member of an affiliated group must furnish this information.

Line 13

Salaries and wages

Enter on line 13(a) the amount of total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on your return, such as contributions to a Simplified Employee Pension which are deducted on line 24.

Enter on line 13(b) the sum of 1. the amount of WIN credit from Form 4874, Credit for Work Incentive (WIN) Program Expenses, line 12, and 2. the amount of jobs credit from Form 5884, Jobs Credit, line 9.

Line 14

Repairs

Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

Expenditures to remove architectural and transportation barriers to handicapped and elderly. For rules for expenses in tax years beginning after December 31, 1976, and before January 1, 1983, to remove architectural and transportation barriers to handicapped and elderly persons, see section 190 and related regulations.

Line 15

Bad debts

Bad debts may be treated in either of two ways: 1. as a deduction for debts that become worthless in whole or in part, or 2. as a deduction for a reasonable addition to a reserve for bad debts. (See section 166.)

Use Form 3115 if you want to apply for a change in the method of computing bad debts.

Line 17

Taxes

Enter taxes paid or accrued during the tax year.

Do not include the following: 1. Federal income taxes; 2. foreign or U.S. possession income taxes if a tax credit is claimed; or 3. taxes not imposed on the corporation. See section 164(d) for apportionment of taxes on real property between seller and purchaser.

Line 18

Interest

Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. (For exceptions, see section 265(2).)

Mutual savings banks, building and loan associations, and cooperative banks can deduct the amounts paid or credited to the accounts of depositors as dividends, interest, or earnings. (See section 591.)

Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years following the current tax year. For example, a cash basis calendar year taxpayer, who in 1981 prepaid interest allocable to any period after 1981, can deduct only the amount allocable to 1981. Please see Publication 545, Interest Expense.

Generally, for positions established after June 23, 1981, the interest and carrying charges on straddles can no longer be deducted but must be capitalized. See section 263(g).

Line 19

Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c) and any unused contributions carried over from prior years.

The total amount claimed may not be more than 5% of taxable income (line 30) computed without regard to the following: 1. any deduction for contributions; 2. the special deductions in line 29(b); 3. deductions allowed under sections 249 and 250;

4. any net operating loss carryback to the tax year under section 172; and 5. any capital loss carryback to the tax year under section 1212(a)(1).

Charitable contributions over the 5% limitation may not be deducted for the tax year but may be carried over to the next 5 tax years.

A contribution carryover is not allowed, however, to the extent that it increases a net operating loss carryover. See section 170(d)(2)(B).

Corporations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

If a contribution is in property other than money, attach a schedule describing the kind of property contributed and the method used in determining its fair market value. If you made a "qualified conservation contribution" under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

If a contribution carryover is included, show the amount and how it was determined.

Special rule for contributions of certain property. For a charitable contribution of property, you must reduce the contribution by the sum of:

1. the *ordinary income, short-term* capital gain and

2. for certain contributions, 60.87% of the long-term capital gain,

that would have resulted if the property were sold at its fair market value. The reduction for 60.87% of the long-term capital gain applies to 1. contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption, and 2. contributions of any property to or for the use of certain private foundations. (See section 170(e) and Regulation section 1.170A–4.)

For special rules for contributions of inventory, and other ordinary income property to certain organizations, see section 170(e)(3).

Bargain sale to a charitable organization. For a charitable contribution deduction for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

Charitable Contributions of Scientific Property Used for Research. Effective August 14, 1981, a corporation (other than a personal holding company or a service organization) can receive a larger deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e).

Line 20

Amortization

Generally, if a deduction is claimed for amortization, you must attach a schedule showing the following: 1. a description of the expenditures being amortized; 2. date acquired, completed, or expended; 3. amount being amortized; 4. amortization deducted in prior years; 5. amortization period (number of months); 6. amortization for this year; and 7. the total amount of amortization minus the amount claimed in Schedule A and elsewhere on the return.

See section 169 and related regulations for conditions under which the cost of certified pollution control facilities may be amortized over 60 months.

See section 188 and related regulations for amortization over a 60-month period of certain expenditures made before January 1, 1982, for child care facilities.

For expenditures incurred after December 31, 1981, in tax years ending after that date, you may not elect to amortize rehabilitation expenditures or take accelerated depreciation for certain certified historic structures. Section 191 allows amortization to be figured using a period of 60 months. Section 167(o) allows an accelerated method of depreciation if you substantially rehabilitate a certified historic structure.

See section 194, Amortization of Reforestation Expenditures, under which a taxpayer may elect to amortize expenditures made after December 31, 1979, over a period of 84 months.

See section 195 for amortization over a 60-month period of certain business start-up expenditures paid or incurred after July 29, 1980.

Line 21

Depreciation

See the Instructions for Form 4562, Depreciation.

Line 22

Depletion

See sections 613 and 613A for percentage depletion rates applicable to natural deposits.

Attach Form T (Timber), Forest Industries Schedules, if you claim a deduction for depletion of timber.

Line 24

Pension, profit-sharing, etc., plans

Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan (other than a Simplified Employee Pension) whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms described below. The Employee Retirement Income Security Act of 1974 imposes penalties for failure to timely file these forms.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500–C or 5500–R.—*Complete* the applicable form for each plan with fewer than 100 participants.

Note: *Only one return is required to be filed for a multiemployer-collectively-bargained plan. Contributing employers are not required to file separately.*

Line 25

Employee benefit programs

Enter the amount of contributions to employee benefit programs (for example, insurance, health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 24. Also include contributions to a qualified group legal services plan. Section 120 imposes certain rules on an employer which will permit employees (including spouses and dependents) to exclude from income employer contributions to a qualified group legal services plan.

Line 26

Other deductions

Generally, you may not take a deduction for the amount of any item or part of it allocable to a class of exempt income. (See section 265(2) for exceptions.)

If patronage dividends are included in line 26, show this deduction and any other deduction not listed above on an attached schedule.

Generally, you can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in your trade or business. However, you cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (Note: you may be able to deduct the expense if the amount is treated as compensation and reported on Form W–2 for an employee or Form 1099 NEC for an independent contractor). See Publication 463, Travel, Entertainment, and Gift Expenses, for more details.

Line 28

Taxable income

Special "at risk" rules under section 465, generally apply to closely held corporations engaged in any activity as a trade or business or for the production of income. Such corporations may have to adjust the amount on line 28. See below. However, the "at risk" rules do not apply to 1. holding real property other than mineral property and 2. equipment leasing under section 465(c)(4), (5), and (6). These "at risk" rules apply to a closely held corporation that may or may not be a personal holding company.

A closely held corporation that is NOT a personal holding company. Adjust the amount on line 28 for section 465(d) losses. These losses are limited to the amount for which the closely held corporation is "at risk" for each separate activity at the close of the tax year.

For a corporation involved in more than one activity that incurs a loss for the year, report each loss separately. Attach a schedule reflecting the amount "at risk" and gross income and deductions for each activity that has a loss.

If the corporation sells or otherwise disposes of an asset or its interest (either total or partial) in an activity to which the "at risk" rules apply, determine the net profit or loss from the activity by combining the gain or loss on the sale or disposition with the profit or loss from the activity. If the corporation has a net loss, it may be limited because of the "at risk" rule.

Treat any loss from an activity not allowed for the tax year as a deduction allocable to the activity in the next tax year.

A closely held corporation that is a personal holding company. For the amount to enter on line 28, see Schedule PH (Form 1120), Specific Instructions for line 1, regarding section 465 losses.

Line 29(a)

Net operating loss deduction

The "net operating loss deduction" is the sum of the net operating loss carryovers and carrybacks to the tax year. (Section 172(a).)

Generally, you may carry a net operating loss back to each of the 3 years preceding the year of the loss and carry it over to each of the 15 years following the year of the loss. (For tax years beginning after September 30, 1979, you may carry back 10 years the part of the net operating loss attributable to a product liability loss. (See section 172(b)(1)(H).)) There is also an available election to carry a net operating loss over to just each of the 15 years following the year of the loss. You may make the election by attaching a statement to a return that is filed on time (including extensions). The election is irrevocable. After applying the net operating loss to the first tax year to which it may be carried, the portion of the loss you may carry to each of the remaining tax years is the excess, if any, of the loss over the sum of the taxable income for each of the prior tax years to which you may carry the loss. (See section 172(b).)

If there is a carryback of a net operating loss, net capital loss, an unused investment credit, unused work incentive (WIN) credit, or unused jobs credit, file Form 1139, Corporation Application for Tentative Refund, within 12 months after the close of the tax year for a "quick refund" of taxes. (See section 6411.)

See section 172 for special rules, limitations, and definitions pertaining to net operating loss carrybacks and carryovers.

Line 29(b)

Special deductions

See the instructions for Schedule C.

Line 32(e)

Credit for overpaid windfall profit tax

A corporation that has overpaid its windfall profit tax may claim a credit on its income tax return. Use Form 6249, Computation of Overpaid Windfall Profit Tax, to figure the credit. Include the amount of the credit in the total for line 32(e). Write in the margin, next to the entry on line 32(e), the amount of the credit and identify it as "Overpaid Windfall Profit Tax."

Schedule A

Cost of Goods Sold

Valuation Methods. Your inventories can be valued at: 1. cost; 2. cost or market value (whichever is lower); or 3. any other method that is approved by the Commissioner of Internal Revenue and that conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. Such change should be made by filing Form 3115. For more information about the change, see Regulation section 1.446–1(e)(3) and Rev. Proc. 70–27 1970–2 C.B. 509.

In line 8(a), check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions where there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see Regulation section 1.471–4.

Inventory may be valued below cost when the merchandise is 1. unsalable at normal prices or 2. unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of Regulation section 1.471–2(c). Such goods may be valued at a current bona fide selling price minus direct cost of disposition (but not less than scrap value) if you can establish such a price. See Regulation section 1.471–2(c) for more requirements.

In line 8(b), indicate whether you used a method of inventory valuation other than those described in line 8(a). Attach a statement describing the method used.

If this is the first year the "Last-in First-out" (LIFO) inventory method was either: adopted or extended to inventory goods not previously valued under the LIFO method, provided in section 472, attach Form 970, Application to Use LIFO Inventory Methods, or a statement with the information required by Form 970. Also check the LIFO box in line 8(c). Enter the amount or percent of total closing inventories covered under section 472 in line 8(d). Estimates are acceptable.

Full absorption method of inventory costing. For a corporation engaged in manufacturing or production operations, use the full absorption method of inventory costing. If the corporation is not using the full absorption method, it must change to it. Under this method both direct and certain indirect production costs are included for inventory valuation purposes. You may change to full absorption by filing Form 3115. For more details, see Rev. Proc. 75–40, 1975–2 C.B. 571 and Regulation section 1.471–11.

Cost of operations (where inventories are not an income-determining factor). If the amount on line 2, Schedule A, includes an amount applicable to cost of operations, attach a schedule showing 1. salaries and wages and 2. other costs in detail.

For certain cooperatives, if per unit retain allocations (defined under section 1388(f)) are included on line 4, Schedule A, show this cost and any other costs not included in lines 1 through 3 on an attached schedule to Form 1120.

Schedule C

Dividends and Special Deductions

Line 1, Column (A)

Enter dividends that are received from domestic corporations subject to income tax and that are subject to the 85% deduction under section 243(a)(1). Include on this line taxable distributions from a DISC or former DISC that are designated as being eligible for the 85% deduction.

Small business investment companies must enter dividends received from domestic corporations subject to income tax even though a deduction is allowed for the entire amount of such dividends in line 1 of column (C). For dividends received from a regulated investment company, see section 854 for the amount subject to the 85% deduction.

So-called dividends or earnings received from mutual savings banks, etc., are really interest. Do not treat them as dividends.

Line 2, Column (A)

Enter dividends received on the preferred stock of a public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

Line 3, Column (A)

Enter dividends that are received from foreign corporations and that qualify for the 85% deduction provided in section 245(a).

Line 4, Column (A)

Enter dividends that are received from wholly owned foreign subsidiaries and that are eligible for the 100% deduction provided in section 245(b).

In general, this deduction applies to dividends paid out of the earnings and profits of a foreign corporation for a tax year during which 1. all of its outstanding stock is owned (directly or indirectly) by the domestic corporation receiving the dividends and 2. all of its gross income from all sources is effectively connected with the conduct of a trade or business within the U.S.

Lines 1, 2, 3, 4, Column (C)

A small business investment company operating under the Small Business Investment Act of 1958 may deduct 100%

of dividends received from domestic corporations subject to income tax. (Section 243(a)(2).)

No deduction is allowed under section 243 for a dividend from a DISC or former DISC (as defined in section 992(a)) to the extent the dividend 1. is paid out of the corporation's accumulated DISC income or previously taxed income, or 2. is a deemed distribution under section 995 (b)(1).

In general, no dividends-received deduction will be allowed on any share of stock 1. that is disposed of if the corporation held it 15 days or less, or 2. to the extent the corporation is under an obligation to make corresponding payments for substantially identical stock or securities.

Line 5, Column (C)

Limitation on dividends-received deduction. Line 5 of column (C) may not be more than 85% of line 28, page 1, Form 1120, minus line 6 of column (C). For this purpose, compute line 28 (Form 1120) without regard to any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 85% limitation does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 246(b).)

For a small business investment company, the dividends-received deduction of 100% included in line 5 of column (C) is not subject to the overall 85% limitation.

Financial institutions should see section 596 for the special limitation on the dividends-received deduction.

Line 6, Columns (A) and (C)

Enter only those dividends that are subject to the elective provisions of section 243(b) and that are entitled to the 100% dividends-received deduction under section 243(a)(3). Corporations making this election are subject to the provisions of section 1561.

Line 7, Column (A)

Enter foreign dividends not reportable on lines 3 and 4 of column (A). Exclude distribution of amounts constructively taxed in the current year or in prior years under subpart F (sections 951–964).

Line 8, Column (A)

Include income constructively received from controlled foreign corporations under subpart F. This amount should equal the total of amounts reported in Schedule A, Form(s) 3646.

Line 9, Column (A)

Include gross-up for taxes deemed paid under sections 902 and 960.

Line 10, Column (A)

Enter taxable distributions from a DISC or former DISC that are designated as not being eligible for the 85% deduction.

Line 11, Column (A)

Include the following:

1. Dividends (other than capital gain dividends and exempt interest dividends) that are received from regulated investment companies and that are not subject to the 85% deduction.
2. Dividends from tax-exempt organizations.
3. Dividends (other than capital gain dividends) received from a real estate investment trust which, for the tax year of the trust in which the dividends are paid, qualify under sections 856–860.
4. Dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock.
5. Any other taxable dividend income not properly reported above. If patronage dividends or per-unit retain allocations are included in Schedule C, line 11, column (A), identify the total of these amounts in a schedule attached to Form 1120.

Line 12, Column (C)

Deduction for dividends paid on certain preferred stock of public utilities. Section 247 allows public utilities a deduction of 30.435% of either 1. dividends paid on their preferred stock during the tax year, or 2. taxable income computed without regard to this deduction, whichever is less. In a year in which a net operating loss occurs, compute the deduction without regard to section 247(a)(1)(B). (See section 172(d).)

Schedule J

Tax Computation

Fiscal year 1981–82 corporations must use the worksheet on page 11 of the instructions to compute their tax.

A 1981 calendar year corporation that is not a member of a controlled group (these members should see *lines 2(a) and (b) below*) will compute the tax on its taxable income as follows:

If the amount on Schedule J, Line 1 is:		Enter on Schedule J, Line 3:	
Over—	But not over—		Of the amount over—
0	$25,000	17%	0
$25,000	50,000	$4,250+20%	$25,000
50,000	75,000	9,250+30%	50,000
75,000	100,000	16,750+40%	75,000
100,000	.....	26,750+46%	100,000

If the alternative tax does not apply, enter on line 3 of Schedule J, the amount computed above. If the alternative tax applies, see Schedule D (Form 1120).

(Personal holding companies—see Schedule PH (Form 1120) before completing Schedule J.)

Lines 2(a) and (b)

Members of a controlled group, as defined in section 1563, are entitled to only one $25,000 amount in each taxable income bracket.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the $25,000 in each taxable income bracket apportioned to that member. There are other requirements as well. See Regulation section 1.1561–3(b) for them and for the time and manner of making the consent.

Equal Apportionment Plan. If no apportionment plan is adopted, the members of the controlled group must divide the $25,000 in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an unequal apportionment plan. Therefore, corporation A is entitled to $12,500 (one-half of $25,000) in each taxable income bracket. Corporation B is also entitled to $12,500 in each taxable income bracket.

Unequal Apportionment Plan. Members of a controlled group may elect an unequal apportionment plan and divide the $25,000 in each taxable income bracket as they wish. There is no need for consistency between taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the $25,000 in a taxable income bracket. (But the total amount for all members of the controlled group cannot be more than $25,000 in any taxable income bracket.) Each member of a controlled group must compute the tax as follows:

Note: *If alternative tax applies, 1981 calendar year corporations should do the following: (1) Complete lines 2(a) and (b) of Schedule J. (2) On line 1 below, instead of entering amount from line 30, page 1, Form 1120, enter amount from line 14, Schedule D. (3) Complete lines 2 through 15 below, and, (4) Enter amount from line 15 below on line 15 of Schedule D and complete balance of Schedule D.*

1. Enter taxable income (line 30, page 1) ..... _____
2. Enter line 1 or your portion of the first $25,000 taxable income bracket, whichever is less ..... _____
3. Subtract line 2 from line 1 ..... _____
4. Enter line 3 or your portion of the second $25,000 taxable income bracket, whichever is less ..... _____
5. Subtract line 4 from line 3 ..... _____
6. Enter line 5 or your portion of the third $25,000 taxable income bracket, whichever is less ..... _____
7. Subtract line 6 from line 5 ..... _____
8. Enter line 7 or your portion of the fourth $25,000 taxable income bracket, whichever is less ..... _____
9. Subtract line 8 from line 7 ..... _____
10. 17% of line 2 ..... _____
11. 20% of line 4 ..... _____
12. 30% of line 6 ..... _____
13. 40% of line 8 ..... _____
14. 46% of line 9 ..... _____
15. Total of lines 10 through 14. Enter this amount on line 3 of Schedule J. _____

Line 3

Bank Holding Companies.—Section 6158 provides that a bank holding company may elect to pay in installments the tax attributable to the sale of certain assets whose divestiture is certified by the Board of Governors of the Federal Reserve System. If the bank holding company chooses this election, attach a statement showing the tax computation and the amount of the installment paid with this return. Also, in the right-hand margin next to line 3, Schedule J, enter the amount of the installment payment followed by the words "computed under section 6158." If an election under section 1103(g) or (h) applies, enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be.

Mutual savings banks conducting life insurance business. The tax under section 594 consists of the sum of 1. a partial tax computed on Form 1120 on the taxable income of the bank determined without regard to income or deductions allocable to the life insurance department, and 2. a partial tax on the taxable income computed on Form 1120L of the life insurance department. Enter the combined tax on line 3 of Schedule J, Form 1120. Attach Form 1120L as a schedule and identify it as such.

Line 4(b)

In most cases, the investment credit is 10% of the qualified investment in regular investment credit property. The corporation may elect an 11% or 11.5% credit for regular investment credit property (instead of the 10%) if the corporation meets the requirements of section 48(n)(1).

The corporation is also allowed an energy investment credit for investment in qualified energy property. The energy credit is in addition to the regular investment credit if the energy property is also regular investment credit property.

Use Form 3468, Computation of Investment Credit, and Schedule B (Form 3468), Computation of Business Energy Investment Credit, to figure these credits.

Line 4(c)

Generally, employers may claim a WIN credit 50% of qualified first-year wages and 25% of qualified second-year wages. See Form 4874, Credit for Work Incentive (WIN) Program Expenses, for definitions, special rules, and limitations. Also see **Publication 906,** Targeted Jobs, WIN, and Research Credits.

Do not take an expense deduction for the part of the wages or salaries paid or incurred which is equal to the amount of the WIN credit, determined without regard to the limitation based on tax (section 50A(a)(2)).

Line 4(d)

The jobs credit, if elected, is allowed for hiring members of targeted groups during the tax year. Generally, the allowable credit is equal to 50% of qualified first-year wages paid or incurred and 25% of qualified second-year wages paid or incurred. See Form 5884, Jobs Credit, for definitions, special rules, and limitations. Also see **Publication 906,** Targeted Jobs, WIN, and Research Credits.

Do not take an expense deduction for the part of the wages or salaries paid or incurred which is equal to the amount of the jobs credit (determined without regard to the limitation based on the tax (section 53)).

Line 4(e)

Possessions tax credit. See Form 5712, Election to be Treated as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on Form 5735, Computation of Possessions Corporation Tax Credit Allowed Under Section 936, and include the amount of the credit in the total for line 4(e), Schedule J (Form 1120).

Alcohol fuel credit. You may be able to take a credit for alcohol used as fuel after September 30, 1980. This applies to straight alcohol you sell at retail or use as fuel in your trade or business. It also applies to an alcohol mixture you sell or use as fuel in your trade or business. Use Form 6478, Credit for Alcohol Used As Fuel, to figure the credit. Include the amount of the credit in the total for line 4(e), Schedule J (Form 1120).

Credit for fuel produced from a nonconventional source. Effective for tax years ending after December 31, 1979, a credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 44D contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to your return showing the computation of the credit. Include the amount of the credit in the total for line 4(e), Schedule J (Form 1120).

Research credit. Amounts paid or incurred after June 30, 1981, and before January 1, 1986, for qualified research expenses in carrying on a trade or business are allowed as a credit. Use Form 6765, Credit for Increasing Research Activities, to figure the credit. Include the amount of the credit in the total for line 4(e), Schedule J (Form 1120).

Line 8

If property is disposed of or ceases to be qualified property before the end of life-years used in computing the regular or energy investment credit, you may have to recapture the credit. (See Form 4255, Recapture of Investment Credit.)

Line 9

Attach Form 4626, Computation of Minimum Tax—Corporations and Fiduciaries, if the corporation has tax preference items in excess of $10,000, OR if there is any minimum tax liability deferred from a prior tax year.

Line 10

Real estate investment trust excise tax. An excise tax is imposed on certain real estate investment trust taxable income not distributed during the tax year (section 4981). Attach a copy of your tax computation and include the amount of tax in the total for line 10, Schedule J (Form 1120). Write in the margin, next to the entry on line 10, the amount of the tax and identify it as "section 4981 tax."

Schedule M-2

Unappropriated Retained Earnings

Line 5

Distributions under the Bank Holding Company Act. If an election under section 1103(g) or (h) applies to a section 1101 distribution, the bank holding company making the distribution must enter the words "section 1103(g) election" or "section 1103(h) election," as the case may be, in the right-hand margin next to line 5, Schedule M–2 (Form 1120).

Additional Information

Be sure to answer questions G through O on page 3, Form 1120. The instructions that follow are keyed to these questions.

Question H(2)(c).

U.S. person

The term "U.S. person" means: 1. a citizen or resident of the United States; 2. a domestic partnership; 3. a domestic corporation; or 4. any estate or trust (other than a foreign estate or trust within the meaning of section 7701(a)(31)).

"Owner's country," for individuals, is the owner's country of residence. For all others, it is the country where incorporated, organized, created, or administered.

Question L.

Foreign financial accounts

Check the Yes box if either 1. or 2. below applies to you. Otherwise, check the NO box.

1. At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country AND
   - The combined value of the accounts was more than $1,000 at any time during the year; AND
   - The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.
2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get Form 90–22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If you checked Yes for Question L, file Form 90–22.1 by June 30, 1982, with the Department of the Treasury at the address shown on the form. Form 90–22.1 is not a tax return, so do not file it with the IRS.

You can get Form 90–22.1 from many IRS offices.

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Statistical Policy Division, Office of Information and Regulatory Affairs, in the Office of Management and Budget, to classify enterprises by type of activity in which they are engaged. The system follows closely the Standard Industrial Classification used to classify establishments.

Using the list below, enter on page 1, under C, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1, page 1) plus all other income (lines 4 through 10, page 1). On page 3, under J, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

Agriculture, Forestry, and Fishing

Code

0400 Agricultural production.
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping.

Mining

Metal mining:
1010 Iron ores.
1070 Copper, lead and zinc, gold and silver ores.
1098 Other metal mining.
1150 Coal mining.

Oil and gas extraction:
1330 Crude petroleum, natural gas, and natural gas liquids.
1380 Oil and gas field services.

Nonmetallic minerals, except fuels:
1430 Dimension, crushed and broken stone; sand and gravel.
1498 Other nonmetallic minerals, except fuels.

Construction

General building contractors and operative builders:
1510 General building contractors.
1531 Operative builders.
1600 Heavy construction contractors.

Special trade contractors:
1711 Plumbing, heating, and air conditioning.
1731 Electrical work.
1798 Other special trade contractors.

Manufacturing

Food and kindred products:
2010 Meat products.
2020 Dairy products.
2030 Preserved fruits and vegetables.
2040 Grain mill products.
2050 Bakery products.
2060 Sugar and confectionery products.
2081 Malt liquors and malt.
2088 Alcoholic beverages, except malt liquors and malt.
2089 Bottled soft drinks, and flavorings.
2096 Other food and kindred products.
2100 Tobacco manufacturers.

Textile mill products:
2228 Weaving mills and textile finishing.
2250 Knitting mills.
2298 Other textile mill products.

Apparel and other textile products:
2315 Men's and boys' clothing.
2345 Women's and children's clothing.
2388 Other apparel and accessories.
2390 Miscellaneous fabricated textile products.

Lumber and wood products:
2415 Logging, sawmills, and planing mills.
2430 Millwork, plywood, and related products.
2498 Other wood products, including wood buildings and mobile homes.
2500 Furniture and fixtures.

Paper and allied products:
2625 Pulp, paper, and board mills.
2699 Other paper products.

Printing and publishing:
2710 Newspapers.
2720 Periodicals.
2735 Books, greeting cards, and miscellaneous publishing.

Code

2799 Commercial and other printing, and printing trade services.

Chemicals and allied products:
2815 Industrial chemicals, plastics materials and synthetics.
2830 Drugs.
2840 Soap, cleaners, and toilet goods.
2850 Paints and allied products.
2898 Agricultural and other chemical products.

Petroleum refining and related industries (including those integrated with extraction):
2910 Petroleum refining (including integrated).
2998 Other petroleum and coal products.

Rubber and misc. plastics products:
3050 Rubber products; plastics footwear, hose and belting.
3070 Misc. plastics products.

Leather and leather products:
3140 Footwear, except rubber.
3198 Other leather and leather products.

Stone, clay, and glass products:
3225 Glass products.
3240 Cement, hydraulic.
3270 Concrete, gypsum, and plaster products.
3298 Other nonmetallic mineral products.

Primary metal industries:
3370 Ferrous metal industries; misc. primary metal products.
3380 Nonferrous metal industries.

Fabricated metal products:
3410 Metal cans and shipping containers.
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
3430 Plumbing and heating, except electric and warm air.
3440 Fabricated structural metal products.
3460 Metal forgings and stampings.
3470 Coating, engraving, and allied services.
3480 Ordnance and accessories, except vehicles and guided missiles.
3490 Misc. fabricated metal products.

Machinery, except electrical:
3520 Farm machinery.
3530 Construction and related machinery.
3540 Metalworking machinery.
3550 Special industry machinery.
3560 General industrial machinery.
3570 Office, computing, and accounting machines.
3598 Other machinery except electrical.

Electrical and electronic equipment:
3630 Household appliances.
3665 Radio, television, and communication equipment.
3670 Electronic components and accessories.
3698 Other electrical equipment.
3710 Motor vehicles and equipmest

Transportation equipment, except motor vehicles:
3725 Aircraft, guided missiles and parts.
3730 Ship and boat building and repairing
3798 Other transportation equipment, except motor vehicles.

Instruments and related products:
3815 Scientific instruments and measuring devices; watches and clocks.

Code

3845 Optical, medical, and ophthalmic goods
3860 Photographic equipment and supplies.
3998 Other manufacturing products.

Transportation and public utilities

Transportation:
4000 Railroad transportation.
4100 Local and interurban passenger transit.
4200 Trucking and warehousing.
4400 Water transportation.
4500 Transportation by air.
4600 Pipe lines, except natural gas.
4700 Miscellaneous transportation services.

Communication:
4825 Telephone, telegraph, and other communication services.
4830 Radio and television broadcasting.

Electric, gas, and sanitary services:
4910 Electric services.
4920 Gas production and distribution.
4930 Combination utility services.
4990 Water supply and other sanitary services.

Wholesale Trade

Durable:
5008 Machinery, equipment, and supplies.
5010 Motor vehicles and automotive equipment.
5020 Furniture and home furnishings.
5030 Lumber and construction materials.
5040 Sporting, recreational photographic, and hobby goods, toys and supplies.
5050 Metals and minerals, except petroleum and scrap.
5060 Electrical goods.
5098 Other durable goods.

Nondurable:
5110 Paper and paper products.
5129 Drugs, drug proprietaries, and druggists' sundries.
5130 Apparel, piece goods, and notions.
5140 Groceries and related products.
5150 Farm-product raw materials.
5160 Chemicals and allied products.
5170 Petroleum and petroleum products.
5180 Alcoholic beverages.
5190 Misc. nondurable goods.

Retail Trade

5220 Building materials dealers.
5251 Hardware stores.
5265 Garden supplies and mobile home dealers.

Food stores

5300 General merchandise stores.
5410 Grocery stores.
5490 Other food stores.

Automotive dealers and service stations:
5515 Motor vehicle dealers.
5541 Gasoline service stations.
5598 Other automotive dealers.
5600 Apparel and accessory stores.
5700 Furniture and home furnishings stores.
5800 Eating and drinking places.

Misc. retail stores:
5912 Drug stores and proprietary stores.
5921 Liquor stores.
5995 Other retail stores.

Finance, Insurance, and Real Estate

Code

Banking:
6030 Mutual savings banks.
6060 Bank holding companies.
6090 Banks, except mutual savings banks and bank holding companies.

Credit agencies other than banks:
6120 Savings and loan associations.
6140 Personal credit institutions.
6150 Business credit institutions.
6199 Other credit agencies.

Security, commodity brokers, and services:
6210 Security brokers, dealers, and flotation companies.
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services.

Insurance:
6355 Life insurance.
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and service.

Real estate:
6511 Real estate operators and lessors of buildings.
6516 Lessors of mining, oil, and similar property.
6518 Lessors of railroad property and other real property.
6530 Condominium management and cooperative housing associations.
6550 Subdividers and developers.
6599 Other real estate.

Holding and other investment companies, except bank holding companies:
6742 Regulated investment companies.
6743 Real estate investment trusts.
6744 Small business investment companies.
6749 Other holding and investment companies except bank holding companies.

Services

7000 Hotels and other lodging places.
7200 Personal services.

Business services:
7310 Advertising
7389 Business services, except advertising.

Auto repair; miscellaneous repair services:
7500 Auto repair and services.
7600 Misc. repair services.

Amusement and recreation services:
7812 Motion picture production, distribution, and services.
7830 Motion picture theaters.
7900 Amusement and recreation services, except motion pictures.

Other services:
8015 Offices of physicians, including osteopathic physicians.
8021 Offices of dentists.
8040 Offices of other health practitioners.
8050 Nursing and personal care facilities.
8060 Hospitals.
8071 Medical laboratories.
8099 Other medical services.
8111 Legal services.
8200 Educational services.
8300 Social services.
8600 Membership organizations.
8911 Architectural and engineering services.
8930 Accounting, auditing, and bookkeeping.
8980 Miscellaneous services (including veterinarians).

General Instructions for Fiscal Year 1981–82 Corporations

Purpose of Worksheet on page 11

Effective for tax years beginning after 1981, the Economic Recovery Tax Act of 1981 reduced the corporate tax rates. This will result in a lower tax liability. The tax rates changed from 17% of the first $25,000 of taxable income, 20% of the next $25,000 of taxable income, 30% of the next $25,000 of taxable income, 40% of the next $25,000 of taxable income, and 46% of taxable income in excess of $100,000; to 16% of the first $25,000 of taxable income; 19% of the next $25,000 of taxable income; 30% of the next $25,000 of taxable income; 40% of next $25,000 of taxable income; and 46% of taxable income in excess of $100,000.

Because of changes in the tax rates, the proration rules of section 21 apply. Fiscal year 1981–82 corporations must prorate their tax to reflect these changes. Thus, a fiscal year corporation will compute its tax for the year by prorating a tax for the period before 1982 and for the period after 1981, using the tax rates in effect for each period. The accompanying worksheet for fiscal year 1981–82 provides for such computation.

This worksheet, which should not be filed, will be used by fiscal year 1981–82 corporations instead of certain lines of the Tax Computation Schedule on 1981 Form 1120 and Schedule D (Form 1120).

Computation of Tax.—In computing the tax, the corporation computes a regular tax (Part I) and an alternative tax (Part II) for each period and takes the lower tax for each period. The sum of the prorated tax for each period is the total on line 44, Part III.

Specific Instructions

Parts I & II

Lines 2, 4, 6, and 8, Part I (and Lines 22, 24, 26, and 28, Part II).—These lines represent the four taxable income brackets used in computing the tax for the periods before 1982 and after 1981. Members of a controlled group should see the instructions for Schedule J, lines 2(a) and (b), on page 7, for amounts to be entered in lieu of $25,000.

Part III

Line 41, Portion of Tentative Tax.—Multiply line 40 by:

(a) $\frac{\text{number of days in tax year before } 1/1/82}{\text{number of days in tax year}}$

OR

(b) applicable decimal from table below (column (A)).

Taxpayers with a 52–53 week tax year must use (a) above.

Line 43, Portion of Tentative Tax.—Multiply line 42 by:

(a) $\frac{\text{number of days in tax year after } 12/31/81}{\text{number of days in tax year}}$

OR

(b) applicable decimal from table below (column (B)).

Taxpayers with a 52–53 week tax year must use (a) above.

Table

Fiscal year	(A) Before 1982 Line 40 × applicable fraction or decimal listed below and enter result on line 41	(B) After 1981 Line 42 × applicable fraction or decimal listed below and enter result on line 43
2/1/81– 1/31/82	334/365 or .915068	31/365 or .084932
3/1/81– 2/28/82	306/365 or .838356	59/365 or .161644
4/1/81– 3/31/82	275/365 or .753425	90/365 or .246575
5/1/81– 4/30/82	245/365 or .671233	120/365 or .328767
6/1/81– 5/31/82	214/365 or .586301	151/365 or .413699
7/1/81– 6/30/82	184/365 or .504110	181/365 or .495890
8/1/81– 7/31/82	153/365 or .419178	212/365 or .580822
9/1/81– 8/31/82	122/365 or .334247	243/365 or .665753
10/1/81– 9/30/82	92/365 or .252055	273/365 or .747945
11/1/81–10/31/82	61/365 or .167123	304/365 or .832877
12/1/81–11/30/82	31/365 or .084932	334/365 or .915068

Worksheet for Fiscal Year 1981–82 Corporations–
Tax Computation Schedule (Do Not File—Keep for your Records)

This worksheet is to be used in lieu of certain lines of the Tax Computation Schedule on 1981 Form 1120 and Schedule D (Form 1120).

Part I Computation of Regular Tax

Computation at Tax Rates Applicable Before 1/1/82

1 Enter taxable income from Form 1120, line 30, page 1	
2 Enter line 1 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
3 Subtract line 2 from line 1	
4 Enter line 3 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
5 Subtract line 4 from line 3	
6 Enter line 5 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
7 Subtract line 6 from line 5	
8 Enter line 7 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
9 Subtract line 8 from line 7	
10 17% of line 2	
11 20% of line 4	
12 30% of line 6	
13 40% of line 8	
14 46% of line 9	
15 Total of lines 10 through 14. If applicable, enter here and on line 40, Part III	

Computation at Tax Rates Applicable After 12/31/81

16 16% of line 2	
17 19% of line 4	
18 Total of lines 12, 13, 14, 16, and 17. If applicable, enter here and on line 42, Part III	

Part II Computation of Alternative Tax

Computation at Tax Rates Applicable Before 1/1/82

19 Taxable income (line 1, Part I)	
20 Enter net capital gain from Schedule D (Form 1120), line 10	
21 Subtract line 20 from line 19	
22 Enter line 21 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
23 Subtract line 22 from line 21	
24 Enter line 23 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
25 Subtract line 24 from line 23	
26 Enter line 25 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
27 Subtract line 26 from line 25	
28 Enter line 27 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
29 Subtract line 28 from line 27	
30 17% of line 22	
31 20% of line 24	
32 30% of line 26	
33 40% of line 28	
34 46% of line 29	
35 28% of line 20	
36 Alternative tax—total of lines 30 through 35. If this amount is less than the regular tax on line 15, Part I, enter here and on line 40, Part III	

Computation at Tax Rates Applicable After 12/31/81

37 16% of line 22	
38 19% of line 24	
39 Alternative tax—total of lines 32, 33, 34, 35, 37, and 38. If this amount is less than the regular tax on line 18, Part I, enter here and on line 42, Part III	

Part III Proration of Tentative Taxes

40 Tentative tax (regular tax from line 15, or alternative tax from line 36, whichever is less)	
41 Portion of tentative tax before 1/1/82—See instructions for computation	
42 Tentative tax (regular tax from line 18, or alternative tax from line 39, whichever is less)	
43 Portion of tentative tax after 12/31/81—See instructions for computation	
44 Income tax—Add lines 41 and 43. Enter here and on Form 1120, line 3, Schedule J, page 3	

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Form **1120F**

Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return of a Foreign Corporation

For calendar year 1981 or other tax year beginning ..... 1981, and ending ..... 19.....

OMB No. 1545-0126

1981

Please type or print

Name | Employer identification number

Number and street

City or town, State and ZIP code, or country

NOTE: Complete Section I to compute tax on income from U.S. sources that is NOT effectively connected with the conduct of a trade or business in the U.S.
Complete Section II to compute tax on income effectively connected with the conduct of a trade or business in the U.S.
Corporations having both income effectively connected and income not effectively connected must complete both Sections I and II.
Corporations having only income that is NOT effectively connected need file only pages 1 and 2.

A Country of incorporation .....

B Foreign country under whose laws the income reported on this return is subject to tax .....

C Date incorporated .....

D The corporation's books are in care of .....
located at .....

E Were you at any time during the tax year engaged in a trade or business in the U.S.? . . . . . ☐ Yes ☐ No

F At any time during the tax year, did you have a permanent establishment in the U.S. within the meaning of section 894(b) and any applicable tax treaty between the U.S. and a foreign country? . . . . . ☐ Yes ☐ No
If "Yes," name the foreign country .....

G (1) Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a U.S. corporation? (For rules of attribution, see section 267(c).) ☐ Yes ☐ No
If "Yes," attach a schedule showing: (a) name, address and identifying number, (b) percentage owned, (c) taxable income or (loss) from line 28, page 1, Form 1120 for the tax year ending with or within your tax year, (d) highest amount owed by you to that corporation during the year, and (e) highest amount owed to you by that corporation during the year.

(2) Did any corporation, individual, partnership, trust, or association at the end of the tax year own, directly or indirectly, 50% or more of your voting stock? (For rules of attribution, see section 267(c).) . ☐ Yes ☐ No
If "Yes," attach a schedule showing: (a) name, address and identifying number, (b) percentage owned, and
(c) Enter the highest amount owed by you to that owner during the year ▶ .....
(d) Enter highest amount owed to you by that owner during the year ▶ .....
Note: For purposes of G(1) and G(2), "highest amount owed" includes loans and accounts receivable/payable.

H Have you filed a U.S. income tax return for the preceding tax year? . . . . . ☐ Yes ☐ No

I If you had an agent in the U.S. at any time during the year, enter: Kind of agent .....
Name .....
Address .....

J Are you a foreign personal holding company under Section 552? . . . . . ☐ Yes ☐ No
If "Yes," have you filed Forms 957 and 958? (Sec. 6035.) ☐ Yes ☐ No

K Are you a personal holding company? (See instruction B7(a).) . . . . . ☐ Yes ☐ No

L Are you a controlled foreign corporation? (Sec. 957.) ☐ Yes ☐ No

1 Tax from Section I (line 10, page 2)	1	
2 Tax from Section II (line 8, Schedule J—Tax Computation, page 5)	2	
3 Personal holding company tax (attach Schedule PH (Form 1120))	3	
4 Minimum tax (see instructions)	4	
5 TOTAL tax—Add lines 1 through 4	5	
6 Credits: (a) Overpayment from 1980 allowed as a credit		
(b) 1981 estimated tax payments		
(c) Less refund of 1981 estimated tax applied for on Form 4466	( )	
(d) Tax deposited: Form 7004 ..... Form 7005 (attach) ..... Total ▶		
(e) Credit from regulated investment companies (attach Form 2439)		
(f) U.S. tax on special fuels, nonhighway gas, and lubricating oil (attach Forms 4136 and 4136-T)		
(g) U.S. income tax paid or withheld at the source		
7 Total (add lines 6(a) through 6(g))	7	
8 TAX DUE (subtract line 7 from line 5). See instruction C3 for method of payment	8	
9 OVERPAYMENT (subtract line 5 from line 7)	9	
10 Enter amount of line 9 you want: Credited to 1982 estimated tax ▶ Refunded ▶	10	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer ..... Date ..... Title .....

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

For Paperwork Reduction Act Notice, see page 1 of the instructions.

SECTION I Income From U.S. Sources That Is NOT Effectively Connected With the Conduct of a Trade or Business in the U.S.—See Instructions

If you are required to complete Section II or are using the form as a claim for refund of tax withheld at the source, include in this section ALL income from U.S. sources that is not effectively connected with the conduct of a trade or business in the U.S. Otherwise, you may include only those items of income on which the U.S. income tax was not fully paid at the source. The rate of tax on each item of income listed below is 30% unless limited by tax treaty. Fill in treaty rates where applicable.

Name of treaty country, if any ▶

Nature of income	Amount	Rate of tax (%)	Amount of tax
1 Interest			
2 Dividends			
3 Rents			
4 Royalties			
5 Annuities			
6 Gains from disposal of timber, coal, or domestic iron ore with a retained economic interest (attach statement of details)			
7 Gains from sale or exchange of patents, copyrights, etc.			
8 Fiduciary distributions (attach a statement showing the kind of income and rate)			
9 Other fixed or determinable annual or periodical income:			
10 Total—Enter here and on line 1, page 1 ▶			

Explanation of Lines 1 Through 9 Above (Enter each individual item of income)

1. Payer of income and, if known, withholding agent (name and address) (Show owner of record if other than taxpayer)	2. Nature of income (such as interest, dividends, etc.)	3. Gross amount of income	4. Date of payment	5. Amount of U.S. income tax paid or withheld at the source

SECTION II Income Effectively Connected With the Conduct of a Trade or Business in the U.S.—See instructions

IMPORTANT—Fill in all applicable lines and schedules. If you need more space, see instruction B7(e).

GROSS INCOME

1	(a) Gross receipts or sales $ ..... 1(b) Less returns and allowances $ ..... 1(c) Balance ▶	1c	
2	Cost of goods sold (Schedule A) and/or operations (attach schedule)	2	
3	Gross profit (subtract line 2 from line 1(c))	3	
4	Dividends (Schedule C, line 10)	4	
5	Interest on obligations of the U.S. and its instrumentalities	5	
6	Other interest	6	
7	Gross rents	7	
8	Gross royalties	8	
9	(a) Capital gain net income (attach Schedule D (Form 1120))	9a	
	(b) Net gain or (loss) from line 11(a), Part II, Form 4797 (attach Form 4797)	9b	
10	Other income (see instructions—attach schedule)	10	
11	TOTAL income—Add lines 3 through 10	11	

DEDUCTIONS

12	Compensation of officers (Schedule E)	12	
13	(a) Salaries and wages ..... 13(b) Less Jobs and WIN credits ..... 13(c) Balance ▶	13c	
14	Repairs (see instructions)	14	
15	Bad debts (Schedule F if reserve method is used)	15	
16	Rents	16	
17	Taxes	17	
18	Interest	18	
19	Contributions (not over 5% of line 30 adjusted per instructions)	19	
20	Amortization (attach schedule)	20	
21	(a) Depreciation (from attached Form 4562) 21a		
	(b) Depreciation claimed in Schedule A and elsewhere on return 21b		
	(c) Balance (subtract line 21(b) from line 21(a))	21c	
22	Depletion	22	
23	Advertising	23	
24	Pension, profit-sharing, etc. plans (see instructions)	24	
25	Employee benefit programs (see instructions)	25	
26	Other deductions (total from page 5)	26	
27	TOTAL deductions—Add lines 12 through 26	27	
28	Taxable income before net operating loss deduction and special deductions (subtract line 27 from line 11)	28	
29	(a) Net operating loss deduction (see instructions—attach schedule) 29a		
	(b) Special deductions (Schedule C, line 11) 29b	29	
30	Taxable income or (loss) (subtract line 29 from line 28)	30	

Schedule A Cost of Goods Sold (See instructions)

1	Inventory at beginning of year	
2	Merchandise bought for manufacture or sale	
3	Salaries and wages	
4	Other costs (attach schedule)	
5	Total—Add lines 1 through 4	
6	Inventory at end of year	
7	Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, Section II	

8 (a) Check all methods used for valuing closing inventory:
(i) ☐ Cost (ii) ☐ Lower of cost or market as described in regulations section 1.471–4 (see instructions)
(iii) ☐ Writedown of "subnormal" goods as described in regulations section 1.471–2(c) (see instructions)

(b) Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No
If "Yes," specify method used and attach explanation ▶

(c) Check if the LIFO inventory method was adopted this tax year for any goods. ☐
If checked, attach Form 970.

(d) If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

(e) If you are engaged in manufacturing, did you value your inventory using the full absorption method (regulations section 1.471–11)? ☐ Yes ☐ No

(f) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No
If "Yes," attach explanation.

Schedule C Dividends and Special Deductions (See instructions)

		(A) Dividends Received	(B) %	(C) Special Deductions (Multiply (A) by (B))
1	Domestic corporations subject to the 85% deduction		85	
2	Certain preferred stock of public utilities		59.13	
3	Foreign corporations subject to the 85% deduction		85	
4	Total—Add lines 1 through 3, Column (C). See instructions for limitation			
5	Deduction for dividends paid on certain preferred stock of public utilities (see instructions)			
6	Other dividends from foreign corporations			
7	Foreign dividend gross-up (section 78)			
8	Taxable dividends from a DISC or a former DISC not included in line 1 (section 246(d))			
9	Other dividends			
10	Total dividends—Add lines 1 through 9, Column (A). Enter here and on line 4, Section II, page 3			
11	Total special deductions—Add lines 4 and 5, Column (C). Enter here and on line 29(b), Section II, page 3			

Schedule E Compensation of Officers (See instructions)

1. Name of officer	2. Social security number	3. Time devoted to business	Percent of corporation stock owned 4. Common	5. Preferred	6. Amount of compensation	7. Expense account allowances

Total compensation of officers—Enter here and on line 12, Section II, page 3

Schedule F Bad Debts—Reserve Method (See instructions)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve 4. Current year's provision	5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1976						
1977						
1978						
1979						
1980						
1981						

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Schedule J Tax Computation (See instructions for Schedule J.)

Note: *Fiscal year corporations, see instructions on pages 10 and 11. Omit line 1, complete line 2(a), and, if applicable, line 2(b), and enter on line 3, the amount from line 44, Part III, of the fiscal year worksheet provided on page 10 of the instructions.*

1 Taxable income (line 30, page 3) . . . . .

2 (a) Are you a member of a controlled group? . . . . . ☐ Yes ☐ No

(b) If "Yes," see instructions and enter your portion of the $25,000 amount in each taxable income bracket:
(i) $ ..... (ii) $ ..... (iii) $ ..... (iv) $ .....

3 Income tax (see instructions to figure the tax; enter this tax or alternative tax from Schedule D, Form 1120, whichever is less). Check if from Schedule D ▶ ☐ . . . . .

4 (a) Foreign tax credit (attach Form 1118) . . . . .

(b) Investment credit (attach Form 3468) . . . . .

(c) Work incentive (WIN) credit (attach Form 4874) . . . . .

(d) Jobs credit (attach Form 5884) . . . . .

(e) Other credits (see instructions—attach Forms and Schedules) . . . . .

5 Total—Add lines 4(a) through 4(e) . . . . .

6 Subtract line 5 from line 3 . . . . .

7 Tax from recomputing prior-year investment credit (attach Form 4255) . . . . .

8 Total tax—Add lines 6 and 7. Enter here and on line 2, page 1 . . . . .

Other Deductions

Explanation	Amount	Explanation	Amount
		TOTAL—Enter here and on line 26, page 3	

Additional Information Required

M Business description (see page 12 of instructions)
(1) Business code number .....
(2) Principal business activity .....
(3) Principal product or service .....

N Were you a member of a controlled group subject to the provisions of section 1561? . . . . . Yes ☐ No ☐
If "Yes," check type of relationships:
(1) ☐ Parent-subsidiary
(2) ☐ Brother-sister
(3) ☐ Combination of (1) and (2) (see section 1563)

	Yes	No
O Did you claim a deduction for expenses connected with:		
(1) Entertainment facility (boat, resort, ranch, etc.)?		
(2) Living accommodations (except for employees on business)?		
(3) Employees attending conventions or meetings outside the North American area? (See section 274(h).)		
(4) Employees' families at conventions or meetings?		
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h).)		
(5) Employee or family vacations not reported on Form W-2?		
P During the tax year was any part of your tax accounting records maintained on a computerized system?		

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Schedule L Balance Sheets

ASSETS	Beginning of tax year (A)	Beginning of tax year (B)	End of tax year (C)	End of tax year (D)
1 Cash				
2 Trade notes and accounts receivable				
(a) Less allowance for bad debts				
3 Inventories				
4 Gov't obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)				
6 Loans to stockholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other fixed depreciable assets				
(a) Less accumulated depreciation				
10 Depletable assets				
(a) Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
(a) Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
LIABILITIES AND STOCKHOLDERS' EQUITY				
15 Accounts payable				
16 Mtges., notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 Loans from stockholders				
19 Mtges., notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Capital stock: (a) Preferred stock				
(b) Common stock				
22 Paid-in or capital surplus				
23 Retained earnings—Appropriated (attach schedule)				
24 Retained earnings—Unappropriated				
25 Less cost of treasury stock		( )		( )
26 Total liabilities and stockholders' equity				

Schedule M-1 Reconciliation of Income Per Books With Income Per Return

1 Net income on books . . . . .
2 Federal income tax . . . . .
3 Excess of capital losses over capital gains . . .
4 Income subject to tax not recorded on books this year (itemize) .....
5 Expenses recorded on books this year not deducted in this return (itemize)
(a) Depreciation . . . $ .....
(b) Contributions carryover . $ .....
6 Total of lines 1 through 5 . . . . .

7 Income recorded on books this year not included in this return (itemize)
(a) Tax-exempt interest $ .....
8 Deductions in this tax return not charged against book income this year (itemize)
(a) Depreciation . . . $ .....
(b) Contributions carryover . $ .....
9 Total of lines 7 and 8 . . . . .
10 Income (line 28, page 3)—line 6 less line 9 . . .

Schedule M-2 Analysis of Unappropriated Retained Earnings Per Books (line 24 above)

1 Balance at beginning of year . . . . .
2 Net income on books . . . . .
3 Other increases (itemize) .....
4 Total of lines 1, 2, and 3 . . . . .

5 Distributions: (a) Cash . . . . .
(b) Stock . . . . .
(c) Property . . . . .
6 Other decreases (itemize) .....
7 Total of lines 5 and 6 . . . . .
8 Balance at end of year (line 4 less line 7) . . .

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1981 Department of the Treasury Internal Revenue Service

Instructions for Form 1120F

U.S. Income Tax Return of a Foreign Corporation

(References are to the Internal Revenue Code)

Tax Highlights

Please note these important changes that have been made because of revisions in the tax law based on the Economic Recovery Tax Act of 1981 enacted into law on August 13, 1981.

Reduction in Corporate Tax Rates.

Effective for tax years beginning after 1981, the tax rates are reduced for the two lowest taxable income brackets. For the taxable income bracket of $25,000 or less, the tax rate will decrease for 1982, from 17% to 16%, and for 1983, to 15%. For the taxable income bracket between $25,000 and $50,000, the tax rate will decrease for 1982, from 20% to 19%, and for 1983, to 18%. The remaining tax rates of 30%, 40%, and 46% did not change.

Because of changes in these tax rates, fiscal year 1981–82 corporations must prorate their tax under section 21. Use the worksheet on page 10 of the instructions to make this computation.

Depreciation Changes

The Act created a new method of depreciation, the Accelerated Cost Recovery System. You must use this new system to figure depreciation for most assets you placed in service after December 31, 1980. The Act also repealed the election for additional first-year depreciation for assets acquired after December 31, 1980. See Form 4562, Depreciation, for more information.

Investment Credit Changes

Numerous changes have been made in investment credit rules that affect accelerated cost recovery property, at risk rules for a personal holding company, certain rehabilitation expenditures, and oil storage facilities. See Form 3468 and Schedule B (Form 3468).

Work Incentive (WIN) Credit Expires

Corporations can no longer claim a WIN credit for wages paid or incurred in any tax year beginning after December 31, 1981.

Targeted Jobs Credit

The targeted jobs tax credit has been extended to include wages paid or incurred after December 31, 1981. See **Publication 906,** Targeted Jobs, WIN, and Research Credits, for more information.

Research Credit

Effective for tax years ending after June 30, 1981, an income tax credit is allowed for increasing the qualified research expenses in carrying on a trade or business. See Form 6765, Credit for Increasing Research Activities, and **Publication 906,** Targeted Jobs, WIN, and Research Credits, for more information.

Charitable Contributions

Effective August 14, 1981, a corporation (other than a subchapter S corporation, a personal holding company or a service organization) can receive a larger deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e)(4).

Effective for tax years beginning after 1981, a corporation's charitable contribution deduction will increase from 5% to 10% of its taxable income. See section 170(b)(2).

Gains and Losses on Straddles

For positions established after June 23, 1981, see sections 1092 and 1234A for rules and definitions to determine gains and losses on straddles. Also after June 23, 1981, interest and carrying charges on straddles generally can no longer be deducted but must be added to the basis. See section 263(g) and Form 6781, Gains and Losses from Commodity Futures Contracts and Straddle Positions.

Gains and Losses on Regulated Futures Contracts Marked to Market

For property acquired and positions established after June 23, 1981, see section 1256 for rules and definitions that apply to determine gains and losses on regulated futures contracts. For an election with respect to such property held on June 23, 1981, see section 508(c) of the Economic Recovery Tax Act of 1981.

Gain or Loss on Certain Short-term Federal, State, and Municipal Obligations

Such obligations acquired after June 23, 1981, are treated as capital assets in determining gain or loss. On any gain realized, a portion is treated as ordinary income and the balance is considered as a short-term capital gain. See section 1232(a)(4).

Carryover of Tax Credits

Generally, the carryover period for tax credits (investment credit, WIN credit, jobs credit, and alcohol fuels credit) has been extended from 7 years to 15 years. See section 207(c) of the Economic Recovery Tax Act of 1981.

Extension of Net Operating Loss (NOL) Carryovers

Generally, for tax years ending after 1975, the NOL carryover period has been extended from 7 years to 15 years. See section 172(b).

Paperwork Reduction Act Notice

The Paperwork Reduction Act of 1980 says that we must tell you why we are collecting this information, how it is to be used, and whether your response is voluntary, required to obtain a benefit, or mandatory. We ask for the information to carry out the Internal Revenue laws of the United States. The information is used to ensure that you are complying with these laws and so that we can figure and collect the correct amount of tax. Your response is mandatory.

General Instructions

A. Purpose of Form 1120F

Form 1120F is used to report a foreign corporation's income, deductions, credits, and tax in the United States. If a refund is due, Form 1120F may be used to claim it.

B. Filing the Return

1. Who Files Form 1120F.—Except for corporations described in instruction B2, every foreign corporation must file this form if, during the tax year, it did any of the following:

- Had income from any U.S. source.
- Engaged in a trade or business in the U.S., whether or not it had income from that trade or business.
- Had tax preference items, as described in section 57, that affect the corporation's computation of its unrelated business income.
- Overpaid income tax that it wants refunded.

The foreign corporation must file Form 1120F even if its income is tax-exempt under an income tax treaty or Code section.

The Mexican or Canadian branch of a U.S. mutual life insurance company must file Form 1120F on the same basis as a foreign corporation if the U.S. company elects to exclude the branch's income and expenses from its own gross income (section 819A).

A receiver, assignee, or trustee in dissolution or bankruptcy must file Form 1120F if that person has or holds title to virtually all a foreign corporation's property or business. The form is due whether or not the property or business is being operated.

An agent in the U.S. must file the return if the foreign corporation has no office or place of business in the U.S. when the return is due.

Consolidated returns.—In general, a foreign corporation filing Form 1120F cannot belong to an affiliated group of corporations that files a consolidated return. An exception is made for some Canadian and Mexican subsidiary corporations that are maintained solely to own and operate property under Canadian or Mexican law.

2. Who Does Not File Form 1120F.—A foreign corporation does not need to file Form 1120F in any of the following cases:

- It did not engage in a trade or business in the U.S. during the year, and its full U.S. tax was withheld at the source. In cases of overwithholding, see Instruction D.
- It is a beneficiary of an estate or trust that engaged in a trade or business in the U.S., but it would not itself need to file otherwise.
- It files Form 1120L as a foreign life insurance company or Form 1120M as a foreign mutual insurance company.

3. Foreign Governments.—Foreign governments are generally not taxed on investment income from U.S. sources. Income from certain "commercial activities," however, is taxable. For rules, definitions, and examples, please see section 892 and regulations section 1.892–1.

4. Dispositions of U.S. Real Property Interest by a Foreign Corporation.—A foreign corporation that disposes of its U.S. real property interest must treat the gain or loss as income that is effectively connected with a U.S. trade or business, even if the corporation is not otherwise engaged in a U.S. trade or business. This income must be reported in Section II of Form 1120F and must be reflected on Schedule D (Form 1120).

U.S. real property interest.—Generally, U.S. real property interest is an interest in real property located in the United States.

See section 897 for further details. Also, see section 6039C for reporting requirements for certain information returns concerning dispositions of U.S. real property interests.

5. When to File.—File Form 1120F by the 15th day of the 3rd month after the end of the tax year if the corporation has an office or place of business in the U.S. Otherwise, file the return by the 15th day of the 6th month after the end of the tax year.

Extensions.—File Form 7004 to request an automatic 3-month extension of time to file Form 1120F. After you obtain that extension, file Form 7005 if you need an additional 3-month extension.

Period covered.—File the 1981 return for calendar year 1981 and fiscal years that began in 1981 and end in 1982. If the return is for a fiscal year, fill in the tax year space at the top of the form.

Change in accounting period.—To change your accounting period, see regulations section 1.442–1 and Form 1128, Application for Change in Accounting Period.

Final return.—If the corporation ceased to exist during the tax year, write "Final return" at the top of the form.

6. Where to File.—File Form 1120F with the Internal Revenue Service Center, Philadelphia, PA 19255.

7. Other Forms, Schedules, and Statements That May Be Required.—

(a) Forms. The corporation may also have to file other forms. A partial list includes:

Forms 957 and 958.—Information returns filed by certain officers, directors, or U.S. shareholders of a foreign personal holding company. The company's undistributed income must be reported as dividend income in the gross income of its U.S. shareholders, as described in section 551. See sections 189 and 280 for limits on certain deductions.

Form 1096.—Annual summary and transmittal of Forms 1099, U.S. information returns.

Forms 1099–BCD, DIV, INT, MISC, R.—Some of the information returns that must be filed to report certain payments, such as dividends and interest. For more information, see Form 1096 and instructions.

Schedule PH (Form 1120).—Attach to Form 1120F if the foreign corporation is a personal holding company described in section 542, but not a foreign personal holding company described in section 552.

Form 4626.—Minimum tax computation. Attach to Form 1120F if the corporation has either more than $10,000 in tax preference items (whether or not it has minimum tax) or minimum tax liability deferred from an earlier year.

Form 5713.—International boycott report for persons having operations in or related to "boycotting" countries. In addition, persons who participate in or cooperate with an international boycott may have to complete Schedule A or B and Schedule C of Form 5713 to compute their loss of the following items: the foreign tax credit, the deferral of earnings of a controlled foreign corporation, and DISC benefits.

(b) Statements.

Tax treaty statement.—If the tax on any of the corporation's gross income is limited by a tax treaty between the U.S. and the country under whose laws the corporation is organized, attach a statement to Form 1120F. The statement should show:

- The amounts of tax withheld;
- The names and post office addresses of withholding agents; and
- Enough information to show how the corporation qualifies under the treaty for a lower tax rate or a tax exemption.

Transfers to corporation controlled by transferor.—If a person acquires stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the transferor and transferee must attach the information required by regulations section 1.351–3.

Statement in place of schedules.—If the foreign corporation has no gross income for the tax year, do not complete the Form 1120F schedules. Instead, attach a statement to the return showing what types and amounts of income are excluded from gross income.

(c) Amended return.

To correct any error in a Form 1120F already filed, file an amended Form 1120F and write "Amended" across the top.

(d) Financial statements.

You may use either Schedule L or copies of other balance sheets required by Federal, State, or other authorities. The balance sheets must agree with your books and records. You must reconcile any differences. On line 1 of whatever balance sheet you use, include as cash any certificate of deposit and other cash equivalents.

You may limit the balance sheets and reconciliation to:

- The corporation's assets in the

U.S. and its other assets used in the trade or business in the U.S., and

- Its income effectively connected with the conduct of a trade or business in the U.S. and its other income from sources in the U.S.

Corporations required to file substantially similar statements of income and expense to any Federal, State, or other authority may file copies of such statements instead of the information required on lines 1 through 30, Section II, but these statements must receive prior approval by IRS. Send requests for approval to: IRS Substitute Forms Program TX:R:I, 1111 Constitution Avenue, N.W., Washington, D.C. 20224. In these cases, use Schedule M–1 to reconcile taxable income with the net profit that is shown on the statement and that would be entered in line 30, Section II.

(e) Attachments.

If you need more space, attach separate sheets to the back of Form 1120F. Attach schedules in alphabetical order and forms in numerical order. Be sure to put the taxpayer's name and employer identification number (EIN) on each sheet.

8. Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign.

A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If your corporate officer filled in Form 1120F, the Paid Preparer's space under the "Signature of officer" should remain blank. If someone prepares Form 1120F and does not charge the corporation, that person should not sign. Certain others who prepare Form 1120F should not sign. For example, a regular, full-time employee such as a clerk, secretary, etc., of the corporation does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120F must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer is required to sign Form 1120F, please contact an IRS office.

The preparer required to sign the return MUST complete the required preparer information and:

- *Sign it, by hand, in the space provided for the preparer's signature (Signature stamps or labels are not acceptable.);*
- *Give a copy of Form 1120F to the taxpayer in addition to the copy filed with IRS.*

Tax return preparers should be familiar with their responsibilities. See **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

C. Figuring and Paying the Tax

1. Accounting Methods.—Taxable income must be computed using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits otherwise, the corporation may change from the method of accounting it used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method.

2. Gross Income and Tax Rates.—For purposes of Form 1120F, a foreign corporation is taxed on its gross income. That includes only:

- Gross income that is derived from sources in the U.S. and that is not effectively connected with the conduct of a trade or business in the U.S. This income is taxed at 30% or a lower treaty rate. Use Section I to report this income and figure the tax on it.
- Gross income, from any source, that is effectively connected with the conduct of a trade or business in the U.S. This income is taxed at regular corporate tax rates. Use Section II to report this income and figure the tax on it.

To determine the source of income, follow sections 861 through 864 and the related regulations, except as tax treaties provide otherwise.

Election to treat real property income as effectively connected income.—If a foreign corporation has income from real property in the U.S. or from an interest in such property, the corporation may elect to treat the income as effectively connected with the conduct of a trade or business in the U.S. Income affected by such an election includes:

- Gain from the sale or exchange of the property or interest;
- Rents or royalties from mines, wells, or other natural deposits; and
- Gain described in section 631(b) or (c).

To make the election, attach a statement that you are making it when you file Form 1120F for the first year involved. That year and each year the election continues, use Section II to figure the tax on this income. Also attach a schedule each year, as described in regulations section 1.882–2, concerning the property or the interest in the property.

3. Paying the Tax.—Any tax due must be paid either in full when the return is filed or in two equal installments. Write the corporation's employer identification number on all payments.

Foreign corporation with no office or place of business in the U.S.—If the corporation makes installment payments, they are due by the 15th day of the 6th month and the 15th day of the 9th month after the end of the tax year.

The tax may be paid by check or money order, payable to the Internal Revenue Service, and sent to the Internal Revenue Service Center, Philadelphia, PA 19255.

Foreign corporation with an office or place of business in the U.S.—If the corporation makes installment payments, they are due by the 15th day of the 3d month and the 15th day of the 6th month after the end of the tax year.

Deposit corporation income tax payments (and estimated tax payments) with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) serving the geographic area where the corporation is located. Records of deposits will be sent to IRS for crediting to the corporation's account. See the instructions on the back of Form 503 for more information and exceptions.

Preinscribed FTD Forms 503 will be mailed to the corporation on a regular basis depending on the corporation's tax year. You may apply for these forms from the Philadelphia Service Center. The application should give the corporation's name, employer identification number, and address. Show the tax year to which the deposits relate, and identify the corporation as a foreign corporation.

Penalty for Overstated Tax Deposits.—If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

4. Estimated Tax.—A corporation must make estimated tax payments if it can expect its estimated tax (income tax minus credits) to be $40 or more.

You may use Form 1120–W, Corporation Estimated Tax, as a worksheet to compute estimated tax.

If the corporation overpaid estimated tax, you may be able to get a "quick refund" by filing Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be both *1.* at least 10% of expected income tax liability and *2.* at least $500. To apply, you must file Form 4466 within 2½ months after the end of the tax year and before Form 1120F is filed.

D. Claim for Refund

If a foreign corporation has only income that is not effectively connected with the conduct of trade or business in

the U.S. and Form 1120F is being used as a claim for refund, include all income from sources in the U.S., even though all tax on it was paid at the source.

If the refund results from withholding tax at the source, attach a statement to Form 1120F. The statement should show:

- The amounts of tax withheld;
- The names and post office addresses of withholding agents;
- The name in which the tax was withheld, if different from the taxpayer's name; and
- If applicable, enough information to show that the taxpayer was entitled to a reduced tax rate under a treaty, as explained above in instruction B7(b).

E. Penalties

Avoid penalties and interest by filing correctly and paying the tax when due. The corporation may have to pay the following penalties unless it can show that not filing or not paying was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charge on unpaid tax at a rate under section 6621.)

- A corporation that does not file its tax return when due (including any extensions of time for filing) may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.)
- A corporation that does not pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)
- A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment.

If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how the corporation figured the penalty or which exceptions the corporation believes it meets.

If there is tax due on line 8, page 1, include the penalty in the total. If there is a refund due, subtract the penalty from the overpayment on line 9, page 1.

F. Rounding Off

You may show money items as whole-dollar amounts by dropping amounts under 50 cents and increasing amounts from 50 to 99 cents to the next higher dollar.

Specific Instructions

Section I.—Income From U.S. Sources That Is Not Effectively Connected with the Conduct of a Trade or Business in the U.S.

Any gross income of this kind that a foreign corporation has is taxed at 30% or a lower treaty rate. No deductions are allowed against this income. (Section 881.) A corporation created or organized in Guam or under the law of Guam is not considered a foreign corporation for purposes of the tax imposed by section 881.

This income includes the following, to the extent it is not effectively connected with the conduct of a trade or business in the U.S.

1. Interest (other than original issue discount as defined in section 1232(b)), dividends, rents, royalties, salaries, wages, premiums, annuities, compensation, and other fixed or determinable periodical income;

2. Gains described in section 631(b) or (c) from disposal of timber, coal, or domestic iron ore with a retained economic interest;

3. Gains from the sale or exchange of patents, copyrights, and other intangible property described in section 881(a)(4); and

4. For bonds or other evidences of debts:

- issued after September 28, 1965, and before April 1, 1972: gain from the sale or exchange of property that is not a capital asset, as figured under section 1232(a)(2)(B); or for corporate obligations issued before April 1, 1972: amounts that would be considered gain from such a sale or exchange, except that the obligations were issued after May 27, 1969;
- issued after March 31, 1972, and payable more than 6 months from the original issue date (no matter how long the taxpayer holds these items): amounts that would be considered gain from the sale or exchange of a capital asset under section 1232(a)(2)(B), except that the obligations were issued after May 27, 1969; and for interest on such obligations: the original issue discount accrued on the obligation since the last interest payment, up to the amount of the interest minus the applicable tax.

Section II.—Income Effectively Connected with the Conduct of a Trade or Business in the U.S.

Foreign corporations engaged in a trade or business in the U.S. are taxed at regular corporate rates on all the following income:

1. Income, gain, or loss from U.S. sources derived in the conduct of the trade or business.

2. Limited categories of foreign source income.

3. Certain fixed or determinable periodical income from U.S. sources.

4. Gain or loss from U.S. sources from the sale or exchange of capital assets if:

- the income, gain or loss is from assets used in, or held for use in, the conduct of the corporation's trade or business, or
- the activities of the corporation's trade or business were a material factor in the realization of the income, gain, or loss.

For more information, see section 864(c).

Gains on disposition of stock in a DISC or former DISC and distributions from accumulated DISC income, including deemed distributions, are treated as coming from a trade or business conducted through a permanent establishment in the U.S.

A foreign corporation not engaged in a trade or business in the U.S. will not report income in Section II unless it:

- elects to treat real property income as effectively connected income; or
- was created or organized in a U.S. possession, and receives interest on U.S. obligations. In that case, the interest is treated as effectively connected income.

Gross Income

(Numbered to correspond with the line numbers on page 3 of the return.)

In lines 1 through 10 enter gross income (regardless of source) that is effectively connected with the conduct of a trade or business within the U.S.

1. Gross receipts.—Enter gross receipts or sales from all business operations except those that must be reported in lines 4 through 10. For reporting advance payments and long-term contracts, see regulations section 1.451–5.

If the installment method of reporting is used, enter on line 1 the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing for the current and 3 preceding years: a. gross sales, b. cost of goods sold, c. gross profit, d. percentage of gross profit to gross sales, e. amount collected, and f. gross profit on amount collected.

2. Cost of goods sold.—See instructions for Schedule A.

4. Dividends.—See instructions for Schedule C.

6. Other interest.—Enter interest on loans, notes, mortgages, bonds, bank deposits, corporate bonds, tax refunds, etc.

Do not offset interest income against interest expense.

7. Gross rents.—Enter the gross amount received for the rent of property. Deduct expenses such as repairs, interest, taxes, and depreciation on the proper lines for deductions.

9(a). Capital gain net income.—Every sale or exchange of a capital asset must

be reported in detail in Schedule D (Form 1120) even though no gain or loss is indicated.

If the net long-term capital gain is more than the net short-term capital loss, or if there is only a net long-term capital gain, compute the alternative tax on separate Schedule D (Form 1120) to see if it produces a smaller tax.

9(b). Net gain or (loss).—Enter the net gain or loss from line 11(a), Part II, Form 4797, Supplemental Schedule of Gains and Losses.

10. Other income.—Enter any other taxable income not listed above and explain its nature on an attached schedule. Examples of other income would be recoveries of bad debts deducted in earlier years under the specific charge-off method and refunds of taxes deducted in earlier years. Do not offset current year's taxes with tax refunds.

If "other income" consists of only one item, explain what it is in parentheses on line 10.

Deductions

In computing the taxable income of a foreign corporation engaged in a trade or business within the U.S., deductions are allowed only to the extent that they are connected with income that is effectively connected with the conduct of a trade or business within the U.S. Charitable contributions, however, may be deducted whether or not they are so connected. See section 882(c)(1) for allocation of deductions.

12. Compensation of officers.—Complete columns 1 through 6, Schedule E, for all officers. Complete column 7, Schedule E, for your six highest paid officers. To determine the highest paid officers, add all allowances, including expense account allowances, to each officer's compensation. Expense account allowance means (1) amounts, other than compensation, received as advances or reimbursements and (2) amounts paid by or for the corporation for expenses incurred by or on behalf of an officer. Column 7 does not have to be completed for any officer for whom the combined amount is less than $50,000.

13. Salaries and wages.—Enter on line 13(a) the total salaries and wages paid or incurred for the tax year. Do not include salaries and wages deducted elsewhere on your return, such as contributions to a Simplified Employee Pension, which are deducted on line 24.

Enter on line 13(b) the sum of (1) the amount of WIN credit from Form 4874, Credit for Work Incentive (WIN) Program Expenses, line 12, and (2) the amount of jobs credit from Form 5884, Jobs Credit, line 9.

14. Repairs.—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

Expenditures to remove architectural and transportation barriers to handicapped and elderly. For rules for expenses in tax years beginning after December 31, 1976, and before January 1, 1983, to remove architectural and transportation barriers to handicapped and elderly persons, see section 190 and related regulations.

15. Bad debts.—Bad debts may be treated in either of two ways—(1) as a deduction for debts that become worthless in whole or in part, or (2) as a deduction for a reasonable addition to a reserve for bad debts. (Section 166.)

Use Form 3115 if you want to apply for a change in the method of computing bad debts.

17. Taxes.—Enter taxes paid or accrued during the tax year.

Do not include Federal income tax; foreign or U.S. possession income tax if a foreign tax credit is claimed; or taxes not imposed upon the corporation.

See section 164(d) for apportionment of tax on real property between seller and purchaser.

See section 906(b)(1) for rules concerning certain foreign taxes imposed on income from U.S. sources that may not be deducted.

18. Interest.—Do not include interest on indebtedness incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. (For exceptions, see section 265.)

See section 267 for limitation on deductions for unpaid expenses and interest on transactions between related taxpayers.

Generally, a cash basis taxpayer cannot deduct prepaid interest allocable to years after the current tax year. For example, a cash basis taxpayer, who in 1981 prepaid interest allocable to any period after 1981, can only deduct the amount allocable to 1981. Please see **Publication 545,** Interest Expense.

Generally, for positions established after June 23, 1981, the interest and carrying charges as to straddles can no longer be deducted but must be capitalized. See section 263(g).

19. Contributions.—Enter contributions or gifts actually paid within the tax year to, or for the use of, charitable and governmental organizations described in section 170(c) and any unused contributions carried over from earlier years.

The total amount claimed may not exceed 5% of taxable income (line 30) computed without regard to (1) any deduction for contributions, (2) the special deductions in line 29(b), (3) deductions allowed under sections 249 and 250, (4) any net operating loss carryback to the tax year under section 172, and (5) any capital loss carryback to the tax year under section 1212(a)(1).

Charitable contributions over the 5% limitation may not be deducted for the tax year but may be carried over to the next 5 tax years.

A contribution carryover is not allowed, however, to the extent that it increases a net operating loss carryover. See section 170(d)(2)(B).

Corporations on the accrual basis may elect to deduct contributions paid on or before the 15th day of the 3d month after the end of the tax year if the contributions are authorized by the board of directors during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

If a contribution is in property other than money, attach a schedule describing the kind of property contributed and the method used in determining its fair market value. If you made a "qualified conservation contribution" under section 170(h), also include the fair market value of the underlying property before and after the donation, the type of legal interest contributed, and describe the conservation purpose furthered by the donation.

If a contribution carryover is included, show the amount and how it was determined.

Special rule for contributions of certain property.—For a charitable contribution of property, you must reduce the contribution by the sum of:

(1) the ordinary income, short-term capital gain and

(2) for certain contributions, 60.87% of the long-term capital gain,

that would have resulted if the property were sold at its fair market value. The reduction for 60.87% of the long-term capital gain applies to 1. contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption, and 2. contributions of any property to or for the use of certain private foundations. (See section 170(e) and regulations section 1.170A-4.)

For special rules regarding the contribution of inventory and other ordinary income property to certain organizations, see section 170(e)(3).

Bargain sale to a charitable organization.—If a charitable contribution deduction is taken for property sold to a charitable organization, the adjusted basis for

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determining gain from the sale is an amount in the same ratio to the adjusted basis that the amount realized is to the fair market value of the property.

Charitable Contributions of Scientific Property Used for Research. Effective August 14, 1981, a corporation (other than a personal holding company or a service organization) can *receive a larger* deduction for contributing scientific property used for research to an institution of higher education. For further information, see section 170(e).

20. Amortization.—If a deduction for amortization is claimed, attach a schedule showing: (1) a description of the expenses amortized; (2) date acquired, completed, or spent; (3) amount amortized; (4) amortization deducted in earlier years; (5) amortization period (number of months); (6) amortization for this year; and (7) the total amount of amortization less the amount claimed in Schedule A and elsewhere on the return.

See section 169 and related regulations for conditions under which the cost of certified pollution control facilities may be amortized over 60 months.

See section 188 for amortization over a 60 month period of certain expenditures made before January 1, 1982, for child care facilities.

For expenditures incurred after December 31, 1981, in tax years ending after that date, you may not elect to amortize rehabilitation expenditures or take accelerated depreciation for certain certified historic structures. Section 191 allows amortization to be figured using a period of 60 months. Section 167(o) allows an accelerated method of depreciation if you substantially rehabilitate a certified historic structure.

See section 194, Amortization of Reforestation Expenditures, under which a taxpayer may elect to amortize expenditures made after December 31, 1979, over a period of 84 months.

See section 195 for amortization over a 60-month period of certain business startup expenditures paid or incurred after July 29, 1980.

21. Depreciation.—See instructions for Form 4562, Depreciation.

22. Depletion.—See sections 613 and 613A for percentage depletion rates applicable to natural deposits.

Attach Form T, (Timber), Forest Industries Schedules, if you claim a deduction for depletion of timber.

24. Pension, profit-sharing, etc. plans.—Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan (other than a Simplified Employee Pension) whether or not qualified under the Internal Revenue Code and whether or not a deduction is

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claimed for the current tax year, generally are required to file one of the forms described below. The Employee Retirement Income Security Act of 1974 imposes penalties for failure to timely file these forms.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500-C or 5500-R.—Complete the applicable form for each plan with fewer than 100 participants.

Only one return is required to be filed for a plan of a controlled group of corporations or a multiemployer-collectively-bargained plan. Contributing employers are not required to file separately.

25. Employee benefit programs.—Enter the amount of your contributions to employee benefit programs (e.g. insurance, health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 24. Also include contributions to a qualified group legal services plan. Section 120 imposes certain rules on an employer which will permit employees (including spouses and dependents) to exclude from income employer contributions to a qualified group legal services plan.

26. Other deductions.—You may not take a deduction for any amount allocable to a class of exempt income including income exempt by tax treaty. Items directly attributable to wholly exempt income must be allocated to exempt income, and items directly attributable to any class of taxable income must be allocated to taxable income.

If an item is indirectly attributable both to taxable income and exempt income, allocate a reasonable proportion of the item to each class of income. Make the allocation in light of the facts involved.

Attach a statement showing (1) each class of exempt income and (2) the expense items allocated to each class. Show separately the amount allocated by apportionment.

Generally, you can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in your trade or business. However, you cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (Note: you may be able to deduct the expense if the amount is treated as compensation and reported on Form W-2 for an independent contractor.) See **Publication 463,** Travel, Entertainment, and Gift Expenses, for more details.

28. Taxable income.—Special "at risk" rules under section 465 generally apply to closely held corporations engaged in any activity as a trade or business or for the production of income. Such corporations may have to adjust the amount on line 28. See below. However, the "at risk" rules do not apply to (1) holding real property other than mineral property and (2) equipment leasing under section 465(c)(4), (5), and (6). These "at risk" rules apply to a closely held corporation which may or may not be a personal holding company.

A closely held corporation that is NOT a personal holding company.—Adjust the amount on line 28 for section 465(d) losses. These losses are limited to the amount for which the closely held corporation is "at risk" for each separate activity at the close of the tax year.

For a corporation involved in more than one activity that incurs a loss for the year, report each loss separately. Attach a schedule reflecting the amount "at risk" and gross income and deductions for each activity that has a loss.

If a loss from an activity exceeds the amount the closely held corporation is "at risk" for the activity at the end of the tax year, the amount that would otherwise be entered on line 28 of Form 1120F is to be modified for the excess. (Attach schedule.)

If the corporation sells or otherwise disposes of an asset, or its interest (either total or partial) in an activity to which the "at risk" rules apply, determine the net profit or loss from the activity by combining the gain or loss on the sale or disposition with the profit or loss from the activity. If the corporation has a net loss, it may be limited because of the "at risk" rules.

Treat any loss from an activity not allowed for the tax year as a deduction allocable to the activity in the next tax year.

A closely held corporation that IS a personal holding company.—For the amount to be entered on line 28 of Form 1120F, see Schedule PH (Form 1120), Specific Instructions for line 1, regarding section 465 losses.

29(a). Net operating loss deduction.—The "net operating loss deduction" is the sum of the net operating loss carryovers and carrybacks to the tax year. (Section 172(a).)

Generally, you may carry a net operating loss back to each of 3 years before the year of the loss and carry it over to each of the 15 years after the year of loss. (For tax years beginning after September 30, 1979, you may carry back 10 years the part of the net operating loss attributable to a product liability loss. (See section 172(b)(1)(H).) There is also an available election to carry a net operating loss over to just each of the 15 years following the year of the loss. You make this election by attaching a statement to a timely filed return, in-

cluding extensions. The election is irrevocable. After applying the net operating loss to the first tax year to which it may be carried, the part of the loss you may carry to each of the remaining tax years is any excess of loss over the sum of the taxable incomes for each of the earlier tax years to which you may carry the loss. (Section 172(b).)

If there is a carryback of a net operating loss, a net capital loss, an unused investment credit, an unused work incentive (WIN) credit, or unused jobs credit, file Form 1139 within 12 months after the end of the tax year for a "quick refund" of tax. (Section 6411.)

See section 172 for special rules, limitations, and definitions pertaining to net operating loss carrybacks and carryovers.

29(b). Special deductions.—See instructions for Schedule C.

Schedule A—Cost of Goods Sold

Valuation methods.—Your inventories can be valued at: (a) cost, (b) cost or market value, whichever is lower, or (c) any other method approved by the Commissioner of Internal Revenue, that conforms to the applicable regulations cited below.

Taxpayers using erroneous valuation methods should file Form 3115 to change to a method permitted for Federal income tax purposes. For further details, see regulations section 1.446–1(e)(3) and Rev. Proc. 70–27, 1970–2 C.B. 509.

Line 8.—In line 8(a), check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions where a current bid price prevails at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see regulations section 1.471–4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is, because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471–2(c). Such goods may be valued at a current bona fide selling price less direct cost of disposition (but not less than scrap value) if you can establish such a price. See regulations section 1.471–2(c) for more requirements.

In line 8(b), indicate whether you used a method of inventory valuation other than those described in line 8(a). Attach a statement describing the method used.

If this is the first year the "Last-in First-out" (LIFO) inventory method was either: adopted or extended to inventory goods not previously valued under the LIFO method, provided in section 472, attach Form 970, Application to Use LIFO Inventory Methods, or a statement with the information required by Form 970. Also check the LIFO box in line 8(c). Enter the amount or percent of total closing inventories covered under section 472 in line 8(d). Estimates are acceptable.

Full absorption method of inventory costing.—For a corporation engaged in manufacturing or production operations, use the full absorption method of inventory costing. If the corporation is not using the full absorption method of inventory costing, it must change to it. Under this method both direct and certain indirect production costs are included for inventory value purposes. You may change to full absorption by filing Form 3115. For more details, see Rev. Proc. 75–40, 1975–2 C.B. 571 and regulations section 1.471–11.

Cost of operations (where inventories are not an income-determining factor).—If the amount entered on line 2, Schedule A, includes an amount applicable to cost of operations, attach a schedule showing (1) salaries and wages and (2) other costs in detail.

For certain cooperatives, if per unit retain allocations (defined under section 1388(f)) are included on line 4, Schedule A, attach a schedule showing this cost and any other costs not included in lines 1 through 3.

Schedule C—Dividends and Special Deductions

(Line references are to the lines in Schedule C.)

Column A instructions

1. Enter dividends received from domestic corporations subject to income tax and the 85% deduction under section 243(a)(1). For dividends received from a regulated investment company, see section 854 for the amount subject to the 85% deduction.

Include on this line taxable distributions received from a DISC or former DISC that are designated as being eligible for the 85% dividends-received deduction.

So-called dividends or earnings received from mutual savings banks, etc., are really interest. Do not treat them as dividends.

2. Enter dividends received on the preferred stock of a public utility that is subject to income tax and is allowed the deduction provided in section 247 for dividends paid.

3. Enter dividends that are received from foreign corporations and that qualify for the 85% deduction provided in section 245(a).

6. Enter all other dividends received from foreign corporations that do not qualify for a dividends-received deduction.

7. If the corporation claims the foreign tax credit, the tax that is deemed paid under section 902(a) (relating to credit for corporate stockholder in a foreign corporation) must be treated as a dividend received from the foreign corporation. (See section 906(b)(4).)

8. Enter taxable distributions from a DISC or former DISC that are designated as not being eligible for the 85% deduction. See sections 246(d), 995(b), and 996(a)(3).

9. Include dividends (other than capital gain dividends and exempt interest dividends) received from regulated investment companies that do not qualify for the 85% deduction; dividends from tax-exempt organizations; dividends (other than capital gain dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856–860; dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments with respect to similar stock; and any other taxable dividend income not properly reported above.

Column C instructions

Exclusion of certain dividends.—In general, no dividends-received deduction will be allowed on any share of stock (a) that is disposed of if the corporation held it 15 days or less, or (b) to the extent the corporation is under an obligation to make corresponding payments with respect to substantially identical stock or other securities.

No dividends-received deduction is allowed under section 243 for a dividend from a DISC or former DISC (as defined in section 992(a)) to the extent the dividend is paid out of the corporation's accumulated DISC income, previously taxed income, or is a deemed distribution under section 995(b)(1).

4. Limitation on dividends-received deduction.—Line 4 may not be more than 85% of line 28, page 3. For this purpose compute line 28, page 3, without regard to any capital loss carryback to the tax year under section 1212(a)(1).

In a year in which a net operating loss occurs, this 85% limit does not apply even if the loss is created by the dividends-received deduction. (See sections 172(d) and 246(b).)

5. Deductions for dividends paid on certain preferred stock of public utilities.—Section 247 allows public utilities a deduction of 30.435% of either of (1)

dividends paid on their preferred stock during the tax year, or (2) taxable income computed without regard to this deduction, whichever is less. In a year in which a net operating loss occurs, compute the deduction without regard to section 247 (a)(1)(B). (See section 172(d).)

Schedule J—Tax Computation

Fiscal year corporations should see the worksheet immediately following these instructions for the computation of their tax.

A corporation that is not a member of a controlled group (these members should see *lines 2(a) and (b)* below) will compute the tax on its taxable income as follows:

If the amount on Schedule J, Line 1 is:		Enter on Schedule J, Line 3:	
Over—	But not over—		Of the amount over—
0	$25,000	17%	0
$25,000	50,000	$4,250+20%	$25,000
50,000	75,000	9,250+30%	50,000
75,000	100,000	16,750+40%	75,000
100,000	.....	26,750+46%	100,000

If the alternative tax does not apply, enter on line 3 of Schedule J, the amount computed above. If the alternative tax applies, see Schedule D (Form 1120).

(Personal holding companies—see Schedule PH (Form 1120) before completing Schedule J.)

Lines 2(a) and (b)

Members of a controlled group, as defined in section 1563, are entitled to only one $25,000 amount in each taxable income bracket.

When a controlled group adopts or later amends an apportionment plan, each member must attach to its tax return a copy of its consent to this plan. The copy (or an attached statement) must show the part of the $25,000 in each taxable income bracket apportioned to that member. There are other requirements as well. See regulations section 1.1561–3(b) for them and for the time and manner of making the consent.

Equal Apportionment Plan. If no apportionment plan is adopted, the members of the controlled group must divide the $25,000 in each taxable income bracket equally among themselves. For example, controlled group AB consists of corporation A and corporation B. They do not elect an unequal apportionment plan. Therefore, corporation A is entitled to $12,500 (one-half of $25,000) in each taxable income bracket. Corporation B is also entitled to $12,500 in each taxable income bracket.

Unequal Apportionment Plan. Members of a controlled group may elect an unequal apportionment plan and divide the $25,000 in each taxable income

bracket as they wish. There is no need for consistency between taxable income brackets. Any member of the controlled group may be entitled to all, some, or none of the $25,000 in a taxable income bracket. (But the total amount for all members of the controlled group cannot be more than $25,000 in any taxable income bracket.) Each member of a controlled group must compute the tax as follows:

Note: *If alternative tax applies, do the following: (1) Complete lines 2(a) and (b) of Schedule J. (2) On line 1 below, instead of entering amount from line 30, page 3, Form 1120F, enter amount from line 14, Schedule D, Form 1120. (3) Complete lines 2 through 15 below, and (4) Enter amount from line 15 below on line 15 of Schedule D and complete balance of Schedule D.*

1. Enter taxable income (line 30, page 3)	
2. Enter line 1 or your portion of the first $25,000 taxable income bracket, whichever is less	
3. Subtract line 2 from line 1	
4. Enter line 3 or your portion of the second $25,000 taxable income bracket, whichever is less	
5. Subtract line 4 from line 3	
6. Enter line 5 or your portion of the third $25,000 taxable income bracket, whichever is less	
7. Subtract line 6 from line 5	
8. Enter line 7 or your portion of the fourth $25,000 taxable income bracket, whichever is less	
9. Subtract line 8 from line 7	
10. 17% of line 2	
11. 20% of line 4	
12. 30% of line 6	
13. 40% of line 8	
14. 46% of line 9	
15. Total of lines 10 through 14. Enter this amount on line 3 of Schedule J.	

Line 4(a). Foreign tax credit.—A foreign corporation engaged in a trade or business within the U.S. can take a credit for income, war profits, and excess profits taxes paid, accrued, or deemed paid to any foreign country or U.S. possession during the tax year. This credit applies to income effectively connected with the conduct of a trade or business within the U.S. In general, the per country limitation cannot be used in computing the foreign tax credit. For further details, see sections 901, 902, 906, and Form 1118.

Line 4(b). Investment credit.—In most cases, the investment credit is 10% of the qualified investment in regular investment credit property. The corporation may elect an 11% or 11.5% credit for regular investment credit property (instead of 10%) if the corporation meets the requirements of section 48(n)(1).

The corporation is also allowed an energy investment credit for investment in qualified energy property. The energy credit is in addition to the regular investment credit if the energy property is also regular investment credit property.

Use Form 3468, Computation of Investment Credit, and Schedule B (Form 3468), Computation of Business Energy Investment Credit, to figure these credits.

Line 4(c). Credit for wages paid or incurred in work incentive (WIN) program.—Generally, employers may claim a credit of 50% of qualified first-year wages and 25% of qualified second-year wages. See Form 4874, Credit for Work Incentive (WIN) Program Expenses, for definitions, special rules, and limits. Also see Publication 906, Targeted Jobs, WIN, and Research Credits.

Do not take an expense deduction for the part of the wages or salaries paid or incurred that equals the WIN credit determined without regard to the limitation based on tax (section 50A(a)(2)). Members of a group of trades or businesses under common control, see section 280C.

Line 4(d). Jobs credit.—The jobs credit, if elected, is allowed for hiring members of targeted groups during the tax year. Generally, the allowable credit is equal to 50% of qualified first-year wages paid or incurred and 25% of qualified second-year wages paid or incurred. See Form 5884, Jobs Credit, and Publication 906 for definitions, special rules, and limits.

Do not take an expense deduction for the part of the wages or salaries paid or incurred that equals the jobs credit (determined without regard to the limitation based on tax (section 53)). Members of a group of trades or businesses under common control, see section 280C.

Line 4(e). Alcohol fuel credit.—You may be able to take a credit for alcohol used as fuel after September 30, 1980. This applies to straight alcohol you sell at retail or use as fuel in your trade or business. It also applies to an alcohol mixture you sell or use as fuel in your trade or business. Use Form 6478, Credit for Alcohol Used As Fuel, to figure the credit. Include the amount of the credit in the total for line 4(e).

Credit for fuel produced from a nonconventional source. Effective for tax years ending after December 31, 1979, a credit is allowed for the sale of qualified fuels produced from a nonconventional source. Section 44D contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. Attach a separate schedule to your return showing the computation of the credit. Include the amount of the credit in the total for line 4(e).

Research credit. Amounts paid or incurred after June 30, 1981, and before January 1, 1986, for qualified re-

search expenses in carrying on a trade or business are allowed as a credit. Use Form 6765, Credit for Increasing Research Activities, to figure the credit. Include the amount of the credit in the total for line 4(e).

Line 7. Tax from recomputing an earlier year investment credit.—If property is disposed of before the life-years category used in computing the regular or energy investment credit, you may have to recapture the investment credit. (See Form 4255, Recapture of Investment Credit.)

Credit for overpaid windfall profit tax.—If you are a producer of crude oil subject to the windfall profit tax and have overpaid the tax, attach Form 6249, Computation of Overpaid Windfall Profit Tax, to claim the overpayment. See Form 6249 for rules and instructions. Include the amount of the credit in the total for line 6(e), page 1, Form 1120F and enter the amount of credit in the margin next to line 6(e) and identify it as "overpaid windfall profit tax."

Worksheet for Fiscal Year 1981–82 Foreign Corporations—Tax Computation Schedule

This worksheet is to be used in lieu of certain lines of the Tax Computation Schedule on 1981 Form 1120F and Schedule D (Form 1120).

Part I Computation of Regular Tax

Computation at Tax Rates Applicable Before 1/1/82

1	Enter taxable income from Form 1120F, line 30, page 3	
2	Enter line 1 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
3	Subtract line 2 from line 1	
4	Enter line 3 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
5	Subtract line 4 from line 3	
6	Enter line 5 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
7	Subtract line 6 from line 5	
8	Enter line 7 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
9	Subtract line 8 from line 7	
10	17% of line 2	
11	20% of line 4	
12	30% of line 6	
13	40% of line 8	
14	46% of line 9	
15	Total of lines 10 through 14. If applicable, enter here and on line 40, Part III	

Computation at Tax Rates Applicable After 12/31/81

16	16% of line 2	
17	19% of line 4	
18	Total of lines 12, 13, 14, 16, and 17. If applicable, enter here and on line 42, Part III	

Part II Computation of Alternative Tax

Computation at Tax Rates Applicable Before 1/1/82

19	Taxable income (line 1, Part I)	
20	Enter net capital gain from Schedule D (Form 1120), line 10	
21	Subtract line 20 from line 19	
22	Enter line 21 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
23	Subtract line 22 from line 21	
24	Enter line 23 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
25	Subtract line 24 from line 23	
26	Enter line 25 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
27	Subtract line 26 from line 25	
28	Enter line 27 or $25,000, whichever is less. (Members of a controlled group, see instructions)	
29	Subtract line 28 from line 27	
30	17% of line 22	
31	20% of line 24	
32	30% of line 26	
33	40% of line 28	
34	46% of line 29	
35	28% of line 20	
36	Alternative tax—total of lines 30 through 35. If this amount is less than the regular tax on line 15, Part I, enter here and on line 40, Part III	

Computation at Tax Rates Applicable After 12/31/81

37	16% of line 22	
38	19% of line 24	
39	Alternative tax—total of lines 32, 33, 34, 35, 37, and 38. If this amount is less than the regular tax on line 18, Part I, enter here and on line 42, Part III	

Part III Proration of Tentative Taxes

40	Tentative tax (regular tax from line 15, or alternative tax from line 36, whichever is less)	
41	Portion of tentative tax before 1/1/82—See instructions for computation	
42	Tentative tax (regular tax from line 18, or alternative tax from line 39, whichever is less)	
43	Portion of tentative tax after 12/31/81—See instructions for computation	
44	Income tax—Add lines 41 and 43. Enter here and on Form 1120F, line 3, Schedule J, page 5	

General Instructions for Fiscal Year 1981–82 Foreign Corporations

Purpose of Worksheet on page 10

Effective for tax years beginning after 1981, the Economic Recovery Tax Act of 1981 reduced the corporate tax rates. This will result in a lower tax liability. The tax rates changed from 17% of the first $25,000 of taxable income, 20% of the next $25,000 of taxable income, 30% of the next $25,000 of taxable income, 40% of the next $25,000 of taxable income, and 46% of taxable income in excess of $100,000; to 16% of the first $25,000 of taxable income, 19% of the next $25,000 of taxable income, 30% of the next $25,000 of taxable income, 40% of the next $25,000 of taxable income, and 46% of taxable income in excess of $100,000.

Because of changes in the tax rates, the proration rules of section 21 apply. Fiscal year 1981–82 corporations must prorate their tax to reflect these changes. Thus, a fiscal year corporation will compute its tax for the year by prorating a tax for the period before 1982 and for the period after 1981, using the tax rates in effect for each period. The accompanying worksheet for fiscal year 1981–82 provides for such computation.

This worksheet will be used by fiscal year 1981–82 corporations instead of certain lines of the Tax Computation Schedule on 1981 Form 1120F and Schedule D (Form 1120).

Computation of Tax.—In computing the tax, the corporation computes a regular tax (Part I) and an alternative tax (Part II) for each period and takes the lower tax for each period. The sum of the prorated tax for each period is the total on line 44, Part III.

Specific Instructions

Parts I and II

Lines 2, 4, 6, and 8, Part I (and Lines 22, 24, 26, and 28, Part II).—These lines represent the four taxable income brackets used in computing the tax for the periods before 1982 and after 1981. Members of a controlled group should see the Instructions for Schedule J, lines 2(a) and (b), on page 8, for amounts to be entered in lieu of $25,000.

Part III

Line 41, Portion of Tentative Tax.—Multiply line 40 by:

(a) number of days in tax year before 1/1/82 ÷ number of days in tax year

OR

(b) applicable decimal from table below (column (A)).

Taxpayers with a 52–53 week tax year must use (a) above.

Line 43, Portion of Tentative Tax.—Multiply line 42 by:

(a) number of days in tax year after 12/31/81 ÷ number of days in tax year

OR

(b) applicable decimal from table below (column (B)).

Taxpayers with a 52–53 week tax year must use (a) above.

Table

Fiscal year	(A) Before 1982 Line 40 × applicable fraction or decimal listed below and enter result on line 41	(B) After 1981 Line 42 × applicable fraction or decimal listed below and enter result on line 43
2/1/81– 1/31/82	334/365 or .915068	31/365 or .084932
3/1/81– 2/28/82	306/365 or .838356	59/365 or .161644
4/1/81– 3/31/82	275/365 or .753425	90/365 or .246575
5/1/81– 4/30/82	245/365 or .671233	120/365 or .328767
6/1/81– 5/31/82	214/365 or .586301	151/365 or .413699
7/1/81– 6/30/82	184/365 or .504110	181/365 or .495890
8/1/81– 7/31/82	153/365 or .419178	212/365 or .580822
9/1/81– 8/31/82	122/365 or .334247	243/365 or .665753
10/1/81– 9/30/82	92/365 or .252055	273/365 or .747945
11/1/81–10/31/82	61/365 or .167123	304/365 or .832877
12/1/81–11/30/82	31/365 or .084932	334/365 or .915068

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Enterprise Standard Industrial Classification system authorized by the Statistical Policy Division, Office of Information and Regulatory Affairs, in the Office of Management and Budget, to classify enterprises by type of activity in which they are engaged. The system follows closely the Standard Industrial Classification used to classify establishments.

Using the list below, enter on page 5, under M, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1, page 3) plus all other income (lines 4 through 10, page 3). On page 5, under M, state the principal business activity and principal product or service that accounts for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

AGRICULTURE, FORESTRY AND FISHING

Code
0400 Agricultural production.
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping.

MINING

Metal mining:
1010 Iron ores.
1070 Copper, lead and zinc, gold and silver ores.
1098 Other metal mining.
1150 Coal mining.
Oil and gas extraction:
1330 Crude petroleum, natural gas, and natural gas liquids.
1380 Oil and gas field services.
Nonmetallic minerals (except fuels) mining:
1430 Dimension, crushed and broken stone; sand and gravel.
1498 Other nonmetallic minerals, except fuels.

CONSTRUCTION

General building contractors and operative builders:
1510 General building contractors.
1531 Operative builders.
1600 Heavy construction contractors.
Special trade contractors:
1711 Plumbing, heating, and air-conditioning.
1731 Electrical work.
1798 Other special trade contractors.

MANUFACTURING

Food and kindred products:
2010 Meat products.
2020 Dairy products.
2030 Preserved fruits and vegetables.
2040 Grain mill products.
2050 Bakery products.
2060 Sugar and confectionery products.
2081 Malt liquors and malt.
2088 Alcoholic beverages, except malt liquors and malt.
2089 Bottled soft drinks, and flavorings.
2096 Other food and kindred products.
2100 Tobacco manufactures.
Textile mill products:
2228 Weaving mills and textile finishing.
2250 Knitting mills.
2298 Other textile mill products.
Apparel and other textile products:
2315 Men's and boys' clothing.
2345 Women's and children's clothing.
2388 Hats, caps, millinery, fur goods, and other apparel and accessories.
2390 Misc. fabricated textile products.
Lumber and wood products, except furniture:
2415 Logging camps and logging contractors, sawmills and planing mills.
2430 Millwork, plywood, and related products.
2498 Other wood products, including wood buildings and mobile homes.
2500 Furniture and fixtures.
Paper and allied products:
2625 Pulp, paper, and board mills.
2699 Other paper products.
Printing, publishing and allied industries:
2710 Newspapers.
2720 Periodicals.
2735 Books, greeting cards, and misc. publishing.
2799 Commercial and other printing, and printing trade services.
Chemicals and allied products:
2815 Industrial chemicals, plastics materials and synthetics.
2830 Drugs.
2840 Soap, cleaners, and toilet goods.
2850 Paints and allied products.
2898 Agricultural and other chemical products.
Petroleum refining and related industries (including those integrated with extraction):
2910 Petroleum refining (including those integrated with extraction).
2998 Other petroleum and coal products.
Rubber and misc. plastics products:
3050 Rubber products; plastics footwear, hose and belting.
3070 Misc. plastics products.
Leather and leather products.
3140 Footwear, except rubber.
3198 Other leather and leather products.
Stone, clay, glass, and concrete products:
3225 Glass products.
3240 Cement, hydraulic.
3270 Concrete, gypsum, and plaster products.
3298 Other nonmetallic mineral products.
Primary metal industries:
3370 Ferrous metal industries; misc. primary metal products.
3380 Nonferrous metal industries.
Fabricated metal products, except machinery and transportation equipment:
3410 Metal cans and shipping containers.
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
3430 Plumbing and heating, except electric and warm air.
3440 Fabricated structural metal products.
3460 Metal forgings and stampings.
3470 Coating, engraving, and allied services.
3480 Ordinance and accessories, except vehicles and guided missiles.
3490 Misc. fabricated metal products.
Machinery, except electrical:
3520 Farm machinery.
3530 Construction mining, and materials handling machinery and equipment.
3540 Metalworking machinery.
3550 Special industry machinery, except metalworking machinery.
3560 General industrial machinery.
3570 Office, computing, and accounting machines.
3598 Engines and turbines, service industry machinery, and other machinery, except electrical.
Electrical and electronic machinery, equipment, and supplies:
3630 Household appliances.
3665 Radio, television, and communication equipment.
3670 Electronic components and accessories.
3698 Other electric equipment.
Transportation equipment:
3710 Motor vehicles and equipment.
3725 Aircraft, guided missiles and parts.
3730 Ship and boat building and repairing.
3798 Other transportation equipment.
Measuring and controlling instruments, photographic and medical goods, watches and clocks:
3815 Scientific instruments and measuring devices; watches and clocks.
3845 Optical, medical, and ophthalmic goods.
3860 Photographic equipment and supplies.
3998 Other manufacturing products.

TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS, AND SANITARY SERVICES

Transportation:
4000 Railroad transportation.
4100 Local and interurban passenger transit.
4200 Trucking and warehousing.
4400 Water transportation.
4500 Transportation by air.
4600 Pipe lines, except natural gas.
4700 Other transportation services.
Communication:
4825 Telephone, telegraph, and other communication services.
4830 Radio and television broadcasting.
Electric, gas, and sanitary services:
4910 Electric services.
4920 Gas production and distribution.
4930 Combination utility services.
4990 Water supply and other sanitary services.

WHOLESALE TRADE

Durable:
5008 Machinery, equipment, and supplies.
5010 Motor vehicles and automotive equipment.
5020 Furniture and home furnishings.
5030 Lumber and construction materials.
5040 Sporting, recreational, photographic, and hobby goods, toys, and supplies.
5050 Metals and minerals, except petroleum and scrap.
5060 Electrical goods.
5070 Hardware, plumbing and heating equipment.
5098 Other durable goods.
Nondurable:
5110 Paper and paper products.
5129 Drugs, drug proprietories, and druggists' sundries.
5130 Apparel, piece goods, and notions.
5140 Groceries and related products.
5150 Farm-product raw materials.
5160 Chemicals and allied products.
5170 Petroleum and petroleum products.
5180 Alcoholic beverages.
5190 Misc. nondurable goods.

RETAIL TRADE

Code
Building materials, hardware, garden supply, and mobile home dealers:
5220 Building materials dealers.
5251 Hardware stores.
5265 Garden supplies and mobile home dealers.
5300 General merchandise stores.
5410 Grocery stores.
5490 Other food stores.
Automotive dealers and service stations:
5515 Motor vehicle dealers.
5541 Gasoline service stations.
5598 Other automotive dealers.
5600 Apparel and accessory stores.
5700 Furniture and home furnishings stores.
5800 Eating and drinking places.
Misc. retail stores:
5912 Drug stores and proprietary stores.
5921 Liquor stores.
5995 Other misc. retail stores.

FINANCE, INSURANCE, AND REAL ESTATE

Banking:
6030 Mutual savings banks.
6060 Bank holding companies.
6090 Banks, except mutual savings banks and bank holding companies.
Credit agencies other than banks:
6120 Savings and loan associations.
6140 Personal credit institutions.
6150 Business credit institutions.
6199 Other credit agencies.
Security, commodity brokers, dealers, exchanges, and services:
6210 Security brokers, dealers, and flotation companies.
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services.
Insurance:
6355 Life insurance.
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and services.
Real estate:
6511 Real estate operators (except developers) and lessors of buildings.
6516 Lessors of mining, oil, and similar property.
6518 Lessors of railroad property and other real property.
6530 Condominium management and cooperative housing associations.
6550 Subdividers and developers.
6599 Other real estate.
Holding and other investment companies:
6742 Regulated investment companies.
6743 Real estate investment trusts.
6744 Small business investment companies.
6749 Holding and other investment companies.

SERVICES

7000 Hotels and other lodging places.
7200 Personal services.
Business services:
7310 Advertising.
7389 Business services, except advertising.
Auto repair and services; misc. repair services:
7500 Auto repair and services.
7600 Misc. repair services.
Amusement and recreational services:
7812 Motion picture production, distribution, and services.
7830 Motion picture theaters.
7900 Amusement and recreation services, except motion pictures.
Other services:
8015 Offices of physicians, including osteopathic physicians.
8021 Offices of dentists.
8040 Offices of other health practitioners.
8050 Nursing and personal care facilities.
8060 Hospitals.
8071 Medical laboratories.
8099 Other medical services.
8111 Legal services.
8200 Educational services.
8300 Social services.
8600 Membership organizations.
8911 Architectural and engineering services.
8930 Accounting, auditing, and bookkeeping.
8980 Miscellaneous services (including veterinarians).

U.S. GOVERNMENT PRINTING OFFICE 859-343-128

Form **1120L**

Department of the Treasury
Internal Revenue Service

U.S. Life Insurance Company Income Tax Return

For calendar year 1981, or other tax year beginning ....., 1981 and ending ....., 19.....

OMB No. 1545-0128

1981

Please type or print

Name

Number and street

City or town, State, and ZIP code

A Employer identification number

B Date and place incorporated

For Paperwork Reduction Act Notice, see page 1 of the instructions

Taxable Income

1 (a) Taxable investment income (from Schedule C, line 13)	1(a)		
(b) Gain from operations (from Schedule E, line 26, page 4). (If a loss, enter zero)	1(b)		
(c) Enter the smaller of (a) or (b)		1(c)	
2 50% of any excess of 1(b) over 1(a). (Also enter on Schedule G, line 2(a), page 6)		2	
3 Amount subtracted from policyholders' surplus account (from Schedule G, page 6)		3	
4 Life insurance company taxable income (add lines 1(c), 2, and 3)		4	

Tax

5 Are you a member of a controlled group? ☐ Yes ☐ No If Yes, see instructions and enter your share of the $25,000 amount in each taxable income bracket: (a) $..... (b) $..... (c) $..... (d) $.....			
6 Income tax (see instructions to figure the tax.) If you use the alternative tax, check this box ☐ and enter the tax from Schedule D (Form 1120) here		6	
7 (a) Foreign tax credit (attach Form 1118)	7(a)		
(b) Investment credit (attach Form 3468)	7(b)		
(c) Work incentive (WIN) credit (attach Form 4874)	7(c)		
(d) Jobs credit (attach Form 5884)	7(d)		
(e) Other credits (see instructions)	7(e)		
8 Add lines 7(a) through (e)		8	
9 Balance of tax (subtract line 8 from line 6)		9	
10 Foreign corporations—tax on income not connected with U.S. business (see Tax Computation Instructions)		10	
11 Increase in tax from refiguring an earlier year investment credit (attach Form 4255)		11	
12 Minimum tax on tax preference items (see instructions—attach Form 4626)		12	
13 Total tax (add lines 9 through 12)		13	
14 Credits: (a) Overpayment from 1980 allowed as a credit	14(a)		
(b) 1981 estimated tax payments	14(b)		
(c) Less refund of 1981 estimated tax applied for on Form 4466	14(c) ( )		
(d) Tax deposited with Form 7004	14(d)		
(e) Tax deposited with Form 7005 (attach copy)	14(e)		
(f) Credit from regulated investment companies (attach Form 2439)	14(f)		
(g) Federal tax on special fuels, gasoline and lubricating oil (attach Form 4136)	14(g)		
(h) U.S. income tax paid or withheld at source	14(h)		
(i) Other payments (see instructions)	14(i)		
(j) Total refundable credits (add lines 14(e) through (i))		14(j)	
15 **TAX DUE** (subtract line 14(j) from line 13). See instructions for depositary method of payment		15	
16 **OVERPAYMENT** (subtract line 13 from line 14(j))		16	
17 Enter amount of line 16 you want: **Credited to 1982 estimated tax** ▶ **Refunded** ▶		17	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

▶ Signature of officer Date ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

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Form **1120L** (1981)

Schedule A INVESTMENT YIELD (See instructions)

	1. Interest	2. Accrual of discount	3. Amortization of premium	4. Total (for line 1: add cols. 1 and 2, and subtract col. 3)
Gross Investment Income				
1 Interest:				
(a) Wholly exempt obligations (attach schedule)				
(b) U.S. obligations and U.S. instrumentalities				
(c) Loans, notes, mortgages, bank deposits, bonds, debentures, etc.				
(d) Totals				
2 Dividends (see instructions):				
(a) Domestic corporations that qualify for the 85% deduction				
(b) Certain preferred stock of public utilities				
(c) Foreign corporations that qualify for the 85% or 100% deduction				
(d) Qualifying dividends received from affiliated groups and subject to the 100% deduction (section 243(a)(3))				
(e) Other (attach schedule)				
3 Gross rents (attach schedule)				
4 Gross royalties (attach schedule)				
5 Leases, terminations, etc.				
6 Excess of net short-term capital gain over net long-term capital loss (from Schedule D (Form 1120), line 9)				
7 Gross income from trade or business other than insurance business (attach schedule). Include amount from Form 4797, line 11(b)(1), for investment assets only (see instructions)				
8 GROSS INVESTMENT INCOME (add lines 1(d) through 7)				
Deductions				
9 Investment expenses (attach schedule) (see Schedule A-1)				
10 Real estate expenses (attach schedule)				
11 Depreciation (attach Form 4562)				
12 Depletion (attach schedule)				
13 Trade or business deductions provided in section 804(c)(5) (attach schedule)				
14 Total deductions (add lines 9 through 13)				
15 INVESTMENT YIELD (subtract line 14 from line 8)				

Schedule A-1 LIMITATION OF INVESTMENT EXPENSE DEDUCTION

(Do not fill in this schedule unless you claim a deduction for general expenses allocated to investment income.)

1 Mean of the assets for the tax year (Schedule K, Part I, line 10, column 3)		
2 Statutory amount (multiply line 1 by .0025)		
3 Mortgage service fees		
4 (a) (i) Investment yield figured without investment expenses		
(ii) 3¾% of line 1 (multiply line 1 by .0375)		
(iii) Subtract line (ii) from line (i)		
(iv) 25% of line (iii) (multiply line (iii) by .25)		
(v) Mortgage service fees (line 3)		
(vi) Subtract line (v) from line (iv)		
(b) (i) Mortgages without service fees (Schedule K, Part I, line 2(a), column 3)		
(ii) ¼% of line (i) (multiply line (i) by .0025)		
(c) Enter the greater of line (a)(vi) or line (b)(ii)		
5 Limit on deduction for investment expenses (add lines 2, 3, and 4(c))		

Schedule B PART I—EARNINGS RATE (Section 805(b))

1 Current earnings rate (Schedule A, line 15 divided by Schedule K, Part I, line 10, column 3)	%
2 Earnings rate for first preceding year (attach schedule)	%
3 Earnings rate for second preceding year (attach schedule)	%
4 Earnings rate for third preceding year (attach schedule)	%
5 Earnings rate for fourth preceding year (attach schedule)	%
6 Total (add lines 1 through 5)	%
7 Average earnings rate (see instructions)	%

PART II—AVERAGE INTEREST RATE ASSUMED (Section 805(c)(2))

1. Kind of reserve (life, annuity, etc.)	2. Assumed morbidity or mortality table	3. Assumed interest rate	4. Method of computation (Illinois Standards, etc.)	5. Reserve at beginning of tax year*	6. Reserve at end of tax year*	7. Mean of column 5 and 6**	8. Multiply column 3 by column 7
1							
2							
3							
4							
5 Totals							

6 Average interest rate assumed in figuring life insurance reserves (Divide line 5, column 8 by line 5, column 7) . . . . . %

*See instructions for section 806(b) and section 818(c) adjustments. **Adjusted under section 806(a) (attach schedule).

PART III—ADJUSTED LIFE INSURANCE RESERVES (Section 805(c)(1))

1 Mean of the reserves (Part II, line 5, column 7) . . . . .

2 (a) 100%

(b) Plus ten times the average rate of interest assumed (from Part II, line 6) . . .

(c) Ten times the adjusted reserves rate (the smaller of line 1 or line 7, Part I) . . . . .

(d) Subtract line 2(c) from line 2(b) . . . . . %

3 Adjusted life insurance reserves (multiply line 1 by line 2(d)). Enter here and on Schedule B, Part V, line 1 . .

PART IV—PENSION PLAN RESERVES (Section 805(d))

1 Section 805(d)(1) reserves							
2 Section 805(d)(2) reserves							
3 Section 805(d)(3) reserves							
4 Section 805(d)(4) reserves							
5 Section 805(d)(5) reserves							
6 Section 805(d)(6) reserves							
7 Totals (Enter amount from column 7 on Schedule B, Part V, line 3)							

PART V—POLICY AND OTHER CONTRACT LIABILITY REQUIREMENTS (Section 805(a)) (See instructions)

1 Adjusted life insurance reserves (from Part III, line 3) . . . . .

2 Multiplied by the adjusted reserves rate (the smaller of line 1 or line 7, Part I) . . . . . %

3 Pension plan reserves (Part IV, line 7, column 7) . . . . .

4 Multiplied by the current earnings rate (Part I, line 1) . . . . . %

5 Interest (a) Interest on indebtedness . . . . .

(b) Amounts treated as interest . . . . .

(c) Discount on prepaid premiums . . . . .

(d) Interest on certain special contingency reserves . . . . .

6 Policy and other contract liability requirements (add lines 2, 4 and 5) . . . . .

Schedule C TAXABLE INVESTMENT INCOME (Section 804(a)(2)) (See instructions)

1 Total 100%

2 Policyholders' share (section 804) (Divide Schedule B, Part V, line 6, by Schedule A, line 15), but not more than 100% . . . . %

3 Company's share (subtract line 2 from line 1) . . . . . %

Income	1. Total	2. Exclusion—policyholders' share (line 2 times col. 1)	3. Company's share (subtract col. 2 from col. 1)
4 Interest wholly tax-exempt (Schedule A, line 1(a), column 4—see instructions)			
5 (a) Dividends from Schedule A, line 2(a)			
(b) Dividends from Schedule A, line 2(b)			
(c) Dividends from Schedule A, line 2(c)			
(d) Dividends from Schedule A, line 2(d)			
(e) Dividends from Schedule A, line 2(e)			
6 Other items of investment yield (Schedule A, line 15, less lines 4 and 5 above)			
7 Net capital gain (Schedule D (Form 1120), line 10)			
8 Total (add lines 4 through 7)			

Deductions

9 Interest wholly tax-exempt (line 4, column 3) . . . . .

10 Dividends-received deduction (affiliated groups—see instructions):

(a) 85% of line 5(a), column 3 . . . . .

(b) 59.13% of line 5(b), column 3 . . . . .

(c) 85% or 100% of line 5(c), column 3 (see instructions) . . . . .

(d) Total, but not more than 85% of taxable investment income (line 13) figured without this deduction (see instructions) . .

11 Small business deduction (10% of line 15, Schedule A; members of a controlled group, see instructions)—not over $25,000 . .

12 Total (add lines 9, 10(d) and 11) . . . . .

13 Taxable investment income (line 8 less line 12, but not less than zero). Enter here and on line 1(a), page 1 . .

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Schedule E GAIN OR (LOSS) FROM OPERATIONS (Section 809(b)) (See instructions)

1 Total 100%

2 Policyholders' share (section 809) (Divide Schedule E-1, line 6, by Schedule A, line 15), but not more than 100% . . . . %

3 Company's share (subtract line 2 from line 1) . . . . . %

Income	1. Total	2. Exclusion—policyholders' share (line 2 times column 1)	3. Company's share (column 1 less column 2)
4 Interest wholly tax-exempt (Schedule A, line 1(a), column 4—see instructions)			
5 (a) Dividends from Schedule A, line 2(a)			
(b) Dividends from Schedule A, line 2(b)			
(c) Dividends from Schedule A, line 2(c)			
(d) Dividends from Schedule A, line 2(d)			
(e) Dividends from Schedule A, line 2(e)			
6 Other items of investment yield (Subtract lines 4 and 5 above from Schedule A, line 15)			
7 Totals (add lines 4 through 6)			
8 Net capital gain (Schedule D (Form 1120), line 10)			
9 Gross premiums ..... Less: Return premiums, etc.			
10 (a) Decrease in reserves (after adjustment under section 810(a)) (attach schedule)			
(b) Decrease in section 811(b)(2) reserves (see Schedule E-2, Part I, line 3)			
(c) 10% of any net decrease in reserves required by section 810(d)			
11 Other (attach schedule). Include amount from Form 4797, line 11(b)(2) for other than investment assets (see instructions)			
12 Total (add lines 7 through 11)			

Deductions

13 Death benefits, etc. . . . . .

14 (a) Increase in reserves (after reduction for investment yield under section 810(b)) (attach schedule) . .

(b) 10% of any net increase in reserves required by section 810(d) . . . . .

15 Assumption by another person of liabilities under insurance, etc., contracts . . . . .

16 Interest wholly tax-exempt (line 4, column 3) . . . . .

17 Investment expenses, etc., not deducted on Schedule A (attach schedule) . . . . .

18 Small business deduction (Schedule C, line 11) . . . . .

19 Other deductions not deducted on Schedule A (attach schedule) . . . . .

20 Total (add lines 13 through 19) . . . . .

21 Dividends-received deduction (affiliated groups, see instructions):

(a) 85% of line 5(a), column 3 . . . . .

(b) 59.13% of line 5(b), column 3 . . . . .

(c) 85% or 100% of line 5(c), column 3 (see instructions) . . . . .

(d) Total (but do not enter more than 85% of any excess of line 12 over line 20—see instructions) . . .

22 Operations loss deduction (attach schedule) . . . . .

23 Tentative deduction (add lines 20 through 22) . . . . .

24 Plus: (a) Dividends to policyholders (Schedule E-2, Part IV, line 7) . . . . .

(b) Accident and health, and group life insurance (Schedule E-2, Part IV, line 9) .

(c) Certain nonparticipating contracts (Schedule E-2, Part IV, line 11) . . .

25 Total deductions (add lines 23 and 24) . . . . .

26 Gain or (loss) from operations (subtract line 25 from line 12). Enter here and on page 1, line 1(b) . . . . .

Schedule E-1 REQUIRED INTEREST (Section 809(a)(2))

	1. Rate	2. Beginning of tax year	3. End of tax year	4. Mean of columns 2 and 3	5. Multiply column 1 by column 4
1 Sec. 810(c)(1) reserves (from Schedule B, Part II, line 5, column 8 and Schedule B, Part IV, line 7, column 8)					
2 Sec. 810(c)(3) reserves					
3 Sec. 810(c)(4) reserves					
4 Sec. 810(c)(5) reserves					
5 Sec. 810(c)(6) reserves					

6 Required interest (add lines 1 through 5) . . . . .

Schedule E–2

PART I—DIVIDENDS TO POLICYHOLDERS (Section 809(d)(3))

1 Dividends paid to policyholders
2 (a) Reserve at the end of this tax year
(b) Reserve at the end of the preceding tax year
(c) Difference (subtract (b) from (a))
3 Combine lines 1 and 2(c). If more than zero, enter on Schedule E–2, Part IV, line 7; if less than zero, enter as a positive number on Schedule E, line 10(b)

PART II—CERTAIN ACCIDENT AND HEALTH INSURANCE AND GROUP LIFE INSURANCE (Section 809(d)(6))

1 (a) Net premiums
(b) 2% of line 1(a)
2 (a) 50% of line 1(a)
(b) Deductions allowed or allowable in earlier years under section 809(d)(6)
(c) Difference (subtract 2(b) from 2(a)). If less than zero, enter zero
3 Tentative deduction—Enter the smaller of line 1(b) or 2(c) here and in Schedule E–2, Part IV, line 9

PART III—CERTAIN NONPARTICIPATING CONTRACTS (Section 809(d)(5))

1 (a) Reserve at the end of the tax year
(b) Reserve at the beginning of the tax year
(c) Subtract line 1(b) from line 1(a) (if less than zero, enter zero)
(d) 10% of line 1(c)
2 (a) Net premiums
(b) 3% of line 2(a)
3 Tentative deduction—Enter the greater of line 1(d) or line 2(b) here and in Schedule E–2, Part IV, line 11

PART IV—LIMITATION ON DEDUCTION (SCHEDULE E, LINE 24) (Section 809(f))

1 Statutory amount $250,000
2 (a) Schedule E, line 12
(b) Tentative deduction (Schedule E, line 23)
3 Gain from operations without Schedule E, line 24 (subtract line 2(b) from line 2(a))
4 Taxable investment income (Schedule C, line 13)
5 Subtract line 4 from line 3 (but do not enter less than zero)
6 Maximum possible deduction for Schedule E, line 24 (add lines 1 and 5)
7 Deduction for dividends to policyholders (Schedule E–2, Part I, line 3) (not more than line 6)
8 Maximum deduction for accident and health, and group life insurance (subtract line 7 from line 6)
9 Deduction for accident and health, and group life insurance (Schedule E–2, Part II, line 3) (not more than line 8)
10 Maximum deduction for certain nonparticipating contracts (subtract line 9 from line 8)
11 Deduction for certain nonparticipating contracts (Schedule E–2, Part III, line 3) (not more than line 10)

Schedule F SHAREHOLDERS' SURPLUS ACCOUNT (Section 815(b))

1 (a) Balance at the end of the preceding tax year
(b) Transfers under section 815(d)(1) and (4) for the preceding tax year
(c) Balance at the beginning of the tax year (add line 1(a) and line 1(b))
2 Life insurance company taxable income under section 815(b)(2)(A)(i) (add line 1(c), page 1, and line 2, page 1)
3 Subtract any income on line 2 from net capital gain income. Do not enter less than zero
4 Dividends-received deduction (affiliated groups—see instructions):
(a) 85% of Schedule A, line 2(a)
(b) 59.13% of Schedule A, line 2(b)
(c) 85% or 100% of Schedule A, line 2(c) (see instructions)
(d) Total (but do not enter more than 85% of any excess of line 12, Schedule E, over line 20, Schedule E)
5 Interest wholly tax-exempt (Schedule A, line 1(a), column 4)
6 Small business deduction (Schedule C, line 11)
7 Total (add lines 1 through 6)
8 Tax liability for this year under section 815(b)(2)(B) (income tax figured on line 2 as if line 2 were total life insurance company taxable income)
9 Subtract line 8 from line 7 (do not enter less than zero)
10 Distributions in this tax year (not more than line 9)
11 Balance at the end of the tax year (subtract line 10 from line 9)

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Schedule G POLICYHOLDERS' SURPLUS ACCOUNT (Section 815(c))

1 Balance at the beginning of the tax year
2 (a) 50% of the amount by which the gain from operations is more than the taxable investment income (from page 1, line 2)
(b) Deduction for accident and health, and group life insurance (Schedule E, line 24(b))
(c) Deduction for certain nonparticipating contracts (Schedule E, line 24(c))
3 Total (add lines 1 and 2)
4 (a) Actual distributions that are more than Schedule F, line 9
(b) Tax increase on line 4(a) under section 802(b)(3)
(c) Subtractions under section 815(d)(1) and (4) (see instructions)
(d) Tax increase on line 4(c) under section 802(b)(3)
(e) Subtraction required under section 815(d)(2) due to termination
5 Total—Add lines 4(a) through (e). (Enter the smaller of line 3 or line 5 on page 1, line 3.)
6 Balance at the end of the year (subtract line 5 from line 3, but do not enter less than zero)

Schedule H Additional Information Required (See page 6 of instructions)

	Yes	No
C Are you a:		
(1) Legal reserve company?		
If Yes, check kind of company: ☐ Stock ☐ Mutual		
Principal business: ☐ Life insurance ☐ Health and accident insurance		
(2) Fraternal or assessment association		
(3) Burial or other insurance company		
D Are you a member of a controlled group subject to the provisions of section 1561?		
If Yes, check type of relationship (see section 1563): (1) ☐ Parent-subsidiary (2) ☐ Brother-sister (3) ☐ Combination of (1) and (2)		
E Enter the percentage that the total of your life insurance reserves (sec. 801(b)) plus unearned premiums and unpaid losses (whether or not ascertained) on noncancellable life, health or accident policies not included in life insurance reserves, is to your total reserves (sec. 801(c)). Attach schedule. ____%		
F Do you have any variable annuity contracts outstanding?		
G (1) Did you, at the end of the tax year, own, directly or indirectly, 50% or more of the voting stock of a domestic corporation (for rules of attribution, see section 267(c))?		
If Yes, attach a schedule showing: (a) Name, address, and identifying number; (b) Percentage owned; and (c) Taxable income or (loss) from line 28, page 1, Form 1120 of that corporation for the tax year ending with or within your tax year.		
(2) Did any individual, partnership, corporation, estate, or trust, at the end of the tax year, own, directly or indirectly, 50% or more of your voting stock (for rules of attribution, see section 267(c))?		
If Yes, attach a schedule showing: (a) Name, address, and identifying number, and (b) Percentage owned. (c) If the owner of that voting stock was a person other than a U.S. person, check Yes and show owner's country ▶		
H Did you previously file a copy of the annual statement for the preceding years as required?		
If Yes, name the Internal Revenue Service Center in which filed ▶		
I Does a copy of the 1981 NAIC annual statement accompany this return? If No, see instructions under Penalties on page 8 and attach an explanation		
J Did you claim a deduction for:		
(a) Entertainment facility (boat, resort, ranch, etc.)?		
(b) Living accommodation (except for employees on business)?		
(c) Employees attending conventions or meetings outside the North American area? (See section 274(h).)		
(d) Employees' families at conventions or meetings?		
If Yes, were any of these conventions or meetings outside the North American area? (See section 274(h).)		
(e) Employee or family vacations not reported on Form W-2?		
K Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957)		
If Yes, attach Form 3646 for each corporation.		
L At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country?		
M Were you ever the grantor of or transferor to a foreign trust that existed during the current tax year, whether or not you had any beneficial interest in it?		
If Yes, you may be required to file Forms 926, 3520, or 3520A.		
N During the tax year were any of your tax accounting records maintained on a computerized system?		

Schedule J COMPENSATION OF OFFICERS (See page 6 of instructions for information to be attached.)

Schedule K ASSETS (Section 805(b)(4)) AND TOTAL INSURANCE LIABILITIES (Section 819(a)) (See instructions)

PART I—ASSETS (Section 805(b)(4))

	1. Beginning of tax year	2. End of tax year	3. Mean of column 1 and column 2*
1 Real estate			
2 Mortgages: (a) Without service fees			
(b) With service fees			
3 Collateral loans			
4 Policy loans, including premium notes			
5 Corporate bonds			
6 Stocks			
7 Government obligations, etc. (attach schedule)			
8 Bank deposits, cash, etc.			
9 Other assets (attach schedule)			
10 Totals			
		General account	Separate account
11 Assets at the end of the tax year (line 10, column 2) ▶			

*Adjusted under section 806(a) (see instructions—attach schedule)

PART II—Total Insurance Liabilities (Section 819(a))

Item	1. Section	2. NAIC* page 3	3. Description of item	4. General account	5. Separate account
1	801(c)(1)	Line 1	Reserve for life policies and contracts		
			Subtract: Deficiency reserves		
2	801(b)(1)	Line 2	Reserve for accident and health policies		
			Subtract: Reserves for rate credits		
3	810(c)(3)	Line 3	Supplementary contracts without life contingencies		
4	801(b)(1)	Line 4.1	Policy and contract claims, life		
			Subtract: Resisted life claims		
5	801(b)(1)	Line 4.2	Policy and contract claims, accident and health		
6	810(c)(4)	Line 5	Policyholders' dividend and coupon accumulations		
7	810(c)(5)	Line 9	Premiums and annuity considerations received in advance		
			Subtract: Discount		
8	810(c)(5)	Line 10	Liability for premium and other deposit funds		
9			Miscellaneous insurance liabilities, not included above:		
	810(c)(6)		(a) Special contingency reserves for group life, health and accident insurance		
	810(c)(3)		(b) Amounts held at interest under insurance, annuity or deposit administration contracts or pension trust side funds		
	810(c)(3)		(c) Funds held to provide for future conversion of policies or contracts		
	810(c)(3)		(d) Amounts held pending issue of contracts supplementary to insurance or annuity contracts		
	801(c)(3)		(e) Other insurance liability or adjustments: (i) Reserves for mortality fluctuations		
			(ii) Liability for insurance or annuity benefits for employees and agents		
	801(c)(3)		(f) Other items (please describe):		
10			Totals		

*1981 Annual Statement Form approved by the National Association of Insurance Commissioners. References in column 2 apply to the general account only.

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Department of the Treasury
Internal Revenue Service

1981 Instructions for Form 1120L U.S. Life Insurance Company Income Tax Return

(References are to the Internal Revenue Code.)

Highlights

The Economic Recovery Tax Act of 1981 (the Act) made the following important changes in the tax law:

(1) For tax years beginning after December 31, 1981, the tax rates are reduced for the two lowest taxable income brackets. For the taxable income bracket of $25,000 or less, the rate for tax years beginning after 1981 is 16%, and after 1982, 15%. For the taxable income bracket over $25,000 but not over $50,000, the rate for tax years beginning after 1981 is 19%, and after 1982, 18%. Because of these tax rate changes, a fiscal year 1981–82 corporation must prorate its tax under section 21.

(2) New section 168 was added by the Act to provide for the Accelerated Cost Recovery System (ACRS) of depreciation. You must use this new system for most assets placed in service after December 31, 1980. See Form 4562, Depreciation, for more information.

(3) There are many changes in the investment credit. See Form 3468, Investment Credit, for details.

(4) For tax years ending after June 30, 1981, there is a credit for increasing qualified research activities. See Form 6765, Credit for Increasing Research Activities, for more information.

(5) The gain or loss on certain short-term Federal, State and municipal obligations acquired after June 23, 1981, is now treated as gain or loss from capital assets. See section 1232(a)(4).

(6) Generally, operations losses from tax years ending after 1975 can now be carried forward for 15 years. See section 812. Also, credits such as the investment credit, WIN credit, jobs credit and alcohol fuels credit, can now be carried forward for 15 years. See section 207(c) of the Act.

General Instructions

Paperwork Reduction Act Notice.—We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws, and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose.—This form is used to report the income and expenses of a life insurance company and to figure any tax that may be due.

Other Forms Needed.—In addition to Form 1120L, you may need to file one or more of the following information forms. Other forms you may need are listed in the instructions.

1. *Forms W–2 and W–3.*—Employee's wage and tax statement; and transmittal of income and tax statements.

2. *Form W–2P.*—Statement for recipients of annuities, pensions or retired pay, and periodic payments from retirement plans and Individual Retirement Arrangements.

3. *Forms 1087–DIV, INT, MED, MISC, and OID.*—Nominees' information returns for reporting dividends, interest, medical and health care payments, miscellaneous income, and original issue discount that were received on behalf of another person.

4. *Form 1096.*—Annual summary and transmittal of U.S. information returns.

5. *Form 5452.*—Corporate report of nontaxable dividends.

6. *Forms 966 and 1099L.*—Information returns for dissolution or liquidation and distributions in liquidation.

7. *Forms 1099–BCD, DIV, INT, MED, MISC, NEC, OID, PATR, and R.*—Information returns for reporting bearer certificates of deposit, dividends, interest income, medical and health care payments, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, and total distributions from profit-sharing and Individual Retirement Arrangements.

8. *Form 5713.*—International boycott report. Persons who participate in or cooperate with an international boycott may have to complete Schedule A or B and Schedule C of Form 5713 to figure loss of the following items: foreign tax credit, deferral of earnings of controlled foreign corporations, and DISC benefits.

Note: *Life insurance companies that do not include the NAIC annual statement with their income tax returns may be subject to a penalty.* *See page 8.*

Consolidated returns.—For tax years beginning after December 31, 1980, if an affiliated group of corporations includes one or more domestic insurance companies taxed under section 802 or 821, the common parent may elect to treat those companies as includible corporations. The insurance companies must have been members of the group for the 5 tax years immediately preceding the tax year for which the election is made. See section 1504(c)(2).

The parent corporation of an affiliated group must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, each subsidiary must attach Form 1122, Authorization and Consent of Subsidiary Corporation to be included in a Consolidated Income Tax Return.

File supporting statements for each corporation included in the consolidated return. Use columns to show the following, both before and after adjustments:

- Items of gross income and deductions.
- A computation of taxable income.
- Balance sheets as of the beginning and end of the tax year.
- A reconciliation of retained earnings.
- A reconciliation of income per books with income per return.

Attach consolidated balance sheets and a reconciliation of consolidated retained earnings.

Who must file Form 1120L.—Every domestic life insurance company and every foreign corporation carrying on an insurance business within the U.S. (if its U.S. business would qualify as a life insurance company) must file a return on Form 1120L. However, this is true only for companies:

- that issue life insurance and annuity contracts either separately or combined with health and accident insurance, or noncancellable contracts of health and accident insurance, and
- whose life insurance reserves, plus unearned premiums and unpaid losses (whether or not ascertained), on noncancellable life, health, or accident policies not included in life insurance reserves, make up more than 50% of its total reserves, adjusted in each case for policy loans as required by section 801(d).

Noncancellable includes guaranteed renewable life, health, and accident insurance that the company cannot cancel but under which the company reserves the right to adjust premium rates by classes, according to experience under the kind of policy involved. Life insurance reserves and total reserves do not include deficiency reserves.

A burial or funeral benefit insurance company engaged directly in the manufacture of funeral supplies or the performance of funeral services is taxable under section 821 or section 831 and should file Form 1120M, U.S. Mutual Insurance Company Income Tax Return, or Form 1120, U.S. Corporation Income Tax Return.

If a receiver, trustee in bankruptcy, or assignee has possession of, or holds title to, all or substantially all of a corporation's property or business whether or not it is being operated, that person must make a return in the same manner and form as would be required were the corporation to make its own return.

If a life insurance company disposes of its life insurance business and life insurance reserves under a reinsurance agreement with another company, but continues its corporate existence while winding up and liquidating its affairs, it will not be taxable as a life insurance company after the effective date of the agreement.

Where to file.—

If the corporation's principal business, office, or agency is located in ▼	Use the following Internal Revenue Service Center address ▼
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Michigan, Ohio	Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
California, Hawaii	Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania, foreign countries and U.S. possessions	Philadelphia, PA 19255

If all the books and records are kept in the managing corporation's principal office, the separate returns of a group of corporations may be filed with the service center where the managing corporation files its return.

When to file.—In general, a corporation must file Form 1120L by the 15th day of the 3d month after the end of the tax year. A new corporation filing a short period return must generally file by the 15th day of the 3d month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3d month after the date it dissolved.

File Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return, to request an automatic 3-month extension of time to file Form 1120L.

File Form 7005, Application for Additional Extension of Time to File Corporation Income Tax Return, to request more time if you need it after you have gotten an automatic 3-month extension by filing Form 7004.

Period covered.—File the return for tax years beginning in 1981. If the corporation ceased to exist in 1981, write "FINAL RETURN" at the top of the form.

Accounting methods.—You must file the return using the accrual method of accounting or, to the extent permitted under regulations, a combination of the accrual method with any other method, except the cash receipts and disbursements method.

Unless the law specifically permits, you cannot change the method of accounting used to report income in earlier years (for income as a whole or for any material item) unless you first get IRS consent on Form 3115, Application for Change in Accounting Method.

Rounding off to whole-dollar amounts.—You may show money items as whole-dollar amounts by dropping any amount less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

Percentage computations.—In figuring earnings rates, assumed rates, and the policyholders' and company's share of investment yield, carry out the computation to enough decimal places to ensure substantial accuracy and to eliminate any significant error in the resulting tax.

Pension, profit-sharing, etc., plans.—If you are an employer who maintains a pension, profit-sharing, or other funded deferred compensation plan (other than a Simplified Employee Pension) whether or not it is qualified under the Internal Revenue Code and whether or not you claim a deduction for the current tax year, generally you are required to file one of the forms described below. The Employee Retirement Income Security Act of 1974 provides penalties for not filing these forms on time.

Form 5500, Annual Return/Report of Employee Benefit Plan—Complete this form for each plan with 100 or more participants.

Form 5500–C, Annual Return/Report of Employee Benefit Plan, or Form 5500–R, Registration Statement of Employee Benefit Plan—Complete the applicable form for each plan with fewer than 100 participants.

Note: *Only one return is required to be filed for a plan of a controlled group of corporations or a multiemployer-collectively-bargained plan. Individual participating or contributing employers are not required to file separately.*

Transfers to corporation controlled by transferor.—If a person receives stock or securities of a corporation in exchange for property, and does not have a gain or loss that is recognized under section 351, the transferor and the transferee must attach the information required by regulations section 1.351–3.

Sales and Exchanges of Life Insurance Company Property

Capital assets.—Beginning this year, life insurance companies filing Form 1120L use Schedule D (Form 1120), Capital Gains and Losses, to report sales and exchanges of capital assets.

Each item of property a corporation holds (whether or not connected with its business) is a capital asset, except as provided in section 1221. But gains or losses from the sale or exchange of depreciable assets of any business (other than an insurance business) that the life insurance company carries on will be treated as gains or losses from the sale or exchange of capital assets. In addition, gains or losses from the sale or exchange of investment assets will be treated as gains or losses from the sale or exchange of capital assets.

Complete Schedule D (Form 1120) according to its instructions. Enter the net short-term capital gain minus the net long-term capital loss from line 9, Schedule D (Form 1120) on line 6, Schedule A, Form 1120L. Enter the net capital gain from line 10, Schedule D (Form 1120) on line 7, Schedule C, and line 8, Schedule E, Form 1120L. Attach Schedule D (Form 1120) to Form 1120L.

Assets used in a trade or business and involuntary conversions.—Beginning this year, life insurance companies should use Form 4797, Supplemental Schedule of Gains and Losses, to report sales and exchanges of assets used in a trade or business, and involuntary conversions.

Section 817(a) provides that in applying section 1231(a), property used in a trade or business includes only (1) property used in carrying on an insurance business that is real property held for more than 1 year, or depreciable property held for more than 1 year; and (2) timber, coal, and domestic iron ore to which section 631 applies. The term does not include inventoriable property, property held primarily for sale to customers, or certain copyrights, literary, musical or artistic compositions, letters or memoranda, and similar property.

Complete Form 4797 through line 11(a) according to its instructions. Enter ordinary income from investment assets (from line 25, Part III, Form 4797), on line 11(b)(1), Form 4797, (write "investment assets" in right hand margin) and on line 7, Schedule A, Form 1120L. Subtract line 11(b)(1) from line 11, Form 4797, and enter the result on line 11(b)(2), Form 4797, and on line 11, Schedule E, Form 1120L. Attach Form 4797 to Form 1120L.

Special rules for section 817(b) property.—See section 817(b) and related regulations for how to limit the gain from the sale or exchange of any section 817(b) property.

Foreign Life Insurance Companies.—A foreign life insurance company that sells a U.S. real property interest after June 18, 1980, must file Form 1120L and Schedule D (Form 1120) to report the sale. Gain or loss from the sale of a U.S. real property interest is considered effectively connected with the conduct of a U.S. business, even though the foreign life insurance company does not carry on any insurance business in the U.S. and is not otherwise required to file a U.S. income tax return.

Alternative tax on capital gains.—See instructions for line 6 on page 7 to figure the alternative tax.

Specific Instructions

These instructions are numbered to correspond with the line numbers on Form 1120L. Other line items are self-explanatory.

Box A. Employer identification number.—Enter the employer identification number (EIN) of the corporation.

If the corporation does not have an EIN, apply for one on Form SS–4, Application for Employer Identification Number, available from any IRS or Social Security Administration office. Send Form SS–4 to the same Internal Revenue Service Center to which you send Form 1120L. Write "applied for" in the space provided for the EIN if you do not receive it by the time Form 1120L must be filed.

SCHEDULE A—Investment Yield

Investment yield means gross investment income, as defined in section 804(b), less the deductions allowed in section 804(c). Report all items of income and allowable deductions in Schedule A to provide the basis for the exclusion of the policyholders' share of the investment yield from the life insurance company's taxable income.

Line 1. Interest.—Enter interest from all sources during the tax year. Decrease the gross interest reported by the amortization of premium and increase it by the accrual of discount (except market discount) for the tax year on bonds, notes, debentures, or other evidences of indebtedness. Determine these amounts by:

- the method regularly used, if reasonable, or
- regulations prescribed by the Secretary of the Treasury.

See section 818(b). Attach a statement showing the method and computation used.

Line 2. Dividends

(a) Enter dividends received from domestic corporations subject to income tax that qualify for the 85% deduction under section 243(a)(1).

So-called dividends or earnings received from mutual savings banks, money market certificates, etc., are really interest and should not be treated as dividends.

For dividends received from a regulated investment company, see section 854 for the amount that qualifies for the 85% deduction.

(b) Enter dividends received on the preferred stock of a public utility subject to income tax that is allowed the deduction under section 247 for dividends paid.

(c) Enter dividends received:

- from foreign corporations that qualify for the 85% deduction under section 245(a);
- from wholly-owned foreign subsidiaries that qualify for the 100% deduction under section 245(b). Attach a schedule showing the amount of these dividends included on line 2(c).

(d) Enter dividends that qualify for the 100% dividends-received deduction under section 243(a)(3) that are subject to the elective provisions of section 243(b).

(e) Attach a schedule showing separately:

- Foreign dividends not reportable on line 2(c). (Exclude distributions of amounts constructively taxed in the current year or earlier years under subpart F.)
- Income constructively received from controlled foreign corporations under subpart F. This should equal the total amounts reported in Schedule A of Form(s) 3646.
- Gross-up of dividends for taxes considered paid under sections 902 and 960.
- Dividends (other than capital gain and exempt interest dividends) received from regulated investment companies that do not qualify for the 85% deduction.
- Dividends from tax-exempt organizations.
- Dividends (other than capital gain dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856 through 860.
- Dividends not eligible for the dividends-received deduction because of the stock's holding period or an obligation to make corresponding payments on similar stock.
- Any other taxable dividend income not properly reported above.

Line 3. Gross rents.—Enter the gross rents received for property. Deduct expenses such as repairs, taxes, and depreciation in the proper lines for deductions.

Line 4. Gross royalties.—Enter gross royalties. If you take a deduction for depletion, report it on line 12.

Line 5. Leases, terminations, etc.—Enter the gross income from entering into (or changing or ending) any lease, mortgage, or other instrument or agreement from which the life insurance company earns interest, rents, or royalties.

Line 6. Net short-term capital gain minus net long-term capital loss.—Enter the amount by which the net short-term capital gain is more than the net long-term capital loss (line 9, Schedule D (Form 1120)).

Line 7. Gross income from trade or business other than insurance business.—Enter the gross income from any business (other than an insurance business) carried on by the life insurance company, or by a partnership of which the life insurance company is a member.

Include section 1245, section 1250, and other gains for investment assets only from Form 4797, line 11(b)(1). See instructions on page 2 under **Assets used in a trade or business and involuntary conversions.**

Deductions

Line 9. Investment expenses.—Enter expenses that are properly chargeable as investment expenses. If you allocate general expenses to investment expenses, the total deduction cannot exceed line 5, Schedule A–1. Attach a schedule showing the nature and amount of items included. Group the minor items into one amount.

Line 10. Real estate expenses.—Enter all ordinary and necessary building expenses (such as taxes, fire insurance, heat, light, labor, and the cost of incidental repairs which neither materially add to the value of the property nor appreciably prolong its life, but keep it in an ordinary efficient operating condition). Include only expenses for real estate the company owns, and itemize them in an attached schedule. Do not include any amount for new buildings or for permanent improvements made to increase the value of any property; or any amount spent on foreclosed property before it is offered for rent.

Line 11. Depreciation.—See Instructions for Form 4562, Depreciation.

Limitation on deductions for real estate owned and occupied.—Do not include in the deductions on lines 10 and 11 any amounts for real estate the company owns and occupies for insurance purposes. Allocate the deductions in the same ratio as the rental value of the space not occupied for insurance purposes is to the space that is occupied for insurance purposes. Attach a detailed schedule.

Line 12. Depletion.—See sections 613 and 613A for percentage depletion rates for natural deposits.

Attach Form T (Timber), Forest Industries Schedules, if you claim a deduction for timber depletion.

Line 13. Trade or business deductions.—Enter total deductions for any trade or business income that is included in the life insurance company's gross investment income under section 804(b)(3). Do not include deductions for any insurance business. Do not include losses from (or considered as from) sales or exchanges of capital assets, or property used in the business (as defined in section 1231(b)), or from the compulsory or involuntary conversion of property used in the business.

The deduction for net operating losses (section 172) and the special deductions (sections 241 through 250) are not allowed.

SCHEDULE B

Purpose.—This schedule is used to determine policy and other contract liability requirements. This computation furnishes the numerator, with the total investment yield as the denominator, to determine the policyholders' share of investment yield on Schedule C.

Definition.—Policy and other contract liability requirements means the total of:

- the adjusted life insurance reserves (from Part III), multiplied by the adjusted reserves rate (the smaller of line 1 or line 7, Part I);
- the mean of the pension plan reserves at the beginning and end of the tax year (from Part IV), multiplied by the current earnings rate (from Part I); and
- the interest paid.

Part I—Earnings Rates (Section 805(b))

Definitions.—Current earnings rate is the percentage determined by dividing the investment yield for the tax year from Schedule A by the mean of the assets at the beginning and end of the tax year from Schedule K, Part I, line 10, column 3.

Average earnings rate is the total of the current earnings rate for the current tax year and the earnings rate for each of the 4 tax years immediately preceding the current tax year, divided by 5. If the company was an insurance company (but not a life insurance company) in any of the 4 years preceding the current tax year, make the computation as if the company were a life insurance company for that year. If the company was not in existence or was not an insurance company for one or more of the 4 preceding years make no entry for that year or years. Determine the average earnings rate (line 7) by adding the percentages and dividing this total by the number of years for which entries are made. For example, if entries are made on three lines, divide the total by 3.

Part II—Average Interest Rate Assumed

Purpose.—Use this schedule to determine a rate used in the computation of adjusted life insurance reserves (Part III). Exclude pension plan reserves from life insurance reserves for determining the taxpayer's assumed rate under this part. See Part IV.

Columns 5 and 6. Adjustment under section 806(b).—If the basis for determining the amount of any item referred to in section 810(c) (life insurance reserves, etc.) at the end of the tax year differs from the basis for the determination at the beginning of the tax year, you must figure the amount at the end of the tax year on the old basis, and the amount at the beginning of the next tax year on the new basis.

Adjustment under section 818(c).—This adjustment is required if the company actually figures its life insurance reserves on a recognized preliminary term basis but elects to convert them to a net level premium basis in figuring the reserves for tax purposes.

If elected, the conversion may be made by one of two methods:

Method 1. Exact revaluation: Figure the reserves for all contracts (for which reserves are figured on a preliminary term basis) on a net level premium basis using the same mortality assumptions and interest rates for both the preliminary term basis and the net level premium basis.

Method 2. Approximate revaluation: For contracts for which you figure reserves on the preliminary term basis, increase the reserves by the total of:

- $21 per $1,000 of insurance in force (other than term insurance), less 2.1% (.021) of reserves under these contracts; plus
- $5 per $1,000 of term insurance in force under contracts which, when issued, covered a period of more than 15 years, less 0.5% (.005) of reserves under these contracts.

A life insurance company may elect, under section 818(c), the approximate revaluation method for all its life insurance reserves, except for noncancellable accident and health reserves. For these you may use the exact revaluation method.

Column 7. Adjustment under section 806(a).—If, during the tax year, life insurance reserves change due to the transfer between the company and another person of liabilities under contracts taken into account in figuring the reserves, adjust the means of the reserves on a daily basis to reflect the amount involved in the transfer. (See regulations section 1.806–3.) This adjustment applies whether or not the transferor of the liabilities was the original insurer. However, this adjustment does not apply to reinsurance another person cedes to another person. For the definition of life insurance reserves, see section 801(b).

Part III—Adjusted Life Insurance Reserves

This is the mean of the life insurance reserves (as defined in section 801(b)), figured under Part II and adjusted in Part III. Use this amount to figure the policy and other contract liability requirements in Part V.

Part IV—Pension Plan Reserves

Adjust these reserves under sections 806(b) and 818(c) as described in Part II above.

Part V—Policy and Other Contract Liability Requirements

Line 5. Interest Paid

(a) Enter all interest paid for the tax year, except on indebtedness incurred or

continued to purchase or carry obligations on which the interest income is wholly tax-exempt.

(b) Enter all amounts treated as interest, whether or not guaranteed, for the tax year on insurance or annuity contracts (including supplementary contracts) that at the time of accrual do not involve life, health, or accident contingencies.

(c) Enter all discounts treated as interest, whether or not guaranteed, on premiums or other consideration paid in advance on insurance or annuity contracts.

(d) Enter all interest for the tax year on special contingency reserves under contracts of group term life insurance or group health and accident insurance that are established and maintained to provide insurance on retired lives, to stabilize premiums, or both.

SCHEDULE C—Taxable Investment Income

General.—The policyholders' share of each item of investment yield (including tax-exempt interest and dividends received) of any life insurance company cannot be included in taxable investment income.

Line 2.—Enter the policyholders' percentage share of each item of investment yield. Determine this percentage by dividing the policy and other contract liability requirements from Schedule B by the investment yield from Schedule A. If the policy and other contract liability requirements are more than the investment yield, the policyholders' share must be 100%.

Line 3.—The difference between 100% and the percentage on line 2 is the life insurance company's share of any item of investment yield.

Lines 4 through 7.—Enter on line 4, column 1, the interest that is wholly tax-exempt under section 103. (When a municipality originally issues securities at a price not less than par value and a purchaser later acquires them at a discount, the discount is not tax-exempt interest under section 103.) Multiply each amount in column 1 by the percentage from line 2 and enter the product for each line in column 2. The amounts entered in column 2 are the policyholders' share of these items. Enter in column 3 the difference you get by subtracting column 2 from column 1. The amounts in column 3 are the company's share of these items of investment yield.

Deductions

Line 9. Interest wholly tax-exempt.—Enter the amount from line 4, column 3. This is the company's share of wholly tax-exempt interest. It is not included in taxable investment income.

Line 10. Dividends-received deduction.—(a) Dividends received from domestic corporations.—Enter 85% of the company's share (from line 5(a), column 3) of the dividends (except dividends on certain preferred stock of public utilities) from domestic corporations subject to income tax. Members of certain affiliated groups may elect to deduct 100% of the qualifying dividends received from other members of the same group. Include the company's share of the 100% deduction on line 10 (a). See section 243.

(b) Dividends received on certain preferred stock of public utilities.—Enter 59.13% of the company's share (from line 5(b), column 3) of the dividends received on the preferred stock of a public utility

subject to income tax that is allowed a deduction for dividends paid under section 247. See section 244.

(c) Dividends received from foreign corporations subject to the 85% or 100% deduction.—

- Enter 85% of the company's share of dividends received from foreign corporations that qualify for the 85% deduction.
- Enter 100% of the company's share of dividends received from wholly-owned foreign subsidiaries that qualify for the 100% deduction provided in section 245(b).

See section 245 for qualifications and limitations on these deductions.

(d) Total dividends-received deduction.—The dividends-received deduction cannot be more than 85% of line 8, minus lines 9 and 11 (taxable investment income figured without this deduction).

A member of an electing affiliated group is also limited to 85% of taxable investment income figured without this deduction. But the qualifying dividends received from the same group are not subject to the 85% limitation.

In general, no dividends-received deduction will be allowed on any share of stock if the corporation disposes of it after holding it 15 days or less; or to the extent the corporation is obligated to make corresponding payments on substantially identical stock or securities.

Line 11. Small business deduction.—Enter 10% of the investment yield from Schedule A. But the deduction cannot be more than $25,000.

Members of a controlled corporate group are limited to one $25,000 small business deduction. See section 1561(a).

SCHEDULE E—Gain or (Loss) From Operations

General.—The policyholders' share of each item of investment yield (including tax-exempt interest and dividends received) of any life insurance company cannot be included in gain or loss from operations.

Income

Line 2.—Enter the policyholders' percentage share of each item of investment yield. This percentage is determined by dividing the required interest from Schedule E–1 by the investment yield from Schedule A. If the required interest is more than the investment yield, then the policyholders' share must be 100%.

Lines 4 through 7.—See instructions for Schedule C, lines 4 through 7.

Line 9.—Enter the gross premiums and other consideration (including advance premiums, deposits, fees, assessments, and consideration from assuming liabilities under contracts not issued by the company) on insurance and annuity contracts (including supplementary contracts). After Less: enter return premiums, and premiums and other consideration for reinsurance ceded. Except for premiums or other consideration returned to another life insurance company from reinsurance ceded, you cannot include amounts returned when they are not fixed in the contract but depend on the company's experience or the management's discretion. But treat as return premiums amounts rebated or refunded due to policy cancellations or to incorrectly figured premiums.

Line 10(a). Decrease in reserves.—Take the sum of the items described in section 810(c) at the end of the tax year, reduced by the policyholders' share of investment yield not included in gain and loss from operations (from line 7, column 2). Subtract this amount from the sum of the items at the beginning of the tax year. Enter the excess on line 10(a).

Line 10(b). Decrease in section 811(b)(2) reserves.—Enter the amount from line 3, Part I, Schedule E–2. This is the amount by which the decrease for the tax year in the reserves for policyholder dividends is more than the dividends paid to policyholders during the year.

Line 10(c). 10% of net decrease in reserves.—Enter 10% of any net decrease in reserves required under section 810(d).

Line 11. Other amounts.—Enter the total other income not included in figuring investment yield and not otherwise included above if the items are includible in gross income. Include all gains for other than investment assets from Form 4797, line 11 (b)(2). See instructions on page 2 under **Assets used in a trade or business and involuntary conversions.** But exclude all gains that are, or are considered to be, from the sale or exchange of capital assets.

Deductions

Line 13. Death benefits, etc.—Enter all claims and benefits accrued (including matured endowments and amounts allowed on surrender) and losses incurred (whether or not ascertained) during the year on insurance, annuity, and supplementary contracts. Losses incurred (whether or not ascertained) means a reasonable estimate of losses incurred but not reported, and losses reported, but the amount cannot be determined by the end of the year.

Line 14(a). Increase in reserves.—Take the sum of the items described in section 810(c) at the beginning of the tax year. Subtract this amount from the sum of the items at the end of the tax year, reduced by the policyholders' share of investment yield not included in gain or loss from operations, from line 7, column 2. Enter the excess on line 14(a).

Line 14(b). 10% of net increase in reserves.—Enter 10% of any net increase in reserves required under section 810(d).

Line 15. Assumption by another person of liabilities under insurance, etc., contracts.—Enter the consideration (other than consideration from reinsurance ceded) from the assumption by another person of liabilities under insurance and annuity contracts (including supplementary contracts).

Line 16. Interest wholly tax-exempt.—Enter the amount from line 4, column 3. This is the company's share of wholly tax-exempt interest that is not included in gain or loss from operations.

Line 17. Investment expenses.—(1) Subtract the amount allowed in figuring investment yield on Schedule A from total investment expenses. (2) If line 14, Schedule A, is more than line 8, Schedule A, add the excess to the result of (1) and enter the total on line 17. Attach a schedule showing computations.

Line 18. Small business deduction.—See instructions for Schedule C, line 11.

Line 19. Other deductions.—Enter the total of all other deductions not included in figuring investment yield and not included in lines 21 through 24. Attach a schedule showing the kind and amount of items included and group the minor items into one amount. If you claim a deduction for depreciation, attach Form 4562, Depreciation.

Include all items allowable as deductions in figuring taxable income except:

(a) Interest.—No deduction is allowed under section 163 for interest on the items described in section 810(c).

(b) Bad debts.—No deduction is allowed for an addition to reserves for bad debts under section 166(c), but a deduction for specific bad debts is permitted if the other provisions of that section apply.

(c) Contributions.—Attach a schedule showing the name of each organization and the amount for a contribution made in property other than money. Describe the kind of property contributed and the method used in determining its fair market value. If you made a qualified conservation contribution under section 170 (h), include the fair market value of the underlying property before and after the donation. Describe the conservation purpose furthered by your donation and the type of legal interest contributed. If you include a contribution carryover, show the amount and how it was determined. For limitation and the application of a charitable contribution carryover, see regulations section 1.809–6(c).

In applying section 170, figure the 5% limitation on total deductions under section 809(e)(3). See regulations section 1.809–6(c).

Charitable contributions over the 5% limitation may not be deducted for the tax year but may be carried over to the next 5 tax years.

Companies on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the end of the tax year if the board of directors authorizes the contribution during the tax year. Attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contribution was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

For a charitable contribution of property, you must reduce the contribution by the sum of:

- the ordinary income, short-term capital gain and
- for certain contributions, 60.87% of the long-term capital gain

that would have resulted if the property were sold at its fair market value. The reduction for 60.87% of the long-term capital gain applies to 1. contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption, and 2. contributions of any property to or for the use of certain private foundations. (See section 170(e) and regulations section 1.170A–4.)

For special rules for contributions of inventory and other ordinary income property to certain organizations, and contribution of scientific property used for research, see section 170(e).

For a charitable contribution deduction for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

(d) Amortizable bond premiums.—No deduction is allowed under section 171 since a deduction for these premiums has already been taken in Schedule A.

(e) Net operating loss deduction.—The deduction under section 172 is not allowed since an operations loss deduction is allowed: See line 22.

(f) Dividends received.—No deduction is allowed under sections 243, 244, or 245 because of the deduction allowed under section 809(d)(8). See line 21.

Line 21. Dividends-received deduction.—(a) Dividends received from domestic corporations.—Enter 85% of the company's share (from line 5(a), column 3) of dividends (except dividends on certain preferred stock of public utilities) from domestic corporations subject to income tax. Members of certain affiliated groups may elect to deduct 100% of the qualifying dividends received from other members of the same group. Include the company's share of the 100% deduction on line 21(a). See section 243.

(b) Dividends received on certain preferred stock of public utilities.—Enter 59.13% of the company's share (from line 5(b), column 3) of dividends on the preferred stock of a public utility subject to income tax that is allowed a deduction for dividends paid under section 247. See section 244.

(c) Dividends received from foreign corporations subject to the 85% or 100% deduction.—

- Enter 85% of the company's share of dividends received from foreign corporations that qualify for the 85% deduction.
- Enter 100% of the company's share of dividends received from wholly-owned foreign subsidiaries that qualify for the 100% deduction provided in section 245(b).

See section 245 for qualifications and limitations on these deductions.

(d) Section 246(b) limitation.—In applying the 85% limitation to the total dividends-received deduction, figure the gain from operations without the deductions for certain nonparticipating contracts (line 24(c)); accident and health insurance, and group life insurance (line 24(b)); dividends to policyholders (line 24(a)); the operations loss deduction (line 22); and the dividends-received deduction. Since those items have not been deducted, the 85% limitation applies to the amount by which line 12 is more than line 20.

For a member of an electing affiliated group, the 85% limitation also applies to any amount by which line 12 is more than line 20. But qualifying dividends received from the same group are not subject to the 85% limitation.

The 85% limitation does not apply to any year for which there is a loss from operations.

Line 22. Operations loss deduction.—This deduction determined under section 812 is similar to the net operating loss deduction provided by section 172.

The operations loss deduction is the total of the operations loss carryovers and carrybacks to the tax year. See section 812 (a).

Generally, you may carry a loss from operations incurred in tax years beginning after 1975 back to each of the 3 years preceding the year of the loss and carry it over to each of the 15 years following the year of the loss. **Or you may make an irrevocable election** to carry the loss only to each of the 15 years after the loss year. See section 812(b). If the company is a new company for the loss year, the carryover is for 18 years. For the definition of a new company, see section 812(e). After you apply the loss from operations to the first tax year to which it may be carried, the part of the loss you may carry to each of the remaining tax years is the amount by which the loss is more than the sum of the offsets for each of the earlier tax years to which the loss may be carried.

Offset means the increase in the operations loss deduction for the tax year that reduces the life insurance company taxable income (figured without section 802(b)(3)) for the year to zero.

To determine the loss from operations subtract line 12 from the allowable deductions. But:

- No operations loss deduction is allowed.
- You must figure the deductions allowed by section 243 (dividends received by corporations), section 244 (dividends received on certain preferred stock of public utilities), and section 245 (dividends received from certain foreign corporations) without section 246(b), as modified by section 809(d)(8)(B).

See section 844 for special loss carryover rules for an insurance company that has changed its form of organization or has had a change in the nature of its insurance business.

For tax treatment of recoveries of foreign expropriation losses, see section 1351.

Line 24.—The deduction for certain nonparticipating contracts, accident and health insurance and group life insurance, and dividends to policyholders cannot be more than $250,000 plus any amount by which:

- the gain from operations for the tax year, figured without these deductions, is more than
- the taxable investment income for the tax year.

That limitation will apply first to the deduction for dividends to policyholders; then to accident and health insurance and group life insurance; and finally to certain nonparticipating contracts. See Schedule E–2, Part IV.

SCHEDULE E–1—Required Interest (Section 809(a)(2))

To find the required interest for any tax year add the products you get by multiplying each rate of interest required or assumed in calculating the reserves described in section 810(c) by the means of these reserves figured at that rate at the beginning and end of the tax year.

SCHEDULE E–2

PART I—Dividends to Policyholders (Section 809(d)(3))

In general, amounts returned when the amount is not fixed in the contract but depends on the company's experience or the management's discretion are treated as dividends to policyholders. The term does not include interest paid (as defined in section 805(e)), or so-called excess interest payments made for supplementary contracts not involving life, accident, or health contingencies merely because the interest payments are more than the amounts guaranteed under these contracts.

To find the deduction, take the dividends paid to policyholders during the tax year and add (or subtract) any increase (or decrease) in the reserves for policyholder dividends payable during the next tax year. Reserves for policyholder dividends at the end of any tax year include all amounts set aside by the 15th day of the 3d month

of the year after the tax year for payment of policyholder dividends during the year after the tax year.

If the decrease for the tax year in the reserves for policyholder dividends is more than the dividends paid to policyholders during the year, the excess is taken into account as an income item in Schedule E, line 10(b).

Part II—Certain Accident and Health Insurance and Group Life Insurance (Section 809(d)(6))

This deduction is 2% of the premiums for the tax year for accident and health insurance contracts (other than those to which Schedule E–2, Part III, applies) and group life insurance contracts. Premiums means the net amount of the premiums and other consideration shown in Schedule E. But the deduction allowed for the current tax year and all preceding tax years cannot be more than 50% of the contract premiums for the current tax year.

Part III—Certain Nonparticipating Contracts (Section 809(d)(5))

This deduction is the greater of:

- 10% of the increase for the tax year in the reserves for nonparticipating contracts (excluding group contracts) or
- 3% of the premiums for the tax year (as defined in Part II above, except for the part of the premiums that is for annuity features) for nonparticipating contracts (other than group contracts) that are issued or renewed for periods of 5 years or more.

Reserves for nonparticipating contracts means the part of the life insurance reserves (excluding the part of the reserves that is for annuity features) for nonparticipating contracts (other than group contracts).

Whether a contract meets the 5-year requirement will be determined at the date it was issued or renewed. Thus, a 20-year nonparticipating endowment policy will qualify under section 809(d)(5), even though the individual insured dies at the end of the second year, since the policy was issued for a period of 5 years or more. However, a 1-year renewable term contract will not qualify, since at the date it was issued (or at any renewal date), it was not for a period of 5 years or more. Also, a policy originally issued for a 3-year period later renewed for an additional 3-year period will not qualify. But, if this policy were renewed for 5 years or more, the policy would qualify under section 809(d)(5) from the date it was renewed.

Part IV—Limitation on Deduction (Schedule E, line 24) (Section 809(f))

This schedule calculates the limitation provided in section 809(f) and explained in connection with Schedule E, line 24.

SCHEDULE F—Shareholders' Surplus Account (Section 815(b))

Section 815(b)(1) provides that each stock life insurance company (whether domestic or foreign) must establish and maintain a shareholders' surplus account. You must increase the balance in this account at the beginning of the tax year by the net additions under section 815(b)(2) (lines 2 through 8 of Schedule F). In determining how much to enter on line 3, reduce the net capital gain, if any, by the taxable income (figured without section 802 (b)(3)). For the limitation of the dividends-

received deduction on line 4 when the 100% dividends-received deduction under section 243(a) applies, see the instructions for Schedule E, line 21(d). Subtract from this account any amount treated under section 815 as a distribution to shareholders. Treat any distribution to shareholders as made first out of this account.

SCHEDULE G—Policyholders' Surplus Account (Section 815(c))

Section 815(c)(1) provides that every stock life insurance company (whether domestic or foreign) must establish and maintain a policyholders' surplus account. Increase the balance in this account at the beginning of the tax year by the additions in section 815(c)(2) (line 2 of Schedule G). Decrease the balance by the subtractions in section 815(c)(3) (line 4 of Schedule G).

Line 4(a).—Enter the actual distributions to shareholders that are more than the amount on Schedule F, line 9.

Line 4(b).—(1) Subtract the taxpayer's tax rate from 100%. (2) Divide the distributions on line 4(a) by the difference. (3) Subtract line 4(a) from the result of (2). Enter the amount you get on line 4(b).

Line 4(c).—(1) Determine the total amounts to be subtracted from the policyholders' surplus account under sections 815(d)(1) and 815(d)(4). Do this only after you have made the subtractions on lines 4(a) and (b).

(2) Add 100% to the taxpayer's tax rate. For example, if the tax rate is 46%, the result would be 146%.

(3) Divide the result of step (1) by the result of step (2). Enter on line 4(c). You must also add the amount on line 4(c) to the shareholders' surplus account at the beginning of the next tax year.

Line 4(d).—Subtract the result of step (3) from the result of step (1). Enter on line 4(d). This is the tax on the amount on line 4(c).

Section 815(d)(5) provides that if any addition to the policyholders' surplus account increases or creates a loss from operations and part or all of the loss cannot be used in any other year to reduce the company's taxable income, then the loss will reduce the policyholders' surplus account at the time the addition was made. You must reduce the account after any addition and before any subtraction. If the account has been adjusted under section 815(d)(5) and the balance at the end of the preceding tax year is different from the balance at the beginning of this year, attach a schedule showing the adjustments.

SCHEDULE H—Additional Information Required

(The letters in these instructions correspond with questions on Form 1120L, page 6.)

G. U.S. person.—This means: a citizen or resident of the United States, a domestic partnership, a domestic corporation, or any estate or trust (except as defined in section 7701(a)(31)).

Owner's country, for individuals, is their country of residence. For all others, it is the country where incorporated, organized, created, or administered.

H. Annual statement.—You must include with Form 1120L a copy of the annual statement for life insurance companies adopted by the National Association of Insurance Commissioners for 1981, as filed with the insurance department of the State, or District of Columbia. The statement must show the reserves used in figuring taxable income reported on Form 1120L, with copies of NAIC Schedules A (real estate) and D (bonds and stocks). See regulations section 1.6012–2(c).

You must furnish similar copies for the last 4 years if you have not already filed them. A foreign life insurance company carrying on a life insurance business within the U.S. must submit copies only for the company's U.S. business.

You may file miniature statements instead of larger statements.

K. Stock ownership in foreign corporations.—Attach the required statement if the company owned 5% or more in value of the outstanding stock of a foreign personal holding company. See section 551 (c).

If you control a foreign corporation or are a 10% or more shareholder of a controlled foreign corporation, you may be required to file Forms 2952, Information Return with Respect to Controlled Foreign Corporations, and 3646, Income from Controlled Foreign Corporation.

L. Foreign financial accounts.—Check the Yes box if:

1. At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country, and
   - The combined value of the accounts was more than $1,000 at any time during the year; AND
   - The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Otherwise, check the No box.

Get Form 90–22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If you checked Yes, file Form 90–22.1 by June 30, 1982, with the Department of the Treasury at the address shown on the form. Form 90–22.1 is not a tax return, so do not file it with the IRS.

You can get Form 90–22.1 from many IRS offices.

M. Foreign trusts.—Check the Yes box if you were ever a grantor of, or a transferor to, a foreign trust that existed during the tax year.

SCHEDULE J—Compensation of Officers

Attach a schedule using the following columns: 1. Name of officer. 2. Social security number. 3. Time devoted to business. 4. Amount of compensation. 5. Expense account allowance.

Complete columns 1 through 4 for all officers. Complete column 5 for your six highest paid officers. To determine the highest paid officers, add all allowances, including expense account allowances, to each officer's compensation. Expense account allowance means amounts, other than compensation, received as advances or reimbursements, and amounts paid by or for the corporation, for expenses incurred by or on behalf of an officer. Column 5 does not have to be completed for any officer for whom the combined amount is less than $50,000.

Each member of an affiliated group included in a consolidated return must furnish this information.

SCHEDULE K—Assets (Section 805(b)(4)) and Total Insurance Liabilities (Section 819(a))

Part I—Assets

Purpose.—Make this computation to determine the earnings rates in Schedule B, Part I. All filers must complete Part I of Schedule K.

Definition.—Assets means all assets of the company (including nonadmitted assets) and all moneys but not real and personal property (other than money) that the company uses to carry on an insurance business.

Valuation.—Use the fair market value for real property and stocks. Use the adjusted basis for determining gain on sale or other disposition for other assets. Determine this adjusted basis under section 1011, and related sections, without section 817(b).

Section 806(a) adjustment.—Life insurance reserves may either increase or decrease during the tax year because liabilities under contracts taken into account in figuring these reserves are transferred between the taxpayer and another person. If that happens, adjust the mean of the assets daily to reflect the amounts involved in the transfer. See regulations section 1.806–3. Attach a schedule showing the adjustment.

Part II—Total Insurance Liabilities

Foreign insurance companies must maintain a certain surplus of U.S. assets over their U.S. insurance liabilities. That minimum surplus is determined by multiplying their U.S. insurance liabilities by a percentage proclaimed by the Secretary of the Treasury. The Secretary determines the percentage from data supplied by insurance companies in Schedule K. See section 819 (a). All insurance companies required to file Form 1120L should submit this schedule.

Companies with only general accounts should complete column 4 of the schedule. Companies with segregated asset accounts should include information for their general accounts in column 4 and for the total of all separate accounts in column 5.

Total insurance liabilities means the sum of the total reserves as defined in section 801(c), plus the items referred to in paragraphs (3), (4), (5), and (6) of section 810(c), to the extent not included in total reserves, at the end of the tax year.

Enter each item of total insurance liabilities on the appropriate line. Enter on line 9(f) any other amounts included in the definition of total insurance liabilities, but not described on this schedule.

Foreign insurance companies should report total insurance liabilities and section 805(b)(4) assets for their U.S. business only.

Tax Computation Instructions

(These instructions are numbered to correspond with the lines on Form 1120L, page 1.)

General.—Section 802(a)(1) provides a tax on life insurance company taxable income figured at the rates in section 11.

Note: If you are filing this return for a fiscal year 81–82 corporation, see section 21 and section 11(b) as amended by the Economic Recovery Tax Act of 1981 before figuring your tax.

Line 5. Taxable income bracket amount.—Generally, corporations are entitled to one $25,000 amount in each taxable income bracket. However, members of a controlled group (as defined in section 1563) must share the $25,000 in each taxable income bracket.

Unless you elect an unequal apportionment plan, you as members of a controlled group will divide each taxable income bracket amount equally. But you may elect to divide the amounts in any way you choose.

If you adopt or amend an apportionment plan, each of you as a member of the controlled group must attach to your tax return a copy of your consent to the plan. The consent should show the amount of each taxable income bracket for that member, and other data. See section 1561 for the time and manner of making the election.

As a member of a controlled group you should enter your share of the taxable income bracket on lines 5(a), (b), (c), and (d) and figure your tax using the schedule below, instead of the instructions for line 6.

1. Enter taxable income (line 4, page 1)	
2. Enter line 1 above or your share of the first $25,000 taxable income bracket, whichever is less	
3. Subtract line 2 from line 1	
4. Enter line 3 or your share of the second $25,000 taxable income bracket, whichever is less	
5. Subtract line 4 from line 3	
6. Enter line 5 or your share of the third $25,000 taxable income bracket, whichever is less	
7. Subtract line 6 from line 5	
8. Enter line 7 or your share of the fourth $25,000 taxable income bracket, whichever is less	
9. Subtract line 8 from line 7	
10. 17% of line 2	
11. 20% of line 4	
12. 30% of line 6	
13. 40% of line 8	
14. 46% of line 9	
15. Add lines 10 through 14. Enter here and on line 6, page 1	

See Alternative Tax, below, if it applies.

Line 6. Income tax

If the amount on line 4 is: Over—	But not over—	Enter on line 6:	Of the amount over—
0	$25,000	17%	0
$25,000	50,000	$4,250+20%	$25,000
50,000	75,000	9,250+30%	50,000
75,000	100,000	16,750+40%	75,000
100,000	.....	26,750+46%	100,000

See Alternative Tax, below, if it applies.

Alternative Tax.—Figure taxable income for alternative tax purposes as follows:

1. Taxable investment income (page 1, line 1(a))	
2. Net capital gain (line 10, Schedule D (Form 1120))	
3. Subtract line 2 from line 1 (if less than zero, enter zero)	
4. Gain from operations (page 1, line 1(b))	
5. Net capital gain (line 10, Schedule D (Form 1120))	
6. Subtract line 5 from line 4 (if less than zero, enter zero)	
7. Smaller of line 3 or line 6	
8. If line 6 is greater than line 3, enter 50% of any excess on this line	
9. Amount subtracted from policyholders' surplus account (page 1, line 3)	
10. Add lines 7, 8, and 9	

Enter the amount from line 10, above, on line 14, Schedule D (Form 1120). Complete the rest of that schedule according to its instructions.

Enter the smaller of the regular tax or the alternative tax on Form 1120L, page 1, line 6. Check the box on line 6 if the alternative tax applies.

Line 7(a). Foreign tax credit.—Use Form 1118, Computation of Foreign Tax Credit—Corporations, to figure the credit.

Line 7(b). Investment credit.—If your corporation invested in certain types of trade or business property, or qualified energy property, you may be able to take the investment credit.

See Form 3468, Computation of Investment Credit, and Schedule B (Form 3468), Computation of Business Energy Investment Credit, to figure these credits.

Line 7(c). Credit for wages paid or incurred in Work Incentive (WIN) program.—See Form 4874, Credit for Work Incentive (WIN) Program Expenses, for definitions, special rules, and limitations. Also see **Publication 906,** Targeted Jobs, WIN and Research Credits.

This credit is only available for wages paid or incurred in tax years beginning before January 1, 1982.

Do not take a deduction for that part of the wages or salaries paid or incurred that is equal to the WIN credit determined without the limitation based on tax.

See the instruction for line 7(d), Jobs Credit, for how to identify lines on which the corporation has reduced its salary and wage deduction(s).

Line 7(d). Jobs credit.—The credit, if elected, is allowed for hiring members of certain targeted groups during the tax year. See Form 5884, Jobs Credit, for definitions, special rules, and limitations. Also see **Publication 906,** Targeted Jobs, WIN and Research Credits.

Do not take a deduction for that part of the wages or salaries paid or incurred that is equal to the jobs credit determined without the limitation based on tax. Members of a controlled group or a business under common control with other businesses, see section 280C.

Attach a schedule to Form 1120L to show how and where you reduced the salary and wage deduction(s). Show in this schedule the otherwise allowable deduction(s) before the reduction and the net amount actually deducted. Identify the line number, schedule, and page number of Form 1120L on which you made a reduction. If the reduction of salaries and wages is less than the jobs credit on Form 5884 plus the WIN credit on Form 4874, explain the difference.

Line 7(e). Other credits.—Possessions corporation tax credit.—Use Form 5712, Election to be Treated as a Possessions Corporation Under Section 936, to claim this tax credit. Figure the credit on Form 5735, Computation of Possessions Corporation Tax Credit Under Section 936, and include the credit in line 7(e). Write the amount of the credit and identify it as a section 936 credit on the line next to the entry space. Attach Forms 5712 and 5735 to your return.

Alcohol fuel credit and production of nonconventional source fuel credit.—If the corporation can claim a credit for alcohol fuels or production of nonconventional source fuels, include it on this line. See the instructions for Form 6478, Credit for Alcohol Used as Fuel, and sections 44D, 44E and 86. Attach Form 6478 or a separate schedule to the return.

Credit for increasing research activities.—If the corporation is engaged in qualified research activities, see Form 6765, Credit for Increasing Research Activities, for how to claim the credit. Write the amount of the credit on the dotted line next to the entry on line 7(e) and identify it as a section 44F credit. Attach Form 6765 to your return.

Line 10. Foreign corporations.—A foreign corporation carrying on an insurance business within the U.S. is taxable the same as a domestic insurance company on its income effectively connected with the conduct of a trade or business within the U.S. See sections 842 and 897. Income from sources outside the U.S. from U.S. business is treated as effectively connected with the conduct of a trade or business within the U.S. For a definition of effectively connected income, see sections 864(c) and 897.

Any other U.S. source income received by a foreign corporation not effectively connected with the conduct of a business within the U.S. is taxed at 30% (or lower treaty rate). See section 881. If you have this income, attach a schedule showing the kind and amount of income, tax rate (30% or lower treaty rate), and amount of tax.

When the surplus a foreign life insurance company holds in the U.S. is less than a specified minimum, section 819 requires an adjustment. When this minimum surplus adjustment applies, the tax imposed by section 881 is reduced under section 819(a)(3). Attach a statement showing how you figured the reduction of section 881 tax. Enter the net tax imposed by section 881 on line 10, page 1.

Line 11. Increase in tax from refiguring an earlier year investment credit.—If you dispose of property, or it ceases to qualify, before the end of the useful life you use to figure the regular or energy investment credit, you must refigure the credit. If the credit you took including carrybacks and carryovers is more than the refigured credit, you must increase the tax by the excess in the year you disposed of the property. Use Form 4255, Recapture of Investment Credit, to figure the tax increase.

You cannot subtract the tax increase from refiguring an earlier year investment credit from the current year's investment credit.

Line 12. Minimum tax.—Attach Form 4626, Computation of Minimum Tax—Corporations and Fiduciaries, if tax preference items are more than $10,000 even if there is no minimum tax, **OR** if any minimum tax is deferred from an earlier tax year to this year. If you are a member of a controlled group, you must attach Form 4626 if your share of tax preference items is more than your share of the $10,000 exclusion.

Some tax preference items are: accelerated depreciation on real property (including the ACRS deduction on 15-year real property); amortization of certified pollution control facilities, railroad rolling stock, on-the-job training facilities and child care facilities; reserve for losses on bad debts of financial institutions; depletion; and capital gains.

Line 14(b). Estimated tax.—You must make estimated tax payments if you are a corporation and can expect your estimated tax (income tax less credits) to be $40 or more.

You may use Form 1120–W as a worksheet to figure estimated tax.

Line 14(c). Refund of Estimated Tax.—You may file Form 4466 for a quick refund if an overpayment of estimated tax is (1) at least 10% of expected income tax liability AND (2) at least $500. You must apply within 2½ months after the tax year ends and before you file Form 1120L.

Line 14(i). Other payments.—If your company overpaid the Crude Oil Windfall Profit Tax, enter on line 14(i) the overpayment from Form 6249, Computation of Overpaid Windfall Profit Tax. See the instructions for that form for more information.

Line 15. Tax due.—You must pay the tax due in full or in two installments: 50% by the 15th day of the 3d month after the tax year ends and 50% by the 15th day of the 6th month after the tax year ends.

Deposit corporation income tax payments and estimated tax payments with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualifying as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) servicing the area where the corporation is located. Records of deposits will be sent to the Internal Revenue Service for crediting to the corporation's account. See the instructions on the back of Form 503 for additional information and exceptions.

Preinscribed FTD Forms 503 will be mailed to corporations regularly, based on the tax year of the corporation. If you need deposit forms you may request them from the Internal Revenue Service Center where you file your returns. The request must include the corporation's name, employer identification number, address, and the tax year for which the deposits are made.

Penalties.—Avoid penalties and interest by correctly filing and paying the tax when due.

1. A corporation that does not file its tax return by the due date including any extensions of time for filing may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. The penalty is charged on the net amount due under section 6651(a)(1).

Since regulations section 1.6012–2(c) requires that the NAIC annual statement be filed as part of the return, a penalty may be imposed under section 6651(a)(1) for not including the annual statement when filing the return.

2. A corporation that does not pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. The penalty is charged on the net amount due under section 6651 (a)(2).

These penalties will not be imposed if the corporation can show that the failure to file or to pay was due to reasonable cause and not to willful neglect.

These penalties are in addition to the interest charge imposed on unpaid tax at a rate determined under section 6621.

3. A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment under section 6655, at a rate determined under section 6621.

If the corporation underpaid estimated tax, attach Form 2220, Underpayment of Estimated Income Tax by Corporations, to show how you figured the penalty or which exceptions you believe the corporation meets.

Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

Paid Preparer's Information.—If your corporate officer filled in Form 1120L, the Paid Preparer's Use Only area should remain blank. If someone prepares Form 1120L and does not charge the corporation, that person should not fill in the Paid Preparer's Use Only area. Certain others who prepare Form 1120L should not fill in the Paid Preparer's Use Only area. For example, a regular, full time employee of the corporation such as clerk, secretary, etc., does not have to sign.

Generally, anyone who is paid to prepare Form 1120L must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer is required to sign Form 1120L, please contact an IRS office.

The person required to sign the return as preparer MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable);
- Give a copy of Form 1120L to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should know their responsibilities. **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns, lists some of the preparers' other responsibilities and penalties for which they may be liable. The publication also contains the regulations that govern their work.

U.S. GOVERNMENT PRINTING OFFICE : 1981—O-349-131

Form **1120M**
Department of the Treasury
Internal Revenue Service

U.S. Mutual Insurance Company Income Tax Return

For calendar year 1981, or other tax year beginning _____, 1981, and ending _____, 19____

OMB No. 1545-0566

1981

Please type or print

Name — A Employer identification number

Number and street — B Date incorporated

City or town, State, and ZIP code — C Place incorporated

Part I—Taxable Income and Tax Computation

1	Taxable investment income or (loss)—Part II, line 23. If less than $6,000, see instructions for line 11	1	
2	Statutory underwriting income or (loss)—Part III, line 36	2	
3	Amounts subtracted from the Protection Against Loss Account—Schedule E, line 4(f)	3	
4	Total (combine lines 1, 2, and 3)	4	
5	Unused loss deduction (attach schedule)	5	
6	Mutual insurance company taxable income (subtract line 5 from line 4). If less than $12,000, see instructions for line 8	6	
7	(a) Are you a member of a controlled group? ☐ Yes ☐ No If Yes, see instructions and enter your share of each taxable income bracket: (i) $_____ (ii) $_____ (iii) $_____ (iv) $_____		
	(b) Income tax—see instructions to figure the tax	7(b)	
8	Special computation (see instructions)	8	
9	Enter amount reciprocal must include (see instructions)	9	
10	Total (line 7(b) or line 8, whichever applies, plus line 9)	10	
11	Alternative tax for certain small companies (see instructions)	11	
12	Income tax—Enter the smallest of line 10, line 11 (if it applies), or the alternative tax from Schedule D (Form 1120). Check box ☐ if tax is from Schedule D (Form 1120)	12	
13	Tax credits—(a) Foreign tax credit (attach Form 1118) 13(a)		
	(b) Investment credit (attach Form 3468) 13(b)		
	(c) Work incentive (WIN) credit (attach Form 4874) 13(c)		
	(d) Jobs credit (attach Form 5884) 13(d)		
	(e) Other credits (see instructions) 13(e)		
	(f) Total credits (add lines 13(a) through 13(e))	13(f)	
14	Subtract line 13(f) from line 12	14	
15	Foreign corporations—Tax on income not connected with U.S. business (see instructions)	15	
16	Increase in tax from refiguring an earlier year investment credit (attach Form 4255)	16	
17	Minimum tax on tax preference items (see instructions—attach Form 4626)	17	
18	Total tax (add lines 14 through 17)	18	
19	Credits and payments: (a) Overpayment from 1980 allowed as a credit 19(a)		
	(b) 1981 estimated tax payments 19(b)		
	(c) Less refund of 1981 estimated tax applied for on Form 4466 19(c) ( )		
	(d) Tax deposited with Form 7004 19(d)		
	(e) Tax deposited with Form 7005 (attach copy) 19(e)		
	(f) Credit by reciprocal for tax paid by attorney-in-fact under section 826(e) 19(f)		
	(g) Other refundable credits and payments (see instructions) 19(g)		
	(h) Total credits and payments	19(h)	
20	**TAX DUE** (subtract line 19(h) from line 18). See instructions for depositary method of payment	20	
21	**OVERPAYMENT** (subtract line 18 from line 19(h))	21	
22	Enter amount of line 21 you want: Credited to 1982 estimated tax ▶ _____ Refunded ▶	22	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer — Date — ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ▶ ☐ | Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ | E.I. No. ▶ | ZIP code ▶

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Form 1120M (1981) — Page 2

Part II—Taxable Investment Income or (Loss)—Section 822

		1. Interest received	2. Amortization of premium	3. Balance (Column 1 minus column 2)
Gross Investment Income	1 Interest on:			
	(a) Wholly exempt obligations (attach schedule)			
	(b) U.S. obligations			
	(c) Loans, notes, mortgages, bank deposits, bonds, debentures, etc.			
	(d) Totals			
	2 Dividends (from Schedule B, line 6)			
	3 Gross rents (attach schedule)			
	4 Gross royalties (attach schedule)			
	5 Gross income from trade or business other than insurance business and from Form 4797. (Include sections 1245, 1250, etc. gains for investment assets only.)			
	6 Leases, etc.			
	7 Total (add lines 1(d) through 6)			
	8 Gain from separate Schedule D (Form 1120)			
	9 Gross investment income (add lines 7 and 8)			
Deductions	10 Taxes			
	11 Real estate expenses			
	12 Depreciation (attach Form 4562—see instructions for line 12)			
	13 Depletion (attach schedule)			
	14 Trade or business deductions as provided in section 822(c)(8) (attach schedule)			
	15 Interest paid or accrued			
	16 Other capital losses (from Schedule C, line 12, column g)			
	17 Total (add lines 10 through 16)			
	18 Interest wholly exempt from tax (from line 1(a), column 3)			
	19 Investment expenses (attach schedule—see instructions for line 19)			
	20 Total deductions (add lines 17 through 19)			
	21 Subtract line 20 from line 9			
	22 Dividends-received deduction (from Schedule B, line 12—see Schedule B instructions for limitation)			
	23 Taxable investment income or (loss) (subtract line 22 from line 21). Enter here and on Part I, line 1			

Schedule A Invested Assets Book Values

(Complete only if you claim a deduction for general expenses allocated to investment income.)

		1. Beginning of tax year	2. End of tax year
1	Real estate		
2	Mortgage loans		
3	Collateral loans		
4	Policy loans, including premium notes		
5	Bonds of domestic corporations		
6	Stock of domestic corporations		
7	Government obligations, etc. (attach schedule)		
8	Bank deposits bearing interest		
9	Other interest-bearing assets (attach schedule)		
10	Total (add lines 1 through 9)		
11	Add columns 1 and 2, line 10		
12	Mean of the invested assets for the tax year (enter one-half of line 11)		
13	¼ of 1% of line 12 (multiply line 12 by .0025)		
14	Income base (subtract line 17, Part II from line 9, Part II)		
15	3¾% of line 12 (multiply line 12 by .0375)		
16	Subtract line 15 from line 14 (but do not enter less than zero)		
17	25% of line 16 (multiply line 16 by .25)		
18	Limitation on deduction for investment expenses (add lines 13 and 17)		

Schedule B Dividends (See instructions)

Income		Deductions	
1 Certain domestic corporations		7 85% of line 1	
2 Certain public utility corporations		8 59.13% of line 2	
3 Certain foreign corporations		9 85% (see instr. for 100%) of line 3	
4 Certain affiliated groups		10 Total (see instructions for 85% limitation)	
5 Other corporations (attach schedule)		11 100% of line 4	
6 Total (add lines 1 through 5)		12 Total (add lines 10 and 11)	

Part III—Statutory Underwriting Income or (Loss)—Section 823

Gross Income

1 Investment income—Section 832(b)(2): (a) Interest
(b) Dividends (from Schedule B, line 6)
(c) Rents (attach schedule)
2 Premiums earned—Section 832(b)(4)
3 (a) Net gain from sale or other disposition of capital assets—Section 832(b)(1)(B) (attach Schedule D (Form 1120))
(b) Ordinary gain from attached Form 4797 (include all sections 1245, 1250, etc. gains)
4 Other income—Section 832(b)(1)(C) (attach schedule)
5 Decrease in subscriber accounts—Section 823(b)(2)(B)
6 Gross income (add lines 1 through 5)

Deductions

7 Salaries and wages—Section 832(c)(1)
8 Rents—Section 832(c)(1)
9 Interest—Section 832(c)(2)
10 Taxes—Section 832(c)(3)
11 Losses incurred on insurance contracts—Section 832(c)(4)
12 Other capital losses—(from Schedule C, line 12, col. g)
13 Worthless agency balances and bills receivable—Section 832(c)(6)
14 Interest excluded under section 103—Section 832(c)(7)
15 Depreciation—Section 832(c)(8) (attach Form 4562)
16 Depletion—Section 832(c)(8) (attach schedule)
17 Contributions—Section 832(c)(9) (not over 5% of line 24—see instructions)
18 Dividends paid or declared to policyholders—Section 832(c)(11)
19 Increase in subscriber accounts—Section 823(b)(2)(A)
20 Pension, profit-sharing, etc. plans—Section 832(c)(10) (see instructions)
21 Employee benefit programs—Section 832(c)(10) (see instructions)
22 Other deductions—Section 832(c)(10) (attach schedule)
23 Total deductions (add lines 7 through 22)
24 Subtract line 23 from line 6
25 Dividends-received deduction—Section 832(c)(12) (Schedule B, line 12—see Schedule B instructions for limitation)
26 Total deductions (add lines 23 and 25)
27 Subtract line 26 from line 6
28 Taxable investment income or (loss) (from Part II, line 23)
29 Subtract line 28 from line 27 (If a loss, skip line 30 and enter the loss on line 31.)
30 (a) Limitation — $1,100,000.00
(b) Amount from Part II, line 7
(c) Premiums (see instructions)
(d) Total (add lines 30(b) and (c)). If $500,000 or less, skip line 30(e) and enter $6,000 (but not more than line 29) on line 30(f)
(e) Subtract line 30(d) from line 30(a). If less than zero, enter zero on line 30(f)
(f) 1% of line 30(e) (multiply line 30(e) by .01). Do not enter more than line 29
31 Underwriting gain or (loss)—subtract line 30(f) from line 29

Protection Against Loss Deduction

32 1% of line 11 (multiply line 11 by .01)
33 25% of underwriting gain on line 31 (multiply gain on line 31 by .25). If line 31 is zero or a loss, skip lines 34(a)–(e) and enter a zero on line 34(f)
34 Concentrated risks: (a) Premiums earned (line 2, above)
(b) Amount of line 34(a) attributable to insuring against losses arising, either in any one State or within 200 miles of any fixed point selected by the taxpayer, from windstorm, hail, flood, earthquake, or similar hazards
(c) Divide line (b) by line (a) — %
(d) Limitation — 40%
(e) Premium percentage that exceeds 40% (subtract (d) from (c)) — %
(f) Multiply line 31 (if a gain) by line 34(e)
35 Protection against loss deduction (add lines 32, 33, and 34(f)). Enter here and in Schedule E, line 2

36 Statutory underwriting income or (loss) (combine lines 35 and 31). Enter here and in Part I, line 2

Schedule C Other Capital Losses (See Instructions) (Capital assets sold or exchanged to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders)

1 Dividends and similar distributions paid to policyholders
2 Losses paid
3 Expenses paid
4 Total (add lines 1, 2, and 3)
5 Interest received (Part II, line 1(d), col. 3, adjusted to cash method if on accrual method)
6 Dividends received (Schedule B, line 6, adjusted to cash method if on accrual method)
7 Lines 3 through 6 of Part II (adjusted to cash method if on accrual method)
8 Net premiums received (adjusted to cash method if on accrual method)
9 Total (add lines 5 through 8)
10 Limitation on gross receipts from sales of capital assets (subtract line 9 from line 4, but not less than zero)

a. Description of capital asset	b. Date acquired	c. Gross sales price	d. Cost or other basis	e. Expense of sale	f. Depreciation allowed (or allowable)	g. Loss (col. d plus col. e less the sum of cols. c and f)
11						
12 Totals—column c must not be more than line 10. (Enter column g in Part II, line 16, and Part III, line 12)						

Schedule E Protection Against Loss Account

1 Balance at beginning of year
2 Addition (from Part III, line 35)
3 Total (add lines 1 and 2)
4 Subtractions (attach computation of any that apply):
(a) Section 824(d)(1)(A)
(b) Section 824(d)(1)(B)
(c) Section 824(d)(1)(C)
(d) Section 824(d)(1)(D)
(e) Section 824(d)(1)(E)
(f) Total (add lines (a) through (e)). Enter here and on page 1, line 3
5 Balance at end of year (subtract line 4(f) from line 3)

Schedule F Compensation of Officers (See Instructions for information to be attached)

Schedule G Additional Information Required

	Yes	No
D Did you previously file a copy of the National Association of Insurance Commissioners' annual statement for the preceding years? If Yes, name the Internal Revenue Service Center where filed ▶		
E Is a copy of the 1981 National Association of Insurance Commissioners' annual statement included with this return?. If No, see instructions on page 2 (under Penalties), and attach an explanation.		
F Did you at the end of this tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation (for rules of attribution, see section 267(c))? If Yes, attach a schedule showing: (1) name, address, and identifying number; and (2) percentage owned.		
G Were you a U.S. shareholder of any controlled foreign corporation (see sections 951 and 957)? (If Yes, attach Form(s) 3646.)		

	Yes	No
H Did you claim a deduction for expenses connected with: (a) Entertainment facility (boat, resort, ranch, etc.)?		
(b) Living accommodation (except employees on business)?		
(c) Employees attending conventions or meetings outside the North American area? (See section 274(h).)		
(d) Employees' families at conventions or meetings? If Yes, were any of those conventions or meetings outside the North American area? (See section 274(h).)		
(e) Employee or family vacations not reported on Form W-2?		
I At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions, page 8)?		
J Were you the grantor of, or transferor to, a foreign trust that existed during the current tax year, whether or not you have any beneficial interest in it? If Yes, you may be required to file Forms 3520, 3520A, or 926		
K During the tax year did you maintain any part of your tax accounting records on a computerized system?		

U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-133

1981 Department of the Treasury Internal Revenue Service

Instructions for Form 1120M

U.S. Mutual Insurance Company Income Tax Return

(References are to the Internal Revenue Code.)

Highlights

The Economic Recovery Tax Act of 1981 (the Act) made the following important changes in the tax law:

Reduction in corporate tax rates.—For tax years beginning after December 31, 1981, the tax rates are reduced for the two lowest taxable income brackets. For the taxable income bracket of $25,000 or less, the rate for tax years beginning after 1981 is 16%, and after 1982 is 15%. For the taxable income bracket over $25,000 but not over $50,000, the rate for tax years beginning after 1981 is 19%, and after 1982 is 18%. These tax rate changes also effect the caps on taxes of small mutuals under sections 821(a)(2) and 821(c)(1)(B).

Because of these tax rate changes, a fiscal year 1981–82 corporation must prorate its tax under section 21. See sections 11(b), 21, 821(a)(2) and 821(c)(1)(B) as amended by the Act before figuring your tax.

New depreciation system.—New section 168 was added by the Act to provide for the Accelerated Cost Recovery System (ACRS) of depreciation. You must use this new system for most assets placed in service after December 31, 1980. See Form 4562, Depreciation, for more information.

Investment credit changes.—There are many changes in the investment credit. See Form 3468, Computation of Investment Credit, for details.

Research credit.—For tax years ending after June 30, 1981, there is a credit for increasing qualified research activities. See Form 6765, Credit for Increasing Research Activities, for more information.

Carryovers.—Generally, operations losses from tax years ending after 1975 can now be carried forward for 15 years. See section 825(d). Also, credits such as the investment credit, WIN credit, jobs credit and alcohol fuels credit, can now be carried forward for 15 years. See section 207(c) of the Act.

Gain or loss on certain short-term Federal, State and municipal securities.—These obligations acquired after June 23, 1981, are now treated as capital assets for determining gain or loss. See section 1232(a)(4).

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and so that we can figure and collect the right amount of tax. You are required to give us this information.

Purpose.—This form is used to report the income and expenses of a mutual insurance company and to figure any tax that may be due.

Other forms needed.—In addition to Form 1120M, you may need to file one or more of the following information forms. Other forms you may need are listed in the instructions.

1. *Forms W–2 and W–3.*—Employee's wage and tax statement; and transmittal of income and tax statement.

2. *Form W–2P.*—Statement for recipients of annuities, pensions or retired pay, and periodic payments from retirement plans and Individual Retirement Arrangements.

3. *Forms 1087–DIV, INT, MED, MISC, and OID.*—Nominees' information returns for reporting dividends, interest, medical and health care payments, miscellaneous income, and original issue discount that were received on behalf of another person.

4. *Form 1096.*—Annual summary and transmittal of U.S. information returns.

5. *Form 5452.*—Corporate report of nontaxable dividends.

6. *Forms 966 and 1099L.*—Information returns for dissolution or liquidation and distributions in liquidation.

7. *Forms 1099–BCD, DIV, INT, MED, MISC, NEC, OID, PATR and R.*—Information returns for reporting bearer certificates of deposit, dividends, interest income, medical and health care payments, miscellaneous income payments, nonemployee compensation, original issue discount, patronage dividends, and total distributions from profit-sharing and Individual Retirement Arrangements.

8. *Form 5713.*—International boycott report. Persons who participate in or cooperate with an international boycott may have to complete Schedule A or B and Schedule C of Form 5713 to figure loss of the following items: foreign tax credit, deferral of earnings of controlled foreign corporations, and DISC benefits.

Note: *Mutual insurance companies that do not include the NAIC annual statement with their income tax returns may be subject to a penalty.* See **Penalties** *on page 2.*

Consolidated returns.—For tax years beginning after December 31, 1980, if an affiliated group of corporations includes one or more domestic insurance companies taxed under section 802 or 821, the common parent may elect to treat those companies as includible corporations. The insurance companies must have been members of the group for the 5 tax years immediately preceding the tax year for which the election is made. See section 1504(c)(2).

The parent corporation of an affiliated group of corporations must attach Form 851, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, each subsidiary must attach Form 1122, Authorization and Consent of Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

File supporting statements for each corporation included in the consolidated return. Use columns to show the following, both before and after adjustments:

- Items of gross income and deductions.
- A computation of taxable income.
- Balance sheets as of the beginning and end of the tax year.
- A reconciliation of retained earnings.
- A reconciliation of income per books with income per return.

Attach consolidated balance sheets and a reconciliation of consolidated retained earnings.

Who must file Form 1120M.—Every domestic mutual insurance company (other than a life insurance company subject to a tax under section 802 and other than a fire, flood, or marine insurance company subject to tax under section 831) and every foreign corporation carrying on an insurance business within the U.S. (if its U.S. business would qualify as a mutual insurance company subject to tax under section 821) uses Form 1120M to report income and deductions.

Exceptions.—For a mutual insurance company that is:

- Exempt under section 501(c)(15), file Form 990, Return of Organization Exempt from Income Tax.
- Subject to tax under section 821, and disposes of its insurance business and reserves or otherwise ceases to be taxed under section 821, but continues its corporate existence while winding up and liquidating its affairs, file Form 1120, U.S. Corporation Income Tax Return.

When to file.—In general, a corporation must file Form 1120M by the 15th day of the 3d month after the end of the tax year. A new corporation filing a short period return must generally file by the 15th day of the 3d month after the short period ends. A corporation that has dissolved must generally file by the 15th day of the 3d month after the date it dissolved.

File Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return, to request a 3-month extension of time to file Form 1120M.

File Form 7005, Application for Additional Extension of Time to File Corporation Income Tax Return, to request more time if you need it after you have gotten an automatic 3-month extension by filing Form 7004.

Where to file.—

If the corporation's principal business, office, or agency is located in ▼	Use the following Internal Revenue Service Center address ▼
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Michigan, Ohio	Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
California, Hawaii	Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania, foreign countries and U.S. possessions	Philadelphia, PA 19255

The separate income tax returns of a group of corporations may be filed with the service center for the principal office of the managing corporation that keeps all the books and records.

Penalties.—Avoid penalties and interest by correctly filing and paying the tax when due.

1. A corporation that does not file its tax return by the due date including any extensions of time for filing may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. The penalty is charged under section 6651(a)(1) on the net amount due.

Since regulations section 1.6012–2(c) requires that the NAIC annual statement be filed as part of the return, a penalty may be charged under section 6651(a)(1) for not including the NAIC annual statement when filing the return.

2. A corporation that does not pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. The penalty is charged under section 6661(a)(2) on the net amount due.

These penalties will not be charged if the corporation can show that not filing or not paying was due to reasonable cause and not to wilful neglect.

These penalties are in addition to the interest charge imposed on unpaid tax at a rate determined under section 6621.

3. A corporation that does not pay the proper estimated tax when due may be subject to an underpayment penalty for the period of underpayment, under section 6655 at a rate determined under section 6621.

If estimated tax was underpaid, attach Form 2220, Underpayment of Estimated Tax by Corporations, to show how you figured the penalty or which exception you believe you meet.

Accounting methods.—You must figure taxable income by the method of accounting regularly used in keeping the corporation's books and records. The method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits, you cannot change the method of accounting used to report income in earlier years (for income as a whole or for any material item) unless you first get consent on Form 3115, Application for Change in Accounting Method.

Rounding off to whole-dollar amounts.—You may show money items as whole-dollar amounts by dropping any amount less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

Attachments.—If you need more space on forms or schedules, attach separate sheets and use the same arrangement as on the printed forms. Show the totals on the printed forms. Be sure to put the taxpayer's name and employer identification number on these separate sheets.

Signatures.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

Paid preparer's information.—If your corporate officer filled in Form 1120M, the Paid Preparer's Use Only area should remain blank. If someone prepares Form 1120M and does not charge the corporation, that person should not fill in this area. Certain others who prepare Form 1120M should not fill in this area. For example, a regular, full-time employee of the corporation, such as a clerk or secretary, does not have to fill in the Paid Preparer's Use Only area.

Generally, anyone who is paid to prepare Form 1120M must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer is required to sign Form 1120M, please contact an IRS office.

The person required to sign the return as preparer MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature (signature stamps or labels are not acceptable);
- Give a copy of Form 1120M to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should know their responsibilities. **Publication 1045,** Information and Order Blanks for Preparers of Federal Income Tax Returns, lists some of the preparers' other responsibilities and penalties for which they may be liable. The publication also contains the regulations that govern their work.

Specific Instructions

These instructions follow the line numbers on the return. Specific instructions for most of the lines have been provided. Those lines that do not appear in the instructions are self-explanatory.

Name, address, and employer identification number.—Enter the employer identification number (EIN) of the corporation.

Corporations that do not have an EIN should apply for one on Form SS–4, Application for Employer Identification Number, available from any IRS or Social Security Administration office. Send Form SS–4 to the same Internal Revenue Service Center to which Form 1120M is sent. Write "applied for" in the space provided for the EIN if it is not received by the time Form 1120M is filed.

Period covered.—This return is for tax years beginning in 1981. If the return is for a fiscal year, fill in the dates it began and ended at the top of page 1, Form 1120M. If the corporation ceased to exist in 1981, write "FINAL RETURN" at the top of the form.

Part I—Taxable Income and Tax Computation

Mutual Insurance Company Taxable Income

(Lines 1–6)

Line 5

Unused loss deduction.—The deduction is the total of the unused loss carryovers and carrybacks to the tax year.

Unused loss.—Unused loss for any tax year is the amount by which—

(1) the sum of the statutory underwriting loss and the investment loss is more than

(2) the sum of—

(a) the taxable investment income,

(b) the statutory underwriting income, and

(c) the amount section 824(d) requires to be subtracted from the protection against loss account.

You may carry back the unused loss for a loss year beginning after 1975 to each of the 3 tax years before the loss year, and carry it over to each of the 15 years after the loss year; or, you may irrevocably elect only to carry the unused loss over to each of the 15 years after the loss year. After you apply the loss to the first year, the part of the loss you may carry to each of the remaining tax years is the amount by which the loss is more than the sum of the offsets (as defined in section 825(f)) for each of the earlier tax years to which you may carry the loss.

Limitations.—You may not carry an unused loss—

(1) to or from any tax year for which the insurance company is not subject to the tax under section 821(a), or

(2) to any tax year if, between the loss year and that tax year, there is an intervening tax year for which the insurance company was not subject to the tax under section 821(a).

See section 844 for special carryover loss rules for an insurance company that has changed its form of organization or kind of insurance business.

Tax Computation

(Lines 7–20)

Economic Recovery Tax Act of 1981.—This new law reduced the rate of tax for the two lowest taxable income brackets for years beginning after December 31, 1981. If you are filing this return for a 1981–82 fiscal year, see section 21, section 11(b), section 821(a)(2) and section 821(c)(1)(B) as amended by the Economic Recovery Tax Act of 1981, for how to figure your tax.

Line 7(a). Taxable income bracket amount.—Generally, corporations are entitled to one $25,000 amount in each taxable income bracket. However, members of a controlled group (as defined in section 1563) must share the $25,000 in each taxable income bracket.

Unless you elect an unequal apportionment plan, you as members of a controlled group will divide each taxable income bracket amount equally. But you may elect to divide the amounts in any way you choose.

If you adopt or amend an apportionment plan, each of you as a member of the controlled group must attach to your tax return a copy of your consent to the plan. The consent should show the amount of each taxable income bracket for that member, and other data. See section 1561 for the time and manner of making the election.

As a member of a controlled group you should enter your share of the taxable income bracket on lines 7(a)(i), (ii), (iii), and (iv) and figure your tax using the schedule below, instead of the instructions for line 7(b).

Note: If the alternative tax on capital gains applies: (1) On line 1 below, enter amount from line 14, Schedule D (Form 1120); (2) complete lines 2 through 15 below; (3) enter partial tax from line 15 below on line 15, Schedule D (Form 1120) and complete the balance of Schedule D (Form 1120). Enter the alternative tax on line 12, Part I, Form 1120M, (and check the box on that line).

1. Enter taxable income (line 6, page 1)	
2. Enter the smaller of line 1 or your share of the first $25,000 taxable income bracket	
3. Subtract line 2 from line 1	
4. Enter the smaller of line 3 or your share of the second $25,000 taxable income bracket	
5. Subtract line 4 from line 3	
6. Enter the smaller of line 5 or your share of the third $25,000 taxable income bracket	
7. Subtract line 6 from line 5	
8. Enter the smaller of line 7 or your share of the fourth $25,000 taxable income bracket	
9. Subtract line 8 from line 7	
10. 17% of line 2	
11. 20% of line 4	
12. 30% of line 6	
13. 40% of line 8	
14. 46% of line 9	
15. Add lines 10 through 14. Enter here and on line 7(b), page 1	

Line 7(b)

If you are not a member of a controlled group, figure your income tax as follows: If the amount on line 6 is:

Over—	But not over—	Enter on line 7(b)—	Of the amount over—
0	$25,000	17%	0
$25,000	50,000	$4,250+20%	$25,000
50,000	75,000	9,250+30%	50,000
75,000	100,000	16,750+40%	75,000
100,000	.....	26,750+46%	100,000

Line 8

Special Computation.—Section 821(a)(2) limits the income tax of a mutual insurance company whose taxable income is less than $12,000. If line 6 is less than $12,000, subtract $6,000 from line 6 and multiply the result by 34%.

Line 9

Amount a reciprocal must include.—If you are a reciprocal underwriter and want to elect to be subject to the limitation in section 826(b), see section 826(a) and the related regulations for the required statement.

If the mutual insurance company taxable income is $100,000 or more before including the section 826(a) amount, make no entry. If the taxable income is less than $100,000 before including the section 826(a) amount, you must figure the tax on the section 826(a) amount at the highest rate of tax specified in section 11(b) (46%).

For example, a mutual insurance company's taxable income is $110,000, $40,000 of which is the section 826(a) amount. Of the $40,000, $5,000 was taxed at 30% (the third taxable income bracket), $25,000 was taxed at 40% (the fourth taxable income bracket), and $10,000 was taxed at 46%.

You must multiply each amount by the appropriate percentage so that the section 826(a) amount is taxed at the highest rate specified in section 11(b). Therefore, multiply the $5,000 by 16% (46% minus 30%) and multiply the $25,000 by 6% (46% minus 40%). Do not adjust the $10,000 since it was already taxed at 46%.

If you made an election under section 826(a) and there is an amount to be taxed at the highest rate specified in section 11(b), please attach a statement showing how you figured the tax. Enter the total on line 9.

Line 11

Alternative tax for certain small companies.—Section 821(c) provides an alternative tax for mutual insurance companies whose gross amount reported on Part II, line 7, plus premiums, is over $150,000 but not over $500,000. See the instructions for Part III, line 30, for a definition of premiums.

Section 821(c)(1)(B) limits the income tax of these companies if taxable investment income (line 1) is less than $6,000. If line 1 is less than $6,000, subtract $3,000 from line 1 and multiply the result by 34%. Enter the limitation on line 4 of the alternative tax schedule on page 4.

Any company subject to tax under section 821(c) may elect to be subject to the tax under section 821(a). See section

821(d) and the related regulations for how to elect to include statutory underwriting income or loss.

A company cannot use this alternative tax if it has a balance in its protection against loss account when the tax year begins or if it has an election in effect under section 821(d) to be taxed under section 821(a).

Figure the alternative tax using the following schedule:

1(a) Amount from Part II, line 7	
(b) Premiums	
(c) Total (add (a) and (b)). If $250,000 or more, enter $250,000	
(d) Subtract limitation	$150,000.00
(e) Balance (Do not enter less than zero.)	
2 Divide line 1(e) by $100,000	
3 Tax—see instructions for line 7 to figure tax using amount in Part I, line 1, instead of Part I, line 6	
4 Enter the limitation if the section 821(c)(1)(B) special computation applies. Otherwise enter the amount from line 3, above	
5 Multiply the smaller of line 3 or line 4 by line 2. Enter here and on Part I, line 11	

Line 12

Income tax.—Enter the smallest of line 10, line 11 if it applies, or the alternative tax from Schedule D (Form 1120) figured on the amount on line 6. Check the box on line 12 if the alternative tax from Schedule D (Form 1120) applies.

Line 13(a)

Foreign tax credit.—See Form 1118, Computation of Foreign Tax Credit—Corporations, for rules on this credit.

Line 13(b)

Investment credit.—See Form 3468, Computation of Investment Credit, to figure the credit for investment in certain types of property. See Schedule B (Form 3468), Computation of Business Energy Investment Credit, for credit for investment in energy property. Also see **Publication 572,** Investment Credit.

Line 13(c)

Work Incentive (WIN) Credit.—See Form 4874, Credit for Work Incentive (WIN) Program Expenses, for definitions, special rules, and limitations. Also see **Publication 906,** Targeted Jobs, WIN and Research Credits.

Do not deduct the part of wages or salaries paid or incurred that is equal to the WIN credit on line 12, Form 4874.

You may take this credit only for wages paid or incurred in tax years beginning before January 1, 1982.

See the instructions for line 13(d), Jobs Credit, for instructions on how to identify lines on which the corporation has reduced its salary and wage deductions.

Line 13(d)

Jobs credit.—Employers may elect to take a jobs credit for hiring members of certain targeted groups. See Form 5884, Jobs Credit, for definitions, special rules, and limitations. Also see **Publication 906,** Targeted Jobs, WIN and Research Credits.

Do not deduct the part of the wages or salaries paid or incurred that is equal to the jobs credit on line 9 of Form 5884. See the instructions for Form 5884 for more information.

Attach a schedule to Form 1120M to show how and where you reduced the salary and wage deduction(s). Show the otherwise allowable deduction(s) before the reduction, and the net amount actually deducted. Identify the line number, schedule, and page number of Form 1120M on which you made a reduction. If the salary and wage reduction is less than the jobs credit on Form 5884 plus the WIN credit on Form 4874, explain the difference.

Line 13(e)

Possessions corporation tax credit.—See Form 5712, Election to be Treated as a Possessions Corporation Under Section 936, for rules on how to claim this credit. Figure the credit on Form 5735, Computation of Possessions Corporation Tax Credit Under Section 936, and include the credit in line 13(e). Write the amount of the credit on the dotted line next to the entry on line 13(e), and identify it as a section 936 credit. Attach Forms 5712 and 5735 to your return.

Credit for alcohol used as a fuel or production of nonconventional source fuels.—If the corporation can claim either of these credits, include it in line 13(e). In the margin next to the entry write the name and the amount of the credit. See the instructions for Form 6478, Credit for Alcohol Used as Fuel, and sections 44D, 44E, and 86.

Credit for increasing research activities.—If you engage in qualified research activities, you may be able to claim a credit for certain expenses incurred after June 30, 1981, and before January 1, 1986. See Form 6765, Credit for Increasing Research Activities, for more information. Write the amount of the credit on the dotted line next to the entry on line 13(e) and identify it as a section 44F credit. Attach Form 6765 to your return.

Line 15

Foreign corporations.—A foreign corporation carrying on an insurance business in the U.S. is taxable the same as a domestic insurance company on its income effectively connected with the conduct of a business in the U.S. See section 842.

Any other U.S. source income received by a foreign corporation not effectively connected with the conduct of a business in the U.S. is taxed at 30% (or lower treaty rate). See section 881. If you have this income, attach a schedule showing the kind and amount of income, tax rate (30% or lower treaty rate), and amount of tax. Enter the section 881 tax on line 15.

Line 16

Increase in tax from refiguring an earlier year investment credit.—If property is disposed of or ceases to qualify before the end of the life-years category used in figuring the regular or energy investment credit, the credit must be refigured, using as the useful life the period the property was actually held. If the credit taken, including carrybacks and carryovers, exceeds the refigured credit, the tax in the year of disposition must be increased by the excess. Form 4255, Recapture of Investment Credit, may be used to figure the increase in tax.

The increase in tax may not be offset against the current year's investment credit.

Line 17

Minimum tax on tax preference items.—Attach Form 4626, Computation of Minimum Tax—Corporations and Fiduciaries, if items of tax preference exceed $10,000 even if there is no minimum tax, OR if you have any minimum tax liability deferred from an earlier tax year to this year. Members of a controlled group must attach Form 4626 if their total items of tax preference exceed their share of the $10,000 exclusion.

Some tax preference items are: accelerated depreciation on real property (including the ACRS deduction on 15-year real property); amortization of certified pollution control facilities, railroad rolling stock, on-the-job training facilities and child care facilities; reserve for losses on bad debts of financial institutions; depletion; and capital gains.

Line 19(b)

Estimated tax.—A corporation must make estimated tax payments if it can expect its estimated tax (income tax less credits) to be $40 or more.

Form 1120-W may be used as a worksheet to figure estimated tax.

Line 19(c)

Refund of estimated tax.—If there was an overpayment of estimated tax,

you may file Form 4466, Corporation Application for Quick Refund of Overpayment of Estimated Tax. The overpayment must be at least 10% of your expected income tax liability AND at least $500. This application must be made within 2½ months after the end of the tax year and before Form 1120M is filed.

Line 19(f)

Credit by reciprocal for tax paid by attorney-in-fact.—See section 826(e) and the related regulations.

Line 19(g)

Other refundable credits and payments.—You may claim credit for Federal excise tax on gasoline for farm use; business nonhighway uses; intercity, local, and school bus uses; and commerical fishing vessel uses. See Form 4136, Computation of Credit for Federal Tax on Gasoline, Special Fuels, and Lubricating Oil.

Include on line 19(g) any of the tax on line 15 that was withheld at the U.S. source.

If the company overpaid the Crude Oil Windfall Profit Tax, include on line 19(g) the overpayment from Form 6249, Computation of Overpaid Windfall Profit Tax. See the instructions for Form 6249 for more information.

Include on line 19(g) any credit from a regulated investment company. Attach Form 2439, Notice to Shareholders of Undistributed Long-Term Capital Gain, to Form 1120M if you claim this credit.

Line 20

Tax due.—The balance of tax due must be paid in full when the return is filed or in two installments, 50% by the 15th day of the 3d month after the end of the tax year and 50% by the 15th day of the 6th month after the end of the tax year.

Deposit corporation income tax payments and estimated tax payments with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) servicing the geographic area where the corporation is located. Records of deposits will be sent to the Internal Revenue Service for crediting to the corporation's account. See the instruction on the back of Form 503 for additional information and exceptions.

Preinscribed FTD Forms 503 will be mailed to corporations on a regular basis depending on the tax year of the corporation. Corporations needing deposit forms may apply for them to the Internal Revenue Service Center where they will file their returns. The application should include the corporation's name, employer identification number, address, and the tax year for which the deposits will be made.

Note: If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

Part II

Taxable Investment Income or (Loss)

Income

(Lines 1–9)

Line 1

Interest.—Enter interest received or accrued from all sources during the tax year. Decrease the gross interest reported by the amortization of premiums for the tax year on bonds, notes, debentures, or other evidences of indebtedness. Determine the amortization by the method regularly used, if reasonable, or under the regulations. Attach a statement showing the method and computation.

Line 3

Gross rents.—Enter gross rents for property. Deduct expenses such as repairs, interest, taxes, and depreciation on the proper lines for deductions in Part II.

Line 4

Gross royalties.—Enter gross royalties. If you take a deduction for depletion, report it in Part II, line 13.

Line 5

Gross income from business other than insurance business.—Enter the gross income from any business (other than an insurance business) carried on by the mutual insurance company, or by a partnership of which the mutual insurance company is a member. Include section 1245, section 1250, and other gains from Form 4797, Supplemental Schedule of Gains and Losses, on investment assets only.

Line 6

Leases, etc.—Enter gross income from entering into (or changing or ending) any lease, mortgage, or other instrument or agreement from which the mutual insurance company earns interest, dividends, rents, or royalties.

Line 8

Net gain from sale or exchange of capital assets.—Report sales or exchanges of capital assets on Schedule D (Form 1120) but see Schedule C (Form 1120M). You must report every sale or exchange of a capital asset in detail, even if there is no gain or loss.

For companies taxable under section 821, losses from sales or exchanges of capital assets are allowed up to the gains from sales or exchanges. This does not include losses from capital assets sold or exchanged to get funds to meet abnormal insurance losses and to pay dividends and similar distributions to policyholders.

The net capital loss for these companies is the amount by which losses for the year from sales or exchanges of capital assets are more than the gains from these sales or exchanges plus the smaller of (1) taxable investment income (figured without gains or losses from sales or exchanges of capital assets) or (2) losses from capital assets sold or exchanged to get funds to meet abnormal insurance losses and pay dividends and similar distributions to policyholders.

You may carry a net capital loss back 3 years and forward 5 years as a short-term capital loss. Section 1212(a)(1) limits the capital loss carryback.

For more information on gains and losses from sale or exchange of property, see the instructions for Schedule D (Form 1120).

Deductions

(Lines 10–22)

Items not deductible.—Generally, you cannot deduct expenses that relate to tax-exempt income. An exception is tax-exempt interest income. Items related to wholly exempt income must be allocated to this income, and items related to any class of taxable income must be allocated to taxable income. If an item relates to both taxable and exempt income, you must allocate a reasonable part of the item to each.

Attach a statement showing the kind and amount of expense items allocated to each class of exempt income. Show the amount allocated by apportionment separately.

Limitation on deductions relating to real estate owned and occupied.—The deductions on lines 10, 11, and 12 for real estate the company owns and occupies are limited to an amount that bears the same ratio to the total deductions (figured without section 822(d)(1)) as the rental value of the space not so occupied bears to the rental value of the entire property. Attach a schedule showing this computation.

Line 10

Taxes.—Enter taxes paid or accrued only on real estate the company owns as provided in section 164.

Line 11

Real estate expenses.—Enter all ordinary and necessary building expenses, such as fire insurance, heat, light, and labor. Also enter the cost of incidental repairs that neither materially add to the property's value nor appreciably prolong its life but keep it in an ordinary efficient operating condition. Do not include any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or any amount spent on foreclosed property before the property is held for rent.

Line 12

Depreciation.—See the instructions for Form 4562, Depreciation. You can deduct only the depreciation on the property to the extent it is used for producing the income specified in section 822(b).

Line 13

Depletion.—See sections 613 and 613A for percentage depletion rates for natural deposits.

Attach Form T (Timber), Forest Industries Schedules, if a deduction is claimed for depletion of timber.

Line 14

Trade or business deductions.—Enter total deductions for any business income included in the mutual insurance company's gross investment income under section 822(b)(2). (Do not include deductions for any insurance business.) Do not include losses from sales or exchanges of capital assets, or property used in the business, or from the compulsory or involuntary conversion of property used in the trade or business.

Line 15

Interest paid or accrued.—Enter interest paid or accrued during the tax year, except on indebtedness incurred or continued to purchase or carry obligations on which the interest income is wholly tax-exempt.

See section 267 for the limitation on deductions for unpaid expenses and interest in transactions between related taxpayers.

Generally, for positions acquired after June 23, 1981, the interest and carrying charges on straddles must be capitalized. See section 263(g).

Line 16

Other capital losses.—See Instructions for Schedule C on page 8.

Line 18

Interest wholly exempt from tax.—Enter the interest income that is wholly tax-exempt under section 103.

Line 19

Investment expenses.—Enter expenses that are properly chargeable as investment expenses. If you allocate general expenses to investment expenses, the total deduction cannot be more than Schedule A, line 18. Attach a schedule showing the kind and amount of the items and group the minor items into one amount. See the regulations under section 822(c)(2).

Line 22

Dividends-received deduction.—See instructions for Schedule B on page 7.

The 85% limitation on the dividends-received deduction does not apply for any year in which there is a loss from taxable investment income.

Part III

Statutory Underwriting Income or (Loss)

Income

(Lines 1–6)

Line 1

Investment income.—Add the interest, dividends, and rents due and accrued at the end of the current tax year to the interest, dividends, and rents received during the tax year. Deduct all interest, dividends, and rents due and accrued at the end of the preceding tax year.

Line 2

Premiums earned.—Deduct return premiums and premiums paid for reinsurance from the gross premiums written on insurance contracts during the year. To this result add unearned premiums on outstanding business at the end of the preceding tax year and deduct unearned premiums on outstanding business at the end of this tax year.

Line 3(a)

See instructions for Part II, line 8.

Line 3(b)

Ordinary gain.—For reporting sales or exchanges of property (other than capital assets) including involuntary conversions, and all section 1245 and section 1250, etc. gains, see Form 4797.

Line 5

Decrease in subscriber accounts.—Enter the decrease for the tax year in savings credited to subscriber accounts of an interinsurer or reciprocal underwriter. See the instructions for Part III, line 19, for savings credited to subscriber accounts.

Deductions

(Lines 7–30)

Line 8

Rents.—Enter rent paid or accrued for business property in which the company has no equity.

Line 9

See instructions for Part II, line 15.

Line 10

Taxes.—Enter taxes paid or accrued during the tax year. Do not include Federal income tax; foreign or U.S. possession income taxes if you are claiming a foreign tax credit; or taxes not imposed upon the corporation.

See section 164(d) for how to divide real estate taxes between seller and buyer.

Line 11

Losses incurred on insurance contracts.—To losses paid during the tax year, add salvage and reinsurance recoverable outstanding when the preceding tax year ended. From these losses, deduct salvage and reinsurance recoverable outstanding at the end of this tax year. Add to this result all unpaid losses outstanding at the end of this tax year and deduct unpaid losses outstanding when the preceding tax year ended.

Line 12

Other capital losses.—See Instructions for Schedule C on page 8.

Line 13

Worthless agency balances and bills receivable.—Enter agency balances and bills receivable that became worthless during the tax year.

Line 14

See instructions for Part II, line 18.

Line 15

Depreciation.—See Instructions for Form 4562, Depreciation.

Line 16

Depletion.—See Instructions for Part II, line 13.

Line 17

Contributions.—Enter contributions or gifts paid within the tax year to or for the use of charitable and government organizations described in section 170(c) and any unused contributions carried over from earlier years.

Corporations on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the tax year ends if the board of directors authorizes the contributions during the tax year.

You must attach to the return a declaration, signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution.

You cannot deduct a total more than 5% of Part III, line 24, figured without any deduction for contributions.

You cannot deduct charitable contributions over the 5% limitation for the tax year but you can carry the excess over to the next 5 tax years.

Attach a schedule showing the name of each organization and the amount for a contribution of property other than money. Describe the kind of property contributed and the method used in determining its fair market value. If you include a contribution carryover, show the amount and how it was determined.

If you made a qualified conservation contribution under section 170(h), in-

clude the fair market value of the underlying property before and after the donation. Describe the conservation purpose furthered by your donation and type of legal interest contributed.

For a charitable contribution of property, you must reduce the contribution by the sum of:

1. the ordinary income, short-term capital gain and

2. for certain contributions, 60.87% of the long-term capital gain

that would have resulted if the property were sold at its fair market value. The reduction for 60.87% of the long-term capital gain applies to (a) contributions of tangible personal property for use by an exempt organization for a purpose or function unrelated to the basis for its exemption, and (b) contributions of any property to or for the use of certain private foundations. (See section 170(e) and regulations section 1.170A–4.)

For special rules for contributions of inventory and other ordinary income property to certain organizations, and contributions of scientific property used for research, see section 170(e).

For a charitable contribution deduction for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

Line 19

Increase in subscriber accounts.—A mutual insurance company that is an interinsurer or reciprocal underwriter may deduct the increase in savings credited to subscriber accounts for the tax year.

Savings credited to subscriber accounts means the surplus credited to the individual accounts of subscribers by March 15, 1982. This is true only if the company would be required to pay this amount promptly to a subscriber if the subscriber ended the contract when the company's tax year ends. The company must notify the subscriber as required by regulations section 1.823–6(c)(2)(v). The subscriber must treat any savings credited to the subscriber's account as a dividend paid or declared.

Line 20

Pension, profit-sharing, etc. plans.—If you are an employer who maintains a pension, profit-sharing, or other funded deferred compensation plan (other than a Simplified Employee Pension) whether or not it is qualified under the Internal Revenue Code and whether or not you claim a deduction for the current tax year, generally you are required to file one of the forms described below. The Employee Retirement Income Security Act of 1974 provides penalties for not filing these forms on time.

Form 5500, Annual Return/Report of Employee Benefit Plan.—For each plan with 100 or more participants.

Form 5500–C, Annual Return/Report of Employee Benefit Plan, or Form 5500–R, Registration Statement of Employee Benefit Plan (whichever applies).—For each plan with fewer than 100 participants.

You are required to file only one return for a plan of a controlled group of corporations or a multiemployer collectively bargained plan. Individual participating or contributing employers do not have to file separately.

Line 21

Employee benefit programs.—Enter your contributions to employee benefit programs (such as insurance and health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included on line 20. Also include contributions to a qualified group legal services plan. Section 120 provides certain rules for an employer that will permit employees (including spouses and dependents) to exclude from their income employer contributions to a qualified group legal services plan.

Line 25

Dividends-received deduction.—See instructions for Schedule B.

The 85% limitation on the dividends-received deduction does not apply to any year in which there is a loss from statutory underwriting income.

Line 30

Special Deductions.—If Part II, line 7, (other than capital gains) and premiums (as defined below) is less than $1,100,000, you may take an additional deduction for determining statutory underwriting income or loss under section 823(a) for the tax year.

Premiums means the total premiums and other consideration provided in the insurance contract without deduction for commissions, return premiums, reinsurance, dividends to policyholders, dividends left on deposit with the company, discounts on premiums paid in advance, interest applied to reduce premiums (whether or not it must be credited to reduce premiums under the terms of the contracts) or any similar item.

The term includes advance premiums, premiums deferred and uncollected, premiums due and unpaid, deposits, fees, assessments, and consideration for assuming liabilities under contracts not issued by the taxpayer (such as a payment or transfer of property in an assumption reinsurance transaction). It does not include amounts received from other insurance companies for losses paid under reinsurance contracts. See regulations section 1.821–4(a)(1)(ii).

Protection Against Loss Deduction (Lines 32–35)

Under section 824 you can deduct 1% of the losses incurred plus 25% of the underwriting gain for the tax year. If the concentrated windstorm premium percentage for the tax year is more than 40%, you can also deduct an amount obtained by multiplying the percentage that is more than 40% times the underwriting gain for the year.

See also the instructions for Schedule E, on page 8.

SCHEDULE B
Dividend income

Dividends (Lines 1–6)

Line 1

Certain domestic corporations.—Enter dividends received from domestic corporations subject to income tax that qualify for the 85% deduction under section 243(a)(1).

So-called dividends or earnings from mutual savings banks, money market certificates, etc., are really interest and should not be treated as dividends.

See section 854 for the amount of dividends received from a regulated investment company that qualify for the 85% deduction.

Line 2

Certain public utility corporations.—Enter dividends received by the mutual insurance company on the preferred stock of a public utility. This applies only if the public utility is subject to income tax and the dividends qualify for the section 247 deduction (by the public utility) for dividends paid.

Line 3

Certain foreign corporations.—Enter dividends received by the mutual insurance company from foreign corporations that qualify for the 85% deduction in section 245(a).

Enter dividends received from wholly-owned foreign subsidiaries that are eligible for the 100% deduction in section 245(b).

In general, this deduction applies to dividends paid out of the earnings and profits of a foreign corporation for a tax year during which all its outstanding stock is owned (directly or indirectly) by the domestic corporation receiving the dividends and all its gross income from all sources is effectively connected with the conduct of a U.S. business.

If you include dividends received from wholly-owned foreign subsidiaries in line 3, attach a schedule showing the amount of these dividends.

Line 4

Certain affiliated groups.—Enter only those dividends that are subject to section 243(b).

Line 5

Other corporations.—Attach a schedule showing separately:

(1) Foreign dividends not reportable on line 3. Do not include distributions of amounts constructively taxed in the current year or in earlier years under subpart F.

(2) Income constructively received from controlled foreign corporations under subpart F. (This amount should equal the total reported in Schedule A of Form(s) 3646.)

(3) Gross-up of dividends for taxes considered paid under sections 902 and 960.

(4) Dividends (other than capital gain dividends) received from regulated investment companies that do not qualify for the 85% deduction.

(5) Dividends from tax-exempt organizations.

(6) Dividends (other than capital gain and exempt-interest dividends) received from a real estate investment trust that, for the tax year of the trust in which the dividends are paid, qualifies under sections 856 through 860.

(7) Dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments on similar stock.

(8) Any other taxable dividend income not properly reported above.

Dividends-received deduction (Lines 7–12)

Line 9

Dividends received from certain foreign corporations.—Enter 85% of dividends received from certain foreign corporations described in section 245(a).

Enter 100% of the company's share of dividends received from wholly-owned foreign subsidiaries that are eligible for the 100% deduction in section 245(b).

See section 245 for qualifications and limitations on these deductions.

Line 10

Total.—This total is subject to the 85% limitation under section 246(b) as follows:

- Part II.—The line 10 total cannot be more than 85% of (Part II, line 21, less Schedule B, line 11).
- Part III.—The line 10 total cannot be more than 85% of (Part III, line 24, less Schedule B, line 11).

Line 11

Dividends received from certain members of affiliated groups.—Members of affiliated groups may elect under section 243(b) to deduct 100% of the qualifying dividends received from other members of the same group. Qualifying corporations that elect to take the 100% deduction are limited to one $25,000 amount in each taxable income bracket. That amount must be apportioned among the members of the controlled group. See section 243(b) for qualifications and restrictions on this deduction.

SCHEDULE C
Other Capital Losses

Capital assets are considered sold or exchanged to provide funds to meet abnormal insurance losses and to pay dividends and make similar distributions to policyholders to the extent that the gross receipts from their sale or exchange are not more than the amount by which the sum of dividends and similar distributions paid to policyholders, losses paid, and expenses paid for the tax year is more than the total of line 9, Schedule C.

Total gross receipts from sales of capital assets (line 12, column c) must not be more than line 10. If necessary you may report part of the gross receipts from a particular sale of a capital asset in this schedule and the rest on Schedule D (Form 1120). Otherwise, do not show on Schedule D (Form 1120) sales reported in this schedule.

Enter total other capital losses (line 12, column g) on Part II, line 16, and Part III, line 12.

SCHEDULE E
Protection Against Loss Account

Section 824(b) requires each insurance company subject to tax under section 821(a) to establish and maintain a protection against loss account.

You must add the protection against loss deduction from Part III, line 35, to this account.

See section 824(d) for subtractions from this account. You must include these subtractions in the mutual insurance company taxable income. Attach a separate schedule showing the computation of any subtraction.

SCHEDULE F
Compensation of Officers

Attach a schedule using the following columns: 1. Name of officer. 2. Social security number. 3. Time devoted to business. 4. Amount of compensation. 5. Expense account allowance.

Complete columns 1 through 4 for all officers. Complete column 5 for your six highest paid officers. To determine the highest paid officers, add all allowances, including expense account allowances, to each officer's compensation. Expense account allowance means amounts, other than compensation, received as advances or reimbursements, and amounts paid by or for the corporation, for expenses incurred by or on behalf of an officer. Column 5 does not have to be completed for any officer for whom the combined amount is less than $50,000.

This information must be submitted by each member of an affiliated group included in a consolidated return.

SCHEDULE G
Additional Information Required

Question I.—Foreign financial accounts and foreign trusts.—Check the Yes box if either (1) or (2) below applies to you. Otherwise, check the No box.

(1) At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country AND

- The combined value of the accounts was more than $1,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

(2) You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get Form 90–22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If you checked Yes for Question I, file Form 90–22.1 by June 30, 1982, with the Department of the Treasury at the address shown on the form. Form 90–22.1 is not a tax return, so do not file it with the IRS. You can get Form 90–22.1 from many IRS offices.

Question J.—Foreign Trusts.—Check the Yes box if you were ever a grantor of, or a transferor to, a foreign trust that existed during this tax year.

U.S. GOVERNMENT PRINTING OFFICE 1981—343-134

Form **1120S**

Department of the Treasury
Internal Revenue Service

U.S. Small Business Corporation Income Tax Return

for calendar year 1981 or other tax year beginning ....., 1981, ending ....., 19.....

▶ For Paperwork Reduction Act Notice, see page 1 of the instructions.

OMB No. 1545-0130

1981

A Date of election as small business corporation

B Business code no. (see page 8 of Instructions)

Use IRS label. Otherwise, please print or type.

Name

Number and street

City or town, State, and ZIP code

C Employer identification no.

D Date incorporated

E Enter total assets from Schedule L, line 14, column D (see instructions) $

IMPORTANT—All applicable lines and schedules must be filled in. *If section 465 (deductions limited to amount at risk) applies, see instruction for line 28.*

Gross Income

1	a Gross receipts or sales ..... b Less returns and allowances ..... Balance ▶	1c	
2	Cost of goods sold (Schedule A) or operations (attach schedule)	2	
3	Gross profit (subtract line 2 from line 1c)	3	
4	a Domestic dividends	4a	
	b Foreign dividends	4b	
5	Interest on obligations of the U.S. and U.S. instrumentalities	5	
6	Other interest	6	
7	Gross rents	7	
8	Gross royalties	8	
9	Gains and losses (attach separate Schedule D (Form 1120S)):		
	a Net short-term capital gain reduced by any net long-term capital loss	9a	
	b Net capital gain (if more than $25,000, see instructions for Part IV of Schedule D (Form 1120S))	9b	
	c Ordinary gain or (loss) from Form 4797, Part II, line 11(a) (attach Form 4797)	9c	
10	Other income (see instructions—attach schedule)	10	
11	TOTAL income—Add lines 3 through 10	11	

Deductions

12	Compensation of officers (Schedule E)	12	
13	a Salaries and wages ..... b Less jobs credit ..... Balance ▶	13c	
14	Repairs (see instructions)	14	
15	Bad debts (Schedule F if reserve method is used)	15	
16	Rents	16	
17	Taxes	17	
18	Interest	18	
19	Contributions (not over 5% of line 28 adjusted per instructions)	19	
20	Amortization (attach schedule)	20	
21	a Depreciation from Form 4562 (attach Form 4562) ....., b Less depreciation claimed in Schedule A and elsewhere on return ....., Balance ▶	21c	
22	Depletion	22	
23	Advertising	23	
24	Pension, profit-sharing, etc. plans (see instructions)	24	
25	Employee benefit programs (see instructions)	25	
26	Other deductions (attach schedule)	26	
27	TOTAL deductions—Add lines 12 through 26	27	
28	Taxable income (loss) (subtract line 27 from line 11) (see instructions)	28	

Tax

29	Total tax (Schedule D (Form 1120S), Part IV)		29	
30	Payments: a Tax deposited with Form 7004	30a		
	b Tax deposited with Form 7005 (attach copy)	30b		
	c Federal tax on special fuels and oils (attach Form 4136 or 4136-T)	30c	30	
31	TAX DUE (subtract line 30 from line 29). See instructions for depositary method of payment ▶		31	
32	OVERPAYMENT (subtract line 29 from line 30) ▶		32	

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer — Date — ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ — Date — Check if self-employed ▶ ☐ — Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ — E.I. No. ▶ — ZIP code ▶

Schedule A Cost of Goods Sold (See instructions for line 2)

1	Inventory at beginning of year	
2	Merchandise bought for manufacture or sale	
3	Salaries and wages	
4	Other costs (attach schedule)	
5	Total—Add lines 1 through 4	
6	Inventory at end of year	
7	Cost of goods sold—Subtract line 6 from line 5. Enter here and on line 2, page 1	

8 a Check all methods used for valuing closing inventory:
(*i*) ☐ Cost (*ii*) ☐ Lower of cost or market as described in regulations section 1.471–4 (see instructions)
(*iii*) ☐ Writedown of "subnormal" goods as described in regulations section 1.471–2(c) (see instructions)

b Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No
If "Yes," specify method used and attach explanation ▶

c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ☐

d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

e If you are engaged in manufacturing, did you value your inventory using the full absorption method (regulations section 1.471–11)? ☐ Yes ☐ No

f Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No
If "Yes," attach explanation.

Schedule E Compensation of Officers (See instructions for line 12)

1. Name of officer	2. Social security number	3. Time devoted to business	4. Percentage of corporation stock owned	5. Amount of compensation	6. Expense account allowances
Total compensation of officers—Enter here and on line 12, page 1					

Schedule F Bad Debts—Reserve Method (See instructions for line 15)

1. Year	2. Trade notes and accounts receivable outstanding at end of year	3. Sales on account	Amount added to reserve: 4. Current year's provision	Amount added to reserve: 5. Recoveries	6. Amount charged against reserve	7. Reserve for bad debts at end of year
1976						
1977						
1978						
1979						
1980						
1981						

Additional Information Required

		Yes	No
F	Did you at the end of the tax year own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If "Yes," attach a schedule showing: (1) name, address, and employer identification number; (2) percentage owned; (3) highest amount owed by you to such corporation during the year; and (4) highest amount owed to you by such corporation during the year. (**Note:** *For purposes of F(3) and F(4), "highest amount owed" includes loans and accounts receivable/payable.*)		
G	Refer to page 8 of instructions and state the principal: Business activity ▶ ....; Product or service ▶		
H	Were you a member of a controlled group subject to the provisions of section 1561?		
I	If the corporation has a loss in an activity for the year, does the corporation have amounts for which it is not "at risk" in the activity (see instruction for line 28)?		
J	Answer only if (1) this is the first 1120S return filed since your election to be treated as a small business corporation and (2) the corporation was in existence for the tax year prior to the election and had investment credit property: Was an agreement filed under section 1.47–4(b) of the regulations?		

	Yes	No
K 1 Did you claim a deduction for expenses connected with:		
a Entertainment facilities (boat, resort, ranch, etc.)?		
b Living accommodations (except for employees on business)?		
c Employees attending conventions or meetings outside the North American area? (See section 274(h).)		
d Employees' families at conventions or meetings?		
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h).)		
e Employee or family vacations not reported on Form W-2?		
L At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instructions)?		
M Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A or 926		
N During this tax year was any part of your tax accounting records maintained on a computerized system?		
O Number of shareholders in the corporation at the end of the tax year ▶		

Schedule K Computation of Undistributed Taxable Income and Summary of Distributions and Other Items

Computation of Corporation's Undistributed Taxable Income	
1 Taxable income (line 28, page 1)	
2 Less: a Money distributed as dividends out of earnings and profits for the tax year	
b Tax imposed on certain capital gains (line 29, page 1)	
3 Corporation's undistributed taxable income (subtract line 2 from line 1)	
4 Actual dividend distributions taxable as ordinary income. (Do not include amounts shown on line 6.)	
5 Actual dividend distributions taxable as long-term capital gains (after tax)	
6 Actual dividend distributions taxable as ordinary income and qualifying for dividend exclusion	
7 Nondividend distributions	
8 Undistributed taxable income—taxable as ordinary income or (loss) (see instructions)	
9a Undistributed taxable income—taxable as long-term capital gain (after tax) (see instructions)	
b Portion of line 9a attributable to transactions after 6-9-81 (after tax) (see instructions)	
10 Investment credit property—Attach Form 3468 and Schedule B (Form 3468) (See Instructions)	
11 Interest on investment indebtedness:	
a 1 Interest on investment indebtedness incurred before 12-17-69	
2 Interest on investment indebtedness incurred before 9-11-75, but after 12-16-69	
3 Interest on investment indebtedness incurred after 9-10-75	
b Net investment income or (loss)	
c Excess expenses from "net lease property"	
d Net capital gain attributable to investment property	
12 Items of tax preference (see instructions):	
a Accelerated depreciation on real property:	
1 Low-income rental housing (section 167(k))	
2 Other real property that is nonrecovery property or 15-year real property	
b Accelerated depreciation on leased property that is personal property or recovery property other than 15-year real property	
c Amortization on:	
1 Certified pollution control facilities	
2 Railroad rolling stock	
3 On-the-job training facilities	
4 Child care facilities	
d Reserve for losses on bad debts of financial institutions	
e Depletion	
f Intangible drilling costs	
g Net capital gain (after tax)	
13 Jobs credit	

Schedule L Balance Sheets

Assets	Beginning of tax year A	Beginning of tax year B	End of tax year C	End of tax year D
1 Cash				
2 Trade notes and accounts receivable				
a Less allowances for bad debts				
3 Inventories				
4 Gov't obligations: a U.S. and instrumentalities				
b State, subdivisions thereof, etc.				
5 Other current assets (attach schedule)				
6 Loans to shareholders				
7 Mortgage and real estate loans				
8 Other investments (attach schedule)				
9 Buildings and other depreciable assets				
a Less accumulated depreciation				
10 Depletable assets				
a Less accumulated depletion				
11 Land (net of any amortization)				
12 Intangible assets (amortizable only)				
a Less accumulated amortization				
13 Other assets (attach schedule)				
14 Total assets				
Liabilities and Shareholders' Equity				
15 Accounts payable				
16 Mtges., notes, bonds payable in less than 1 year				
17 Other current liabilities (attach schedule)				
18 Loans from shareholders				
19 Mtges., notes, bonds payable in 1 year or more				
20 Other liabilities (attach schedule)				
21 Capital stock				
22 Paid-in or capital surplus				
23 Retained earnings—appropriated (attach schedule)				
24 Retained earnings—unappropriated				
25 Shareholders' undistributed taxable income previously taxed				
26 Less cost of treasury stock		( )		( )
27 Total liabilities and shareholders' equity				

Schedule M-1 Reconciliation of Income on Books With Income on Return

1 Net income on books		7 Income recorded on books this year not included in this return (itemize) a Tax-exempt interest $	
2 Federal income tax			
3 Excess of capital losses over capital gains		8 Deductions in this tax return not charged against book income this year (itemize) a Depreciation $	
4 Income subject to tax not recorded on books this year (itemize) $		b Contributions carryover $	
5 Expenses recorded on books this year not deducted in this return (itemize) a Depreciation $		9 Total of lines 7 and 8	
b Contributions carryover $		10 Income (line 28, page 1)—line 6 less line 9	
6 Total of lines 1 through 5			

Schedule M-2 Analysis of Unappropriated Retained Earnings on Books (line 24 above)

1 Balance at beginning of year		5 Distributions out of current or accumulated earnings and profits: a Cash	
2 Net income on books		b Stock	
3 Other increases (itemize)		c Property	
		6 Current year's undistributed taxable income or net operating loss (total of lines 8 and 9a, Schedule K)	
		7 Other decreases (itemize)	
		8 Total of lines 5, 6, and 7	
4 Total of lines 1, 2, and 3		9 Balance at end of year (line 4 less line 8)	

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1981

Department of the Treasury
Internal Revenue Service

Instructions for Form 1120S

U.S. Small Business Corporation Income Tax Return

(References are to the Internal Revenue Code.)

Paperwork Reduction Act Notice

The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Tax Highlights

a. Depreciation.—The Economic Recovery Tax Act of 1981 (1981 Act) created a new method of depreciation, the Accelerated Cost Recovery System (ACRS). Generally, the corporation must use ACRS to figure depreciation for most assets placed in service after December 31, 1980. The 1981 Act also repealed the provision for electing the Class Life Asset Depreciation Range (CLADR) System for depreciating assets placed in service after December 31, 1980. However, if the corporation previously elected CLADR, and still has assets remaining in vintage accounts, it must continue to depreciate the assets using the CLADR System. The Act also repealed the election for additional first-year depreciation for assets acquired after December 31, 1980. See Form 4562, Depreciation, and the related instructions for more information.

b. Schedule K.—The lines that provided for a summary listing of qualified investment credit property were deleted from Schedule K. If the corporation acquired investment credit property (or energy property), it is now required to complete parts of Form 3468 (and Schedule B (Form 3468)) and attach Form 3468 to Form 1120S. See Tax Highlights in the Instructions for Form 3468 for changes made in the investment credit tax law.

c. Tax Rate Changes.—The 1981 Act reduced the corporate tax rates for each of the two lowest taxable income brackets. Because the reductions are effective January 1, 1982, fiscal tax year 1981–82 corporations have to make a section 21 tax proration to figure their capital gain tax, if applicable. See Schedule D (Form 1120S).

General Instructions

Purpose

Form 1120S is used instead of Form 1120 if a corporation elected to be taxed as a small business (Subchapter S) corporation and its election is in effect.

If you need more information, you may want to get Publication 589, Tax Information on Subchapter S Corporations. It is available from many Internal Revenue Service offices.

Filing Form 1120S

Who Must File

You must file Form 1120S if you elected, by filing Form 2553, Election by a Small Business Corporation, to be taxed as a small business corporation and IRS accepted your election; and if the election remains in effect. A corporation that files Form 1120S is generally exempt from income tax, which its shareholders pay instead.

End of Election

The election to be taxed as a small business corporation can end automatically or it can be revoked. During the 5 years after an election has ended automatically or been revoked, the corporation can make another election on Form 2553 only if the Commissioner consents. (See regulations section 1.1372–5.)

The election ends automatically in any of the following cases:

a. A new shareholder affirmatively refuses to consent to the election by the 60th day after the day the shareholder acquired the stock. A new shareholder is a person who was not a shareholder on the first day of the first tax year for which the election is effective or on the day the election is made, whichever is later.

The new shareholder's affirmative refusal must be filed with the Internal Revenue Service Center that has jurisdiction for the area where the principal business, office, or agency of the corporation is located.

b. The corporation is no longer a small business corporation as defined in section 1371(a). (Effective for tax years beginning after December 31, 1981, an electing small business corporation may have 25 shareholders.)

c. More than 80% of the corporation's gross receipts come from sources outside the United States.

d. More than 20% of the corporation's gross receipts are "passive investment" income, as defined in section 1372(e)(5)(C). However, this does not apply during the first 2 tax years of active conduct of the business if passive investment income is less than $3,000.

The ending of an election for any of these reasons is effective for the tax year of the corporation in which any of the cases above occurs and for all the corporation's later tax years. (See sections 1372(e) and (f).)

The election may be revoked for any tax year after the first tax year for which it is effective. All shareholders on the day the revocation is made must agree to it in order for it to take effect.

A revocation is effective either for the tax year in which it is made (if made within the first month of the tax year) or for the following year (if made after the first month of the tax year). It must be made according to regulations section 1.1372–4.

Change in Accounting Period

To change an accounting period, see section 1.442–1 of the regulations and Form 1128, Application for Change in Accounting Period. Also see Publication 538, Accounting Periods and Methods.

When To File

In general, file Form 1120S by the 15th day of the 3rd month after the end of the tax year.

Use Form 7004, Application for Automatic Extension of Time to File Corporation Income Tax Return, to request an automatic 3-month extension to file Form 1120S.

Use Form 7005, Application for Additional Extension of Time to File Corporation Income Tax Return, to request an additional extension after getting an automatic 3-month extension with Form 7004.

Period to be Covered by 1981 Return

File the 1981 return for calendar year 1981 and fiscal years beginning in 1981 and ending in 1982. If the return is for a fiscal year, fill in the tax year spaces on the form.

Final Returns. If the corporation ceases to exist, write "FINAL RETURN" at the top of the form.

Where To File

If the corporation's principal business, office, or agency is located in ▼	Use the following Internal Revenue Service Center address ▼
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Michigan, Ohio	Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
California, Hawaii	Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

Paying the Tax

You must pay the balance of tax due either (1) in full when you file the return or (2) in two equal installments. The first installment is due by the 15th day of the 3rd month after the end of the tax year. The second installment is due by the 15th day of the 6th month after the end of the tax year.

Deposit corporation income tax payments with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) serving the geographic area where the taxpayer is located. Records of deposits will be sent to the Internal Revenue Service for crediting to the corporation's account. See the instructions on the back of Form 503 for more information and exceptions.

You can get Form 503 from the IRS service center where you file your returns. The application should include the corporation's name, identification number, address, and the tax year to which the deposits relate.

Penalty for Overstated Tax Deposits.—If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

Accounting Methods

Figure taxable income using the method of accounting regularly used in keeping the corporation's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically states otherwise, a corporation may change the method of accounting used to report income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method.

Rounding Off to Whole-dollar Amounts. You may round off dollar amounts by eliminating any amount less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

Stock Ownership in Foreign Corporations

If the corporation owned at least 5% in value of the outstanding stock of a foreign personal holding company, attach the statement required by section 551(c).

A taxpayer who controls a foreign corporation, or who is a 10% or more shareholder of a controlled foreign corporation, may have to file Form 2952, Information Return with Respect to Controlled Foreign Corporations, and Form 3646, Income from Controlled Foreign Corporation.

Balance Sheets

You may use either Schedule L or copies of other balance sheets required by Federal, State, or other authorities.

Balance sheets filed under this procedure must contain sufficient information to enable IRS to reconstruct a balance sheet similar to that contained on Form 1120S, without contacting the taxpayer during processing. Include certificates of deposit as cash on line 1 of the balance sheet.

The balance sheets must agree with your books and records. Use Schedule M–1 to reconcile taxable income with the net profit shown on your books.

Net Operating Loss and Other Deductions

An electing small business corporation may not take the deduction for net operating losses provided by section 172 and the special deductions in Part VIII (except section 248) of subchapter B. (See section 1373(d).)

The corporation's net operating loss is allowed as a deduction from the shareholders' gross income. (Section 1374.)

Attachments

If you need more space on forms or schedules, attach separate sheets. Attach schedules in alphabetical order and forms in numerical order to the back of Form 1120S. Be sure to put the corporation's name and employer identification number on these separate sheets.

Signature

The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign.

A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of a corporation.

If your corporate officer fills in Form 1120S, the space under "signature of officer" should remain blank. If someone prepares Form 1120S and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120S should not sign. For example, a regular, full-time employee of the corporation such as a clerk or secretary does not have to sign. (This list is not all-inclusive.)

In general, anyone paid to prepare Form 1120S must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer must sign Form 1120S, please contact an IRS office.

The person required to sign the return as preparer MUST complete the required preparer information and:

- Sign, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120S to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See Publication 1045, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

Transfers to Corporation Controlled by Transferor

If a person acquires stock or securities of a corporation in exchange for property, and no gain or loss is recognized under section 351, the transferor and transferee must attach the information required by regulations section 1.351–3.

Penalties

a. A corporation that does not file its tax return by the due date, including any extensions, may have to pay a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due—section 6651(a)(1).)

b. A corporation that does not pay the tax when due may have to pay a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due—section 6651(a)(2).)

These penalties will not be imposed if the corporation can show that not filing or not paying was due to reasonable cause and not to willful neglect.

These penalties are in addition to the interest charge imposed on unpaid tax at a rate under section 6621.

Information Returns That May be Required

Form 1096. Annual Summary and Transmittal of U.S. Information Returns.

Forms 1099–DIV, INT, MED, MISC, OID, PATR and R. You may have to file these information returns to report certain dividends, interest payments, medical and health care payments, miscellaneous income, original issue discount, patronage dividends, and total distributions from profit-sharing plans, retirement plans, and individual retirement arrangements.

Use Form 1099–DIV to report actual dividend distributions taxable as ordinary income, actual dividend distributions taxable as long-term capital gains (after tax), nondividend distributions, and dividends qualifying for the dividend exclusion.

Use Schedule K–1 (Form 1120S), Shareholder's Share of Undistributed Taxable Income, etc., to report constructive dividends (undistributed taxable income). Do not report them on Form 1099–DIV.

Use Form 966, Corporate Dissolution or Liquidation, and Form 1099L, U.S. Information Return for Distributions in Liquidation During Calendar Year, to report dissolution or liquidation and distributions in liquidation.

Specific Instructions

Employer Identification Number. If the employer identification number (EIN) on the label is wrong or if you did not receive a label, write the correct number at the top of the return.

A corporation that does not have an EIN should apply for one on Form SS–4, Application for Employer Identification Number. You can get this form at any IRS or Social Security Administration office. Send Form SS–4 to the same Internal Revenue Service Center to which you send Form 1120S. If you have not received the EIN by the time for filing Form 1120S, write "Applied for" in the EIN space.

Total Assets. Enter the total assets of the corporation. If there are no assets at the end of the tax year, enter the total assets as of the beginning of the tax year.

Gross Income

Line 1

Gross receipts

Enter gross receipts or sales from all business operations except those you must report on lines 4 through 10.

For reporting advance payments and long-term contracts, see section 1.451–5 of the regulations.

If you use the installment method, enter on line 1c the gross profit on collections from installment sales and carry the same amount to line 3. Attach a schedule showing for the current year and 3 preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profit, (d) percentage of gross profit to gross sales, (e) amount collected, and (f) gross profit on amount collected.

Line 2

Cost of goods sold (From Schedule A)

Valuation methods

Your inventories can be valued at: (a) cost, (b) cost or market value (whichever is lower), or (c) any other method approved by the Commissioner of Internal Revenue, if that method conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. To make this change file Form 3115. For more information about the change, see regulations section 1.446–1(e)(3) and Rev. Proc. 70–27, 1970–2 C.B. 509.

In line 8a, check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions when there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For additional requirements, see regulations section 1.471–4.

Inventory may be valued below cost when the merchandise is unsalable at normal prices or unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471–2(c). Such goods may be valued at a current bona fide selling price less direct cost of disposition (but not less than scrap value) when the taxpayer can establish such a price. See regulations section 1.471–2(c) for additional requirements.

In line 8b, indicate whether you used a method of inventory valuation other than those described in line 8a, and attach a statement describing the method used.

If this is the first year the "Last-in First-out" (LIFO) inventory method was either: adopted or extended to inventory goods not previously valued under the LIFO method, as provided in section 472, attach Form 970, Application to Use LIFO Inventory Method, or a statement with Form 1120S and check the LIFO box in line 8c. In line 8d, enter the amount or percent (estimates may be used) of total closing inventories covered under section 472.

Full absorption method of inventory costing

If you are engaged in manufacturing or production, you must use the full absorption method of inventory costing. If you are not using it, you must change to this method. Under it, both direct and certain indirect production costs are included for inventory valuation purposes.

You must use Form 3115 to change to full absorption. For details, see Revenue Procedure 75–40, 1975–2 C.B. 571, and section 1.471–11 of the regulations.

Cost of operations (when inventories are not an income-determining factor).—

If the amount entered on line 2 includes an amount for the cost of operations, attach a schedule showing (1) salaries and wages and (2) other costs in detail.

Line 6

Other interest

Enter interest on loans, notes, mortgages, bonds, bank deposits, corporate bonds, etc.

Do not offset interest income against interest expense.

Line 7

Gross rents

Enter the gross amount you received for renting property. In the proper lines, deduct expenses such as repairs, interest, taxes, and depreciation.

The corporation may be limited in the amount of expense deductions for renting a vacation home if a shareholder uses the property for personal purposes. (See section 280A.)

Line 9

Capital gains and losses

See separate Schedule D (Form 1120S), and Form 4797, Supplemental Schedule of Gains and Losses.

If line 9b is more than $25,000, see instructions for Part IV, Tax Computation, of Schedule D (Form 1120S).

Report every sale or exchange of a capital asset in detail on Schedule D (Form 1120S) even though there is no gain or loss.

Line 10

Other income

Enter any other taxable income not listed above and explain its nature on an attached schedule. Examples of other income are recoveries of bad debts deducted in earlier years under the specific charge-off method, the amount of credit for alcohol used as a fuel that was figured on Form 6478, Credit for Alcohol Used as Fuel, and refunds of taxes deducted in earlier years. Do not offset current year's taxes with tax refunds.

If "other income" consists of only one item, identify it by showing the account caption in parentheses on line 10. A separate schedule need not be attached to the return in this case.

Deductions

Line 12

Compensation of officers

Complete columns 1 through 5, Schedule E, for all officers. Complete column 6, Schedule E, for your six highest paid officers. To determine the highest paid officers, add all allowances, including expense account allowances, to each officer's compensation. Expense account allowance means (1) amounts, except compensation, received as advances or reimbursements and (2) amounts paid by or for the corporation for expenses incurred by or for an officer. You do not have to complete column 6 for any officer whose combined amount is less than $50,000.

Line 13

Salaries and wages

Enter on line 13a the amount of total salaries and wages (other than salaries and wages deducted elsewhere on your return) paid or incurred for the tax year.

Enter on line 13b the applicable jobs credit from line 9 of Form 5884. See instructions for Form 5884, Jobs Credit, for more information.

Line 14

Repairs

Enter the cost of incidental repairs, such as labor and supplies, that do not add to the value of the property or appreciably prolong its life.

You may choose to deduct as a current expense certain expenses for the removal of architectural and transportation barriers to the handicapped and elderly. See section 190 and related regulations.

Line 15

Bad debts

You may treat bad debts in either of two ways: (a) as a deduction for debts that become worthless in whole or in part, or (b) as a deduction for a reasonable addition to a reserve for bad debts. (Section 166.)

Apply on Form 3115 if you want to change the method of figuring bad debts.

Line 17

Taxes

Enter taxes paid or accrued during the tax year.

Do not include Federal income tax or taxes not imposed on the corporation. See section 164(d) for dividing taxes on real property between seller and buyer.

Do not deduct amounts paid or accrued during the year for real property construction period taxes (other than for low-income housing). See instructions for line 20 for information on amortizing these amounts. However, you may deduct amounts paid or accrued during the year for nonresidential real property construction period taxes if the construction period began in a tax year beginning before January 1, 1976. (See section 189.)

Line 18

Interest

Enter interest expense, including investment interest expense. Do not include interest on indebtedness that is incurred or continued to purchase or carry obligations on which the interest is wholly exempt from income tax. For exceptions, see item (2) of section 265.

See section 267 for limits on deductions for unpaid expenses and interest on transactions between related taxpayers.

Do not deduct amounts paid or accrued during the year for real property construction period interest (other than low-income housing). See instructions for line 20 for information on amortizing these amounts. However, you may deduct amounts paid or accrued during the year for nonresidential real property construction period interest if the construction period began in a tax year beginning before January 1, 1976. (See section 189.)

In general, a cash basis taxpayer cannot deduct prepaid interest that is allocable to years after the current tax year. A cash basis taxpayer, who in 1981 prepaid interest allocable to any period after 1981, can deduct only the amount allocable to 1981. Please see Publication 545, Interest Expense.

Generally, for positions established after June 23, 1981, the interest and carrying charges on straddles can no longer be deducted but must be capitalized. See section 263(g).

Line 19

Contributions

Enter contributions or gifts actually paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c). Also enter any unused contributions carried over from earlier years.

The total amount claimed may not be more than 5% of taxable income (line 28, page 1) figured without regard to this deduction.

You may not deduct for the tax year charitable contributions larger than the 5% limit, but you may carry the excess over to the next 5 tax years.

Corporations on the accrual basis may choose to deduct contributions paid by the 15th day of the 3rd month after the end of the tax year if the board of directors authorized the contributions during the tax year. Attach to the return a declaration signed by an officer, stating that the resolution authorizing the contributions was adopted by the board of directors during the tax year. Also attach a copy of the resolution to the return.

For a contribution in property other than money, attach a schedule describing the kind of property contributed and the method used in determining its fair market value. If you made a "qualified conservation contribution" as defined in section 170(h), show the fair market value of the underlying property before

and after the contribution and the type of legal interest contributed, and describe the conservation purpose furthered by the contribution. If a contribution carryover is included, show the amount and how it was determined.

Special rule for contributions of certain property

If you make a charitable contribution of property, the contribution must be reduced by the sum of the following:

1. the ordinary income, short-term capital gain, and

2. for certain contributions, 60.87% of the long-term capital gain that would have resulted if the property were sold at its fair market value. The reduction for 60.87% of the long-term capital gain applies to (a) contributions of tangible personal property to an exempt organization to use for a purpose or function unrelated to the basis for its exemption, and (b) contributions of any property to or for the use of certain private foundations. (Section 170(e).)

Bargain sale to a charitable organization

If you take a charitable contribution deduction for property sold to a charitable organization, the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

Line 20

Amortization

Generally, if a deduction is taken for amortization, you must attach a schedule showing: (1) a description of the expenses you amortized; (2) date acquired, completed, or spent; (3) amount being amortized; (4) amortization deducted in earlier years; (5) amortization period (number of months); (6) amortization for this year; and (7) the total amortization minus the amount claimed in Schedule A.

See section 169 and related regulations for conditions under which the cost of certified pollution control facilities may be amortized over 60 months.

See section 188 and related regulations for amortization over a 60-month period of certain expenditures made before January 1, 1982, for child care facilities.

See section 189(b) for amortization of real property construction period interest and taxes, other than for low-income housing.

For expenditures incurred after December 31, 1981, in tax years ending after that date, you may not elect to amortize rehabilitation expenditures or take accelerated depreciation for certain certified historic structures. Section 191 allows amortization to be figured using a period of 60 months. Section 167(o) allows an accelerated method of depreciation if you substantially rehabilitate a certified historic structure.

See section 194, Amortization of Reforestation Expenditures, for conditions under which the cost of reforestation expenditures made after December 31, 1979, may be amortized over 84 months.

See section 195 for amortization over a 60-month period of certain business start-up expenses paid or incurred after July 29, 1980.

Line 21

Depreciation

See instructions for Form 4562, Depreciation.

Line 22

Depletion

See sections 613 and 613A for rates applicable to natural deposits.

Attach Form T (Timber), Forest Industries Schedules, if you claim a deduction for depletion of timber.

Line 24

Pension, profit-sharing, etc., plans

Employers who maintain a pension, profit-sharing, or other funded deferred compensation plan (other than a Simplified Employee Pension (SEP)) whether or not qualified under the Internal Revenue Code and whether or not a deduction is claimed for the current tax year, generally are required to file one of the forms listed below. Employers who maintain a 401 (j)(6) type plan in which employees or shareholder-employees are participants may not maintain a SEP (section 408(k)).

The Employee Retirement Income Security Act of 1974 imposes penalties for failure to file these forms on time.

Form 5500, Annual Return/Report of Employee Benefit Plan (With 100 or more participants).

Form 5500–C, Return/Report of Employee Benefit Plan (With fewer than 100 participants).

Form 5500–R, Registration Statement of Employee Benefit Plan. Filed on a rotating basis with Form 5500–C.

Only one return is required to be filed for a multiemployer-collectively-bargained plan. Contributing employers are not required to file separately.

See section 1379(b) for inclusion of excess contributions in gross income of the shareholder-employee beneficiary.

Line 25

Employee benefit programs

Enter the amount of contributions to employee benefit programs (such as insurance and health and welfare programs) that are not an incidental part of a pension, profit-sharing, etc., plan included in line 24.

Also include the corporation's contributions to a qualified group legal services plan established for the exclusive benefit of employees (including shareholders) or their spouses or dependents. Section 120 permits employees (including their spouses and dependents) to exclude from income employer contributions to a qualified group legal services plan.

Line 26

Other deductions

In most cases, you may not take a deduction for any part of any item allocable to a class of exempt income. The exception is certain parts of interest included by face-amount certificate

companies registered under the Investment Company Act of 1940. (See section 265(2) for exceptions.) Items directly attributable to wholly exempt income must be allocated to that income. Items directly attributable to any class of taxable income must be allocated to that taxable income.

If an item is indirectly attributable both to taxable income and to exempt income, allocate a reasonable proportion of the item to each, based on all the facts in each case.

Attach a statement showing (1) the amount of each class of exempt income and (2) the amount of expense items allocated to each such class. Show the amount allocated by apportionment separately.

In the case of a farming syndicate, a deduction for amounts paid for feed, seed, fertilizer, or other similar farm supplies is allowed only in the tax year in which these items are actually used or consumed. For definitions, exceptions to the general rule, and special rules for orchard and vineyard expenses, see section 278.

For special treatment of certain expenses incurred in the production of films, books, records, or similar property, see section 280.

If any part of a loss from section 465 activities was not distributed to shareholders for the corporation's 1980 tax year because of section 465 limits, that part of the loss is treated as a deduction allocated to the activity in 1981. (See section 465 and the instruction for line 28 for details.)

Note: Travel and Entertainment.—Generally, the corporation can deduct all ordinary and necessary travel and entertainment expenses paid or incurred in its trade or business. However, it cannot deduct an expense paid or incurred for a facility (such as a yacht or hunting lodge) that is used for an activity that is usually considered entertainment, amusement, or recreation. (The corporation may be able to deduct the expenses if the amount is treated as compensation and reported on Form W–2 for an employee or on Form 1099 NEC for an independent contractor.) See Publication 463, Travel, Entertainment, and Gift Expenses, for more details.

Line 28

Taxable Income

Special "at risk" rules apply to a small business corporation engaged in any activity (except the holding of real property other than mineral property) as a trade or business or for the production of income. If applicable, these rules limit the corporate loss or losses to be entered on line 28. See section 465(a).

A corporation's section 465(d) loss from each activity for the tax year is limited to the amount for which the corporation is "at risk" for the activity at the end of the tax year. The corporation is considered "at risk" for an activity for amounts described in section 465(b)(1) and (2). The amounts borrowed are not considered to be "at risk" if they are excluded or excepted under section 465(b)(3) and (4).

If any activities of the corporation incur a loss for the year, figure each activity loss separately. Attach a schedule showing the amount at risk and gross income and deductions for each section 465 activity with a loss.

If the corporation sells or otherwise disposes of any part of an asset or interest in an activity to which the "at risk" rules apply, combine the gain or loss on the sale or disposition with the profit or loss from the activity to determine the net profit or loss from the activity.

If a loss from an activity is more than the amount for which the corporation is at risk, modify the amount that would otherwise be entered on line 28 of Form 1120S for the excess. Pass through to the shareholders only the allowable loss (described above) for the tax year. Treat any loss from an activity not allowed under this section for the tax year as a deduction allocable to the activity in the following tax year. See the instruction for line 26.

Line 29

If net capital gain, line 9b, page 1, is $25,000 or less, the corporation is not liable for income tax or minimum tax. If net capital gain is more than $25,000, see Instructions for Part IV, Tax Computation of Schedule D (Form 1120S) to determine if the corporation is liable for income tax or minimum tax.

Line 30c

Overpaid Windfall Profit Tax.—A corporation that has overpaid its windfall profit tax may claim a credit for the overpayment on its income tax return. Use Form 6249 to figure the overpayment. Include the amount of overpayment in the total for line 30c, and identify it as overpaid windfall profit tax.

Additional Information

Be sure to answer the questions and provide other information in items F through O. The instructions that follow are keyed to these items.

Question L

Foreign financial accounts

Check the Yes box if either 1. or 2. below applies to you.

1. At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country. *Exception.* Check No if either of the following apply to you:
   - The combined value of the accounts was $1,000 or less during the whole year.
   - The accounts were with a U.S. military banking facility operated by a U.S. financial institution.
2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get Form 90–22.1 to see if you are considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If you checked Yes for Question L, file Form 90–22.1 by June 30, 1982, with the Department of the Treasury at the address shown on the form. Form 90–22.1 is not a tax return, so do not file it with the IRS. But be sure to file your Form 1120S with the IRS.

You can get Form 90–22.1 from many IRS offices.

Question M

Foreign trusts

Check the Yes box if you were ever a grantor of, or a transferor to, a foreign trust that existed during the tax year.

Schedule K

Computation of Undistributed Taxable Income and Summary of Distributions and Other Items

Lines 1, 2, and 3

Undistributed taxable income is taxable income minus the sum of:

1. The taxes imposed by sections 58 (d)(2) and 1378(a), and
2. The amount of money distributed as dividends out of earnings and profits of the tax year.

Treat money distributions made within 2 months and 15 days after the close of the corporation's tax year as distributions of that earlier year's undistributed taxable income to the extent of the shareholders' apportioned shares.

Summary of Distributions and Other Items

On Form 1099–DIV, report—
a. Actual dividend distributions entered on lines 4, 5, and 6 of Schedule K.
b. Nondividend distributions shown on line 7 of Schedule K.

If an earlier actual distribution reported to shareholders as ordinary income on Form 1099–DIV is determined to be capital gain at the close of the corporation's tax year, the corporation must issue corrected Forms 1099–DIV to the shareholders.

The constructive dividends entered on lines 8, 9a and 9b of Schedule K must be reported on Schedule K–1.

Line 4

Enter the actual dividend distributions of money or property that are out of current earnings and profits and that are taxable as ordinary income. A dividend distribution of property does not reduce undistributed taxable income.

Line 5

Enter actual dividend distributions that the shareholders are to treat as a long-term capital gain after tax. (See section 1375 and section 1.1375–1 of the regulations.)

Line 6

Only dividends that are not considered to be out of the earnings and profits of the tax year qualify for the dividend exclusion.

For purposes of this rule, the earnings and profits of the tax year are considered not to be more than taxable income for the year. The dividends entitled to the exclusion include, for example, dividends paid out of accumulated earnings and profits.

Line 7

Enter the total amount of distributions of money and property not out of earnings and profits.

For tax years after the first tax year to which the Subchapter S election applies, include any distribution of undistributed taxable income previously taxed to shareholders as allowed by section 1375(d). See section 1377 to find out whether a distribution is out of the corporation's undistributed taxable income previously taxed to shareholders.

Section 1375(f) states that money distributions made within 2 months and 15 days after the close of the tax year are treated as non-dividend distributions of that year's undistributed taxable income to the extent they are not more than the shareholders' shares of undistributed taxable income for that year. Report these distributions in the year they are made. For example, if a 1981 calendar year corporation makes a section 1375(f) distribution within 2 months and 15 days after the close of its tax year, this distribution must be reported as a non-dividend distribution on Schedule K of the 1982 Form 1120S, and on the 1982 Form 1099–DIV. (See section 1375(f).)

Line 8

Enter the part of undistributed taxable income that the shareholders are to treat as ordinary income. The undistributed taxable income is the amount that the shareholders would have received as a dividend if the income had been distributed to them on the last day of the corporation's tax year.

A dividend distribution of property other than money may cause the corporation's undistributed taxable income (line 3) to be more than the total of lines 8 and 9a.

If there is a net operating loss for the tax year, enter it here.

Line 9a

Enter on line 9a the part of undistributed taxable income that is long-term capital gain after tax. (See section 1375 and section 1.1375–1 of the regulations.)

Line 9b

Complete Parts I, II, and III of Schedule D (Form 1120S) based on all transactions made during the tax year. If line 10 of Schedule D (Form 1120S) is a gain and you had transactions after June 9, 1981, make a side computation to determine if the transactions after June 9, 1981, result in a net capital gain. If there is a gain, and this gain is included in line 9a, enter it on line 9b. Do not enter more than the amount shown on line 9a.

If the transactions made after June 9, 1981, did not result in a net capital gain, enter zero on line 9b.

Line 10

If the corporation acquired or constructed investment credit property during the tax year, the corporation must complete certain parts of Form 3468, Computation of Investment Credit, and attach Form 3468 to Form 1120S. If the corporation acquired or constructed energy investment credit property, it must complete certain parts of Schedule B (Form 3468), Computation of Business Energy Investment Credit, and attach Schedule B to its return. See the Instructions for Form 3468 and Instructions for Schedule B (Form 3468), for details.

Effective for investment credit property (or energy credit property) placed in service after February 18, 1981, a subchapter S corporation's basis and cost of investment credit property is limited to the amount the corporation is at risk for the property at year end. See Instructions for Form 3468 for details.

Line 11

List the amounts of interest on investment indebtedness, and the applicable items below that were included in figuring the taxable income (or loss) for the corporation: (1) net investment income or (loss); (2) excess expenses over rental income from net lease property; and (3) net capital gain (excess net long-term capital gain over net short-term capital loss) from investment property.

Allocate the interest on investment indebtedness to the period in which the indebtedness was incurred. The periods are: (1) before December 17, 1969; (2) between December 17, 1969, and September 10, 1975; and (3) after September 10, 1975.

Shareholders must be notified of their share of the above information to figure their limit on interest on investment indebtedness at the shareholder level. (See Form 4952, Investment Interest Expense Deduction, and section 163(d).)

Line 12

Enter the amount of each item of tax preference. Include the tax preference for section 167(o) depreciation and section 191 amortization in the amount entered on line 12(a)(2) of Schedule K. Although these amounts are used in figuring the taxable income of the corporation, they are subject (with certain reductions) to a minimum tax (alternative minimum tax in the case of the net capital gain tax preference item) at the shareholder level. The shareholder must take these amounts into account along with similar items of tax preference from all other sources in preparing Form 4625, Computation of Minimum Tax—Individuals (Form 4626 for a shareholder who is an estate or trust) and Form 6251, Alternative Minimum Tax Computation.

Line 13

Enter the jobs credit figured by the corporation on Form 5884. The credit is figured at the corporate level and then apportioned to persons who are shareholders of the corporation on the last day of the corporation's tax year.

See Form 5884 for information about the jobs credit.

Write In Credits

Nonconventional Source Fuel Credit

Effective for tax years ending after December 31, 1979, a credit is allowed for the sale of qualified fuels produced from nonconventional sources. Section 44D contains a definition of qualified fuels, provisions for figuring the credit, and other special rules. The credit is figured at the corporate level and then is apportioned to persons who are shareholders of the corporation on the last day of the corporation's tax year.

Attach a separate schedule to the return to show the computation of the credit. Enter the credit below line 13 of Schedule K and write "Nonconventional Source Fuel Credit" next to the amount. Attach a statement to Schedule K–1 (Form 1120S) to show each shareholder's share of the credit.

Alcohol Fuel Credit

Effective for tax years ending after September 30, 1980, a credit is allowed for sale of alcohol fuel or the use of alcohol as a fuel by the corporation. The credit is figured at the corporate level and then apportioned to persons who are shareholders of the corporation on the last day of the corporation's tax year.

Use Form 6478, Credit for Alcohol Used as Fuel, to figure the credit. Enter the credit below line 13 of Schedule K and write "Alcohol Fuel Credit" next to the amount. The amount of the alcohol fuel credit must be included in the corporation's income. Include the dollar amount of the credit in line 10 of Form 1120S, page 1, and write in the margin next to line 10, the amount of the credit and the words "alcohol fuel credit". Attach a statement to Schedule K–1 (Form 1120S) to show each shareholder's share of the credit.

Credit for Increasing Research Activities

Effective for tax years ending after June 30, 1981, a credit is allowed for increasing the research activities of a trade or business. The credit is figured at the corporate level and then apportioned to persons who are shareholders of the corporation on the last day of the corporation's tax year.

Use Form 6765, Credit for Increasing Research Activities, to figure the credit. Enter the credit below line 13 of Schedule K and write "Research Credit" next to the amount. Attach Form 6765 to Form 1120S. Attach a statement to Schedule K–1 (Form 1120S) to show each shareholder's share of the credit.

Unused Credits from Cooperatives

If the corporation is a member of a cooperative that passes an unused regular investment credit, unused energy investment credit, or unused WIN credit, through to its members, enter the corporation's share of the unused credit below line 13 of Schedule K and identify the types of unused credits. If the corporation receives an unused jobs credit from a cooperative, it combines the credit with

any other jobs credit it figures on Form 5884 and passes the combined credit through to its shareholders.

The unused credits are apportioned to persons who are shareholders of the corporation on the last day of the corporation's tax year. Attach a statement to Schedule K–1 (Form 1120S) to show each shareholder's share of each unused credit.

Schedule K-1

Shareholder's Share of Undistributed Taxable Income, etc.

Complete a separate Schedule K–1 (Form 1120S) for each shareholder, and file Copy A with Form 1120S.

Under section 6676, there is a $5 penalty for not giving the identifying number of each shareholder.

Schedule K–1 (Form 1120S) must show complete information for everyone who was a shareholder of the corporation during any part of the tax year.

PART I

Income

Line 1

Enter each shareholder's share of undistributed taxable income (or loss) reported on line 8 of Schedule K, page 3, Form 1120S.

Any section 465 activity losses included on line 28 of Form 1120S must be included on line 1, Part I, and also entered on line 3, Part I. The entry on line 3 is only for information purposes to help the shareholder determine how much section 465 activity loss the shareholder may deduct on his or her tax return.

Lines 2(a) and 2(b)

Enter on line 2(a) each shareholder's share of undistributed taxable income reported on line 9a of Schedule K, page 3, Form 1120S.

Enter on line 2(b) each shareholder's share of undistributed taxable income reported on line 9b of Schedule K, page 3, Form 1120S.

See section 1375 and regulations section 1.1375–1 concerning special rules applicable to distributions of electing small business corporations.

Line 3

If a section 465 activity incurs an operating loss for the year, enter each shareholder's pro rata share of the loss on line 3. If there is more than one activity loss to enter on line 3, attach a schedule listing each loss separately.

For more information concerning section 465 activity loss limitations, see instructions for line 28 of Form 1120S.

Line 4

Enter the amount of loan repayments for loans the corporation borrowed from the shareholder (line 18 of Schedule L of Form 1120S—Loans from shareholders).

PART II

Interest on Investment Indebtedness

Each shareholder must be notified of his or her share of interest on investment indebtedness and the applicable items below that were included in figuring the taxable income (or loss) for the corporation: (1) net investment income or (loss), (2) excess expenses over rental income from net lease property, and (3) net capital gain from investment property.

On line 1, allocate the interest on investment indebtedness to the period in which the indebtedness was incurred. For more information, see Form 4952.

PART III

Items of Tax Preference

Enter the shareholder's share of tax preference items listed in Part III. The items of tax preference, except capital gains, are apportioned to each shareholder on a daily basis and not as of the end of the year. This manner is consistent with the way net operating losses are apportioned under section 1374. (See section 1374 and instructions for line 18 of Schedule D (Form 1120S).)

PART IV

Property Eligible for Investment Credit

Enter the shareholder's share of the corporation's investment in certain depreciable property.

In addition to the regular investment credit property reported in Part IV of Schedule K–1, attach a separate schedule showing the shareholder's share of the corporation's investment in:

- Qualified energy property and
- If qualified rehabilitation expenditures are made for improvements on more than one qualified building, or are made on the same building before January 1, 1982, and after December 31, 1981, so as to qualify for different credit rates (10%, 15%, 20%, or 25%), list the expenditure on a separate statement. List the amount and identify the line number on Form 3468 on which the expenditure should be entered.

PART V

Jobs Credit

Enter the shareholder's share of the jobs credit that the corporation figured on Form 5884.

PART VI

Other Shareholder Information

Column 3

If the number of shares that a shareholder owns changed during the year, attach a statement showing the number of shares held for each period.

Column 4

Enter the compensation paid to each shareholder. Include any excess contributions to a pension, profit-sharing, etc., plan made on behalf of a shareholder-employee. Excess contributions are those deductible by the corporation under section 404(a)(1), (2), or (3) which are more than the smaller of either:

1. 15% of the compensation the shareholder-employee received or accrued from the corporation during its tax year, or
2. $7,500.

A shareholder-employee of the corporation is an employee or officer who owns (or, under section 318(a)(1), is considered to own) more than 5% of the corporation's outstanding stock on any day of its tax year. The excess contribution rule does not apply to contributions to a trust described in section 401(j)(6). (See section 1379(b).)

Investment Credit Property Used in Figuring Recapture Tax

If the corporation disposed of (or if property otherwise ceases to be investment credit property) investment credit property (or energy property) before the "recovery period" or "life years" assigned to the property for investment credit purposes, the shareholders of the corporation may have to recapture or pay back the investment credit taken in prior years.

The corporation must attach a separate statement to Schedule K–1 to notify each shareholder of the premature disposal of investment credit property. The statement must contain the following information:

1. A brief description of the property (indicate if qualified progress expenditure property).
2. Type (recovery or nonrecovery property).
3. Shareholder's share of basis or cost of property at time property was placed in service.
4. Date placed in service.
5. Date property was disposed of.
6. Estimated life years or recovery period when placed in service.

Credit for Wages Paid or Incurred in a Work Incentive (WIN) Program

The corporation must attach a statement showing each shareholder's share of the wages of each WIN program employee. This statement must also show each employee's name, social security number, initial date of employment, and first-year or second-year WIN program wages paid or incurred for the tax year. See Form 4874, Credit for Work Incentive (WIN) Program Expenses, and sections 50A and 50B for details.

Note: The WIN credit is not allowed for wages paid or incurred in any tax year beginning after December 31, 1981. However, wages paid or incurred for services of a WIN program employee may qualify for the targeted jobs credit after this date. See Form 5884 for details.

For more information, get **Publication 906,** Targeted Jobs, WIN, and Research Credits.

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Enterprise Standard Industrial Classification system authorized by the Statistical Policy Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify enterprises by type of activity in which they are engaged. The system follows closely the Standard Industrial Classification used to classify establishments.

Using the list below, enter on page 1, under B, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means gross receipts (line 1c, page 1) plus all other income (lines 4 through 10, page 1). On page 2, under G, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Grain mill products," the principal product or service may be "Cereal preparations."

Agriculture, Forestry, and Fishing

Code

0400 Agricultural production.
0600 Agricultural services (except veterinarians), forestry, fishing, hunting, and trapping.

Mining

Metal mining:
1010 Iron ores.
1070 Copper, lead and zinc, gold and silver ores.
1098 Other metal mining.
1150 Coal mining.
Oil and gas extraction:
1330 Crude petroleum, natural gas, and natural gas liquids.
1380 Oil and gas field services.
Nonmetallic minerals (except fuels) mining:
1430 Dimension, crushed and broken stone; sand and gravel.
1498 Other nonmetallic minerals, except fuels.

Construction

General building contractors and operative builders:
1510 General building contractors.
1531 Operative builders.
1600 Heavy construction contractors.
Special trade contractors:
1711 Plumbing, heating, and air conditioning.
1731 Electrical work.
1798 Other special trade contractors.

Manufacturing

Food and kindred products:
2010 Meat products.
2020 Dairy products.
2030 Preserved fruits and vegetables.
2040 Grain mill products.
2050 Bakery products.
2060 Sugar and confectionery products.
2081 Malt liquors and malt.
2088 Alcoholic beverages, except malt liquors and malt.
2089 Bottled soft drinks, and flavorings.
2095 Other food and kindred products.
2100 Tobacco manufacturers.
Textile mill products:
2228 Weaving mills and textile finishing.
2250 Knitting mills.
2298 Other textile mill products.
Apparel and other textile products:
2315 Men's and boys' clothing.
2345 Women's and children's clothing.
2388 Hats, caps, millinery, fur goods, and other apparel and accessories.
2390 Misc. fabricated textile products.
Lumber and wood products, except furniture:
2415 Logging camps and logging contractors, sawmills and planing mills.
2430 Millwork, plywood, and related products.
2498 Other wood products, including wood buildings and mobile homes.
2500 Furniture and fixtures.
Paper and allied products:
2625 Pulp, paper, and board mills.
2699 Other paper products.
Printing, publishing, and allied industries:
2710 Newspapers.
2720 Periodicals.
2735 Books, greeting cards, and misc. publishing.
2799 Commercial and other printing, and printing trade services.

Code

Chemicals and allied products:
2815 Industrial chemicals, plastics materials and synthetics.
2820 Drugs.
2840 Soap, cleaners, and toilet goods.
2850 Paints and allied products.
2898 Agricultural and other chemical products.
Petroleum refining and related industries (including those integrated with extraction):
2910 Petroleum refining (including those integrated with extraction).
2998 Other petroleum and coal products.
Rubber and misc. plastics products:
3050 Rubber products; plastics footwear, hose and belting.
3070 Misc. plastics products.
Leather and leather products:
3140 Footwear, except rubber.
3198 Other leather and leather products.
Stone, clay, glass, and concrete products:
3225 Glass products.
3240 Cement, hydraulic.
3270 Concrete, gypsum, and plaster products.
3298 Other nonmetallic mineral products.
Primary metal industries:
3370 Ferrous metal industries; misc. primary metal products.
3380 Nonferrous metal industries.
Fabricated metal products, except machinery, and transportation equipment:
3410 Metal cans and shipping containers.
3428 Cutlery, hand tools, and hardware; screw machine products, bolts, and similar products.
3430 Plumbing and heating, except electric and warm air.
3440 Fabricated structural metal products.
3460 Metal forgings and stampings.
3470 Coating, engraving, and and allied services.
3480 Ordnance and accessories, except vehicles and guided missiles.
3490 Misc. fabricated metal products.
Machinery, except electrical:
3520 Farm machinery.
3530 Construction, mining, and materials handling machinery and equipment.
3540 Metalworking machinery.
3550 Special industry machinery, except metalworking machinery.
3560 General industrial machinery.
3570 Office, computing, and accounting machines.
3598 Engines and turbines, service industry machinery, and other machinery, except electrical.
Electrical and electronic machinery, equipment, and supplies:
3630 Household appliances.
3665 Radio, television, and communication equipment.
3670 Electronic components and accessories.
3698 Other electric equipment.
Transportation equipment:
3710 Motor vehicles and equipment.
3725 Aircraft, guided missiles and parts.
3730 Ship and boat building and repairing.
3798 Other transportation equipment.
Measuring and controlling instruments; photographic and medical goods; watches and clocks:
3815 Scientific instruments and measuring devices; watches and clocks.

Code

3845 Optical, medical, and ophthalmic goods.
3860 Photographic equipment and supplies.
3998 Other manufacturing products.

Transportation, Communication, Electric, Gas, and Sanitary Services

Transportation:
4000 Railroad transportation.
4100 Local and interurban passenger transit.
4200 Trucking and warehousing.
4400 Water transportation.
4500 Transportation by air.
4600 Pipe lines, except natural gas.
4700 Other transportation services.
Communication:
4825 Telephone, telegraph, and other communication services.
4830 Radio and television broadcasting.
Electric, gas, and sanitary services:
4910 Electric services.
4920 Gas production and distribution.
4930 Combination utility services.
4990 Water supply and other sanitary services.

Wholesale Trade

Durable:
5008 Machinery, equipment, and supplies.
5010 Motor vehicles and automotive equipment.
5020 Furniture and home furnishings.
5030 Lumber and construction materials.
5040 Sporting, recreational, photographic, and hobby goods, toys and supplies.
5050 Metals and minerals, except petroleum and scrap.
5060 Electrical goods.
5070 Hardware, plumbing and heating, equipment.
5098 Other durable goods.
Nondurable:
5110 Paper and paper products.
5129 Drugs, drug proprietaries, and druggists' sundries.
5130 Apparel, piece goods, and notions.
5140 Groceries and related products.
5150 Farm-product raw materials.
5160 Chemicals and allied products.
5170 Petroleum and petroleum products.
5180 Alcoholic beverages.
5190 Misc. nondurable goods.

Retail Trade

Building materials, hardware, garden supply, and mobile home dealers:
5220 Building materials dealers.
5251 Hardware stores.
5265 Garden supplies and mobile home dealers.
5300 General merchandise stores.
5410 Grocery stores.
5490 Other food stores.
Automotive dealers and service stations:
5515 Motor vehicle dealers.
5541 Gasoline service stations.
5598 Other automotive dealers.
5600 Apparel and accessory stores.
5700 Furniture and home furnishings stores.
5800 Eating and drinking places.
Misc. retail stores:
5912 Drug stores and proprietary stores.
5921 Liquor stores.
5995 Other misc. retail stores.

Finance, Insurance, and Real Estate

Code

Banking:
6030 Mutual savings banks.
6060 Bank holding companies.
6090 Banks, except mutual savings banks and bank holding companies.
Credit agencies other than banks:
6120 Savings and loan associations.
6140 Personal credit institutions.
6150 Business credit institutions.
6199 Other credit agencies.
Security, commodity brokers, dealers, exchanges, and services:
6210 Security brokers, dealers, and flotation companies.
6299 Commodity contracts brokers and dealers; security and commodity exchanges; and allied services.
Insurance:
6355 Life insurance.
6356 Mutual insurance, except life or marine and certain fire or flood insurance companies.
6359 Other insurance companies.
6411 Insurance agents, brokers, and services.
Real Estate:
6511 Real estate operators (except developers) and lessors of buildings.
6516 Lessors of mining, oil, and similar property.
6518 Lessors of railroad property and other real property.
6530 Condominium management and cooperative housing associations.
6550 Subdividers and developers.
6599 Other real estate.
Holding and other investment companies:
6742 Regulated investment companies.
6743 Real estate investment trusts.
6744 Small business investment companies.
6749 Holding and other investment companies, except bank holding companies.

Services

7000 Hotels and other lodging places.
7200 Personal services.
Business services:
7310 Advertising.
7389 Business services, except advertising.
Auto repair and services; misc. repair services:
7500 Auto repair and services.
7600 Misc. repair services.
Amusement and recreational Services:
7812 Motion picture production, distribution, and services.
7830 Motion picture theaters.
7900 Amusement and recreation services, except motion pictures.
Other services:
8015 Offices of physicians, including osteopathic physicians.
8021 Offices of dentists.
8040 Offices of other health practitioners.
8050 Nursing and personal care facilities.
8060 Hospitals.
8071 Medical laboratories.
8099 Other medical services.
8111 Legal services.
8200 Educational services.
8300 Social services.
8600 Membership organizations.
8911 Architectural and engineering services.
8930 Accounting, auditing, and bookkeeping.
8980 Miscellaneous services (including veterinarians).

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SCHEDULE D (Form 1120S)
Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

▶ Attach to your tax return.
▶ For Paperwork Reduction Act Notice, see page 1 of instructions for Form 1120S.

OMB No. 1545-0130
1981

Name | Employer identification number

Part I Short-term Capital Gains and Losses—Assets Held One Year or Less

a. Kind of property and description (Example, 100 shares of "Z" Co.)	b. Date acquired (mo., day, yr.)	c. Date sold (mo., day, yr.)	d. Gross sales price less expense of sale	e. Cost or other basis	f. Gain or (loss) (d less e)
1					

2 Short-term capital gain from installment sales from Form 6252, line 19 or 27	2	
3 Unused capital loss carryover (attach computation)	3	
4 Net short-term capital gain or (loss) (combine lines 1, 2, and 3)	4	

Part II Long-term Capital Gains and Losses—Assets Held More Than One Year

5 Enter section 1231 gain from line 5(a)(1), Form 4797	5	
6		
7 Long-term capital gain from installment sales from Form 6252, line 19 or 27	7	
8 Net long-term capital gain or (loss) (combine lines 5, 6, and 7)	8	

Part III Summary of Schedule D Gains and Losses

9 Excess of net short-term capital gain (line 4) over net long-term capital loss (line 8). Enter here and on Form 1120S, page 1, line 9a	9	
10 Net capital gain—Enter excess of net long-term capital gain (line 8) over net short-term capital loss (line 4). Enter here and on Form 1120S, page 1, line 9b	10	

Part IV Tax Computation (See Instructions)

11 Taxable income (Form 1120S, page 1, line 28)	11	
12 Enter tax on line 11 amount as computed in the instructions for line 12	12	
13 Net capital gain from line 10 above	13	
14 $25,000 (statutory minimum)	14	$25,000
15 Subtract line 14 from line 13	15	
16 Enter 28% of line 15	16	
17 Income tax on capital gains—Enter the smaller of line 12 or line 16	17	
18 Minimum tax (see instructions—attach Form 4626)	18	
19 Total tax—Add lines 17 and 18. Enter here and on Form 1120S, page 1, line 29	19	

Instructions

(References are to the Internal Revenue Code.)

Purpose

Schedule D should be used by corporations to report sales or exchanges of capital assets. Sales or exchanges of property other than capital assets, including property used in a trade or business, involuntary conversions (other than casualties or thefts), and gain from the disposition of interest in oil, gas, or geothermal property, should be reported on Form 4797. See the instructions for Form 4797 for more information.

If property is involuntarily converted because of a casualty or theft, use Form 4684, Casualties and Thefts.

Note: If capital assets of the corporation were sold or exchanged after June 9, 1981, see the Instruction for Line 9b of Schedule K of Form 1120S before completing Parts I, II, and III.

Parts I and II

Generally, you should report sales and exchanges even though there is no gain or loss. In Part I report the sale or exchange of capital assets held one year or less. In Part II report the sale or exchange of capital assets held more than one year.

What are Capital Assets.—Each item of property held by a corporation (whether or not connected with its trade or business) is a capital asset except:

1. Assets that can be inventoried or property held mainly for sale to customers.
2. Depreciable or real property used in the trade or business.
3. Certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property.
4. Accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in 1, above.
5. Certain short-term Federal, State, and municipal obligations acquired before June 24, 1981. (See section 1232(a)(4) for treatment after June 23, 1981.)
6. A U.S. Government publication (including the Congressional Record), received from the Government or any of its agencies other than by purchase at the public sale price, held by a taxpayer who received the publication, or by a second taxpayer in whose hands the basis of the publication is determined, for purposes of determining gain from a sale or exchange, by referring to its basis in the hands of the first taxpayer.

Special Rules for the Treatment of Certain Gains and Losses

● **Gain from installment sales.**—Except as explained below, if you sold property at a gain this year and will receive any payment in a later tax year, you must use the installment method to report your gain. You must file Form 6252, Computation of Installment Sale Income, to report the sale and gain as payments are received.

Electing out.—You may elect out of the installment method by doing the following on a timely filed return (including extensions):

(1) Enter in the margin of Schedule D, next to the sale, "I elect out of the installment method."

(2) If you received a note or other obligation and are reporting it at less than face value, state that fact in the margin and give the percentage of valuation.

Also use Form 6252 if you received a payment in 1981 from a sale made in an earlier year on the installment basis. For additional information, get Publication 537, Installment Sales.

● **Gains and losses on straddles.**—For positions established after June 23, 1981, see Form 6781, Gains and Losses from Commodity Futures Contracts and Straddle Positions, for details.

● **Gains and losses on regulated futures contracts marked to market.**—For property acquired and positions established after June 23, 1981, see section 1256 for rules and definitions that apply to determine gains and losses on regulated futures contracts. For an election with respect to such property held on June 23, 1981, see Act Section 508(c) of the Economic Recovery Tax Act of 1981. Also see Form 6781.

● **Gain or loss on an option to buy or sell property.**—See section 1234 for the rules that apply to a purchaser or grantor of an option.

● **Gain or loss from a short sale of property.**—Report the gain or loss to the extent that the property used to close the short sale is considered a capital asset in the hands of the taxpayer. A loss from a wash sale of stock or securities or from certain transactions between related persons is not deductible. (Sections 1091 and 267.)

● **Loss from securities that are capital assets that become worthless during the year.**—Except for securities held by a bank, treat the loss as a capital loss as of the last day of the tax year. (See section 582 for the rules on the treatment of securities held by a bank.)

How to Determine the Cost or Other Basis of the Property

In determining gain or loss, the basis of property will generally be its cost (section 1012). The exceptions to the general rule are provided in sections contained in subchapters C, K, O, and P of the Code. For example, if the corporation acquired the property by dividend, liquidation of another corporation, transfer from a shareholder, reorganization, contribution or gift, bequest, bankruptcy, tax-free exchange, involuntary conversion, or wash sale of stock, see sections 301, 334, 362 (or 358), 1015, 1014 (and 1023), 372 (or 374 or 1024), 1031, 1033, and 1091, respectively. Attach an explanation if you use a basis other than actual cash cost of the property.

If you are allowed a charitable contribution deduction because you sold property to a charitable organization, figure the adjusted basis for determining gain from the sale by dividing the amount realized by the fair market value and multiplying that result by the adjusted basis.

Capital Losses.—Capital losses are allowed only to the extent of capital gains. However, you may carry a net capital loss forward as a short-term capital loss for 5 years (10 years to the extent the loss is from a foreign expropriation loss) or until exhausted, whichever comes first.

At risk limitations (section 465).—If the corporation sold or exchanged an asset used in an activity to which the at risk rules apply, combine the gain or loss on the sale or exchange with the profit or loss from the activity. If the corporation has a net loss from the activity, it may be subject to the at risk rules.

Part III—Summary of Schedule D Gains and Losses

If the net long-term capital gain is more than the net short-term capital loss, there is a net capital gain. If this gain exceeds $25,000, the corporation may be liable for an income tax on the gain. Answer the questions in the instructions for Part IV below to determine if the corporation is liable for income tax on the gain. If the corporation is liable for income tax, it may also be liable for the minimum tax. See Form 4626.

Part IV—Tax Computation

Section 1378 imposes a tax on certain capital gains of an electing small business corporation.

By answering the following questions, you can determine if you are liable for the tax. If your net capital gain is more than $25,000, and you are not liable for the tax, you must answer questions A through D below as your explanation of why you are not liable for the tax.

If answers to questions A, B, and C or questions A, B, and D are "Yes," the tax applies and you must complete Part IV of Schedule D (Form 1120S). Otherwise, you are not liable for the tax.

A. Is taxable income, line 28, page 1, more than $25,000? ☐ Yes ☐ No

B. Is net capital gain (line 10, Part III, Schedule D (Form 1120S)) more than $25,000, and more than 50% of taxable income (line 28, page 1)? ☐ Yes ☐ No

C. Have you been other than an 1120S corporation at any time during the 3 tax years just before this year or since existence, if less than 4 years? ☐ Yes ☐ No

D. If answer to question C is "No," does any long-term capital gain (line 8, Schedule D (Form 1120S)) represent gain from property described in each of items 1, 2, and 3 below? ☐ Yes ☐ No

1. Property was acquired during the tax year or within 36 months before the tax year;

2. Property was acquired, directly or indirectly, from a corporation that was not in existence as an 1120S corporation during the tax year or within 36 months before the tax year up to the time of the acquisition; and

3. Property has a substituted basis to you. (A substituted basis is one determined by reference to its basis in the hands of the transferor corporation.)

If the answer to question D is "Yes," and the tax is applicable, multiply by 28% the net capital gain from property described in question D. If this amount is less than the tax figured on line 12, Part IV, enter this amount on line 17, Part IV, and write to the right of the amount, "Substituted basis." Attach the computation of the substituted basis amount to Schedule D (Form 1120S). (See section 1378(c)(3).)

For purposes of questions C and D above, a corporation is not considered to be in existence for any tax year before the first tax year in which the corporation has shareholders, acquires assets, or begins business, whichever occurs first.

Members of a Controlled Group.—If the corporation is a component member of a controlled group of corporations, see section 1561 and related regulations for rules on how to allocate the amounts on lines (b), (d), (f), and (h) in the instruction for line 12 below.

Line 12.—If the tax computation is applicable, figure the regular corporate income tax below and enter this amount on line 12 of Schedule D.

(a) Taxable income (Form 1120S, page 1, line 28)	
(b) Enter $25,000 (members of a controlled group, see prior instructions)	
(c) Subtract line (b) from line (a)	
(d) Enter line (c) or $25,000, whichever is smaller (members of a controlled group, see prior instructions)	
(e) Subtract line (d) from line (c)	
(f) Enter line (e) or $25,000, whichever is smaller (members of a controlled group, see prior instructions)	
(g) Subtract line (f) from line (e)	
(h) Enter line (g) or $25,000, whichever is smaller (members of a controlled group, see prior instructions)	
(i) Subtract line (h) from line (g)	
(j) Enter 17% of line (b)	
(k) Enter 20% of line (d)	
(l) Enter 30% of line (f)	
(m) Enter 40% of line (h)	
(n) Enter 46% of line (i)	
(o) Total—Add lines (j) through (n). Calendar year corporations enter here and on line 12 of Schedule D. (Fiscal year corporations continue computation.)	
(p) Enter 16% of line (b)	
(q) Enter 19% of line (d)	
(r) Add lines (l), (m), (n), (p) and (q)	
(s) Line (o) times fraction below: # of days in tax year before 1/1/82 / # of days in the tax year	
(t) Line (r) times fraction below: # of days in tax year after 12/31/81 / # of days in the tax year	
(u) Total add lines (s) and (t). Enter here and on line 12 of Schedule D	

Note: If for any reason the computation for line 12 is made on a separate schedule attach the schedule to Schedule D (Form 1120S).

Line 18.—Minimum tax on tax preference items.—Electing small business corporations are subject to the minimum tax only for the capital gains item of tax preference and only to the extent that the gains are subject to the tax imposed by section 1378. Corporations having such capital gains of more than $10,000 must attach Form 4626, Computation of Minimum Tax—Corporations and Fiduciaries.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O-343-138 58-040-1110

Form **1120-DISC**
Department of the Treasury
Internal Revenue Service

Domestic International Sales Corporation Return

(PLEASE TYPE OR PRINT)

OMB No. 1545-0124

1981

For calendar year 1981 or other tax year beginning , 1981 ending , 19

A Date of DISC election	Name	C Employer identification number
	Number and street	D Date incorporated
B Business code number (See page 7 of instructions)	City or town, State, and ZIP code	E Enter total assets from line 3, column (B), Schedule L (see specific instructions) $

F (1) Did any corporation, individual, partnership, trust or estate at the end of your tax year own, directly or indirectly, 50% or more of your voting stock? . . . . . Yes ☐ No ☐

If "Yes," enter below the owner's name, identifying number, address, percentage of voting stock owned and, if a corporation, total assets. (See specific instructions)

Name	Identifying number	Address	Percentage of voting stock owned	Total assets (Corporations only)	Foreign owner Yes	Foreign owner No

(2) Enter the following for any corporation listed in F(1) that will report the DISC's income

Tax year of first corporation	IRS Service Center where filed
Tax year of second corporation	IRS Service Center where filed

G Check the appropriate box to indicate any inter-company pricing rules that were applied to 25% or more of total receipts (line 4, page 1). ☐ 50–50 combined taxable income method, ☐ 4% gross receipts method, ☐ Section 482 method ("arm's length pricing")

All Computations Must Reflect Inter-Company Pricing Rules If Used (Section 994) (See Schedule P (Form 1120-DISC))

Gross Income

1	Qualified export receipts from the sale of export property (line 1(c), column E, Schedule B)	
2	Other qualified export receipts: (line 2(j), column E, Schedule B)	
3	Nonqualified gross receipts: (line 3(g), column E, Schedule B)	
4	Total (add lines 1, 2, and 3)	
5	Cost of goods sold (line 7, Schedule A) and/or operations (attach schedule)	
6	Total income (subtract line 5 from line 4)	

Deductions

7	Export promotion expenses: (line 1(o), Schedule E)	
8	Other expenses not deducted above: (line 2(h), Schedule E)	
9	Total deductions (add lines 7 and 8)	

Taxable Income

10	Taxable income before net operating loss deduction and dividends-received deduction (subtract line 9 from line 6)		
11	(a) Net operating loss deduction (see instructions—attach schedule)		
	(b) Dividends-received deduction (line 5, Schedule C)		
12	Taxable income (subtract line 11 from line 10)		
13	Refund of U.S. tax on special fuels and oils (attach Form 4136) (see instructions)		

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer — Date — ▶ Title

Paid Preparer's Use Only

Preparer's signature ▶ — Date — Check if self-employed ▶ ☐ — Preparer's social security no.

Firm's name (or yours, if self-employed) and address ▶ — E.I. No. ▶ — ZIP code ▶

For Paperwork Reduction Act Notice, see page 1 of the instructions.

Schedule A Cost of Goods Sold (See instructions for Schedule A)

Reflect ACTUAL purchases from a related supplier at the transfer price determined under the inter-company pricing rules of section 994, if used. See Schedule P (Form 1120-DISC).

1	Inventory at the beginning of the year	
2	Purchases	
3	Salaries and wages	
4	Other costs (attach schedule)	
5	Total (add lines 1 through 4)	
6	Inventory at the end of the year	
7	Cost of goods sold (subtract line 6 from line 5)—Enter here and on line 5, page 1	

8 (a) Check all methods used for valuing closing inventory:

☐ Cost ☐ Lower of cost or market as described in regulations section 1.471-4 (see instructions)

☐ Writedown of "subnormal" goods as described in regulations section 1.471-2(c) (see instructions)

(b) Did you use any other method of inventory valuation not described above? ☐ Yes ☐ No

If "Yes," specify method used and attach explanation ▶

(c) Check if the LIFO inventory method was used this tax year for any goods ☐

If checked, attach Form 970.

(d) If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO

(e) Was there any substantial change in determining quantities, cost, or valuations between opening and closing inventory? ☐ Yes ☐ No

If "Yes," attach explanation.

Schedule B Gross Income (See instructions for Schedule B)

A. Type of receipt	Commission sales B. Gross receipts	Commission sales C. Commission	D. Other receipts	E. Total (add columns C and D)
1 Qualified export receipts from the sale of export property:				
(a) To unrelated purchasers:				
(i) Direct foreign sales				
(ii) Foreign sales through a related foreign entity				
(iii) To persons in the U.S. (other than an unrelated DISC)				
(iv) To an unrelated DISC				
(b) To related purchasers:				
(i) Direct foreign sales				
(ii) To persons in the U.S.				
(c) Total—Enter amount in column E on line 1, page 1				
2 Other qualified export receipts:				
(a) Leasing or renting of export property				
(b) Services related and subsidiary to a qualified export sale or lease				
(c) Engineering and architectural services				
(d) Export management services				
(e) Qualified dividends (line 11, Schedule C)				
(f) Interest on producer's loans				
(g) Other interest (attach schedule)				
(h) Capital gain net income (Attach Schedule D (Form 1120))				
(i) Net gain or (loss) from Part II, Form 4797 (attach Form 4797; see instructions)				
(j) Total—Enter amount in column E on line 2, page 1				
3 Nonqualified gross receipts:				
(a) Ultimate use in U.S.				
(b) Exports subsidized by the U.S. Government (see instructions)				
(c) Certain direct or indirect sales or leases for use by the U.S. Government				
(d) Sales to other DISCs in the same controlled group				
(e) Nonqualified dividends (line 12, Schedule C)				
(f) Other (see instructions—attach schedule)				
(g) Total—Enter amount in column E on line 3, page 1				
4 Total—Enter amount in column E on line 4, page 1				

Schedule C Dividends and Special Deductions (See instructions for Schedule C)

	(A) Dividends received	(B) %	(C) Special deductions: multiply (A) × (B)
1 Domestic corporations subject to 85% deduction		85	
2 Certain preferred stock of public utilities		59.13	
3 Foreign corporations subject to 85% deduction		85	
4 Wholly-owned foreign subsidiaries subject to 100% deduction (section 245(b))		100	
5 Total—Add lines 1 through 4, Column C. See instructions for limitation. Enter here and on line 11(b), page 1			
6 Other dividends from foreign corporations not included in lines 3 and 4			
7 Income from controlled foreign corporations under subpart F (attach Forms 3646)			
8 DISC or former DISC dividends not included in line 1 (section 246(d))			
9 Other dividends			
10 Total dividends (add amounts on lines 1 through 10, column A)			
11 Qualified dividends—Enter here and on line 2(e), column D, Schedule B			
12 Nonqualified dividends (subtract line 11 from line 10) and enter on line 3(e), column D, Schedule B			

Schedule E Deductions (See instructions for Schedule E)

1 Export promotion expenses:	
(a) Market studies	
(b) Advertising	
(c) Depreciation (attach Form 4562)	
(d) Salaries and wages	
(e) Rents	
(f) Sales commissions	
(g) Warehousing	
(h) Freight (excluding insurance—see instructions)	
(i) Compensation of officers	
(j) Repairs (see instructions)	
(k) Amortization (attach schedule)	
(l) Pension, profit-sharing, etc. plans (see instructions)	
(m) Employee benefit programs	
(n) Other (list):	
(o) Total (add lines 1(a) through 1(n))—Enter here and on line 7, page 1	
2 Other expenses not deducted above:	
(a) Bad debts (Schedule F if reserve method is used)	
(b) Taxes	
(c) Interest	
(d) Contributions (not over 5% of line 12, page 1, adjusted per instructions)	
(e) Freight	
(f) Freight insurance	
(g) Other (attach schedule)	
(h) Total (add lines 2(a) through 2(g))—Enter here and on line 8, page 1	

Schedule F Bad Debts—Reserve Method

1. Year	2. Trade notes and accounts receivable outstanding at the end of the year	3. Sales on account	Amount added to the reserve: 4. Current year's provision	Amount added to the reserve: 5. Recoveries	6. Amount charged against the reserve	7. Reserve for bad debts at the end of the year
1976						
1977						
1978						
1979						
1980						
1981						

Schedule J Deemed and Actual Distributions to Shareholders for the Tax Year (See instructions for Schedule J)

PART I.—Deemed Distributions under Section 995(b)(1)

1 Gross interest derived during the year from producer's loans (section 995(b)(1)(A))	
2 Gain recognized on the sale or exchange of property (section 995(b)(1)(B)) (see instructions—attach schedule)	
3 Gain recognized on the sale or exchange of property (section 995(b)(1)(C)) (see instructions—attach schedule)	
4 50% of taxable income attributable to military property (section 995(b)(1)(D)) (see instructions—attach schedule)	
5 Total (add lines 1 through 4)	
6 Taxable income (line 12, page 1)	
7 Adjusted taxable income (subtract line 5 from line 6) (enter here and on line 1, Part II)	
8 Taxable income attributable to base period export gross receipts (section 995(b)(1)(E)) (from line 22, Part II)	
9 Subtract line 8 from line 7 (enter zero if less than zero)	
10 50% of line 9 (section 995(b)(1)(F)(i))	
11 International boycott income (section 995(b)(1)(F)(ii)) (see instructions)	
12 Illegal bribes and other payments (section 995(b)(1)(F)(iii)) (see instructions)	
13 Total of lines 5, 8, 10, 11, and 12	
14 Earnings and profits for year (see instructions—attach schedule)	
15 Enter the smaller of line 13 or line 14 (but not less than zero)	
16 Foreign investment attributable to producer's loans (section 995(b)(1)(G)) (see instructions—attach schedule)	
17 Total deemed distributions under section 995(b)(1) (add lines 15 and 16)	

PART II.—Taxable Income Attributable to Base Period Export Gross Receipts

1 Adjusted taxable income (from line 7, Part I)	
2 Larger of (a) 365 (see instructions) divided by the number of days in your tax year or (b) 1 (one)	
3 Annualized adjusted taxable income (line 1 times line 2)	
4 Annualized adjusted taxable income of all other DISCs in your controlled group (see instructions for exceptions)	
5 Line 3 plus line 4 (if $100,000 or less see instructions)	

6 Tax years beginning in 1974, 1975, 1976, and 1977 (use a separate line for each full or part year, starting with the earliest):

A. Beginning of year (month, day, year)	B. End of year (month, day, year)	C. Qualified export receipts as described in Sections 993(a)(1)(A), (B), (C), (G), and (H) (see instructions for certain exclusions)	D. 50 percent of qualified export receipts in column C attributable to military property
(a)			
(b)			
(c)			
(d)			
(e)			
(f) Totals (add lines (a) through (e))			

(g) Base period export gross receipts (subtract Column 6D, line (f) from Column 6C, line (f))	
7 Enter the smaller of (a) 1,461 divided by the number of days in your base period or (b) 1 (one)	
8 Line 6(g) times line 7	
9 Adjustment factor	.1675
10 Adjusted base period export gross receipts (line 8 times line 9)	
11 Additions to adjusted base period export gross receipts:	
(a) Adjusted base period export gross receipts of all other DISCs in your controlled group	
(b) Other additions (attach schedule—see instructions)	
(c) Total additions (line 11(a) plus line 11(b))	
12 Line 10 plus line 11(c)	
13 (a) Qualified export receipts as described in sections 993(a)(1)(A), (B), (C), (G), and (H). (Add the amounts from Schedule B, Columns B and D, lines 1(c), 2(a), 2(b), 2(c), and 2(d))	
(b) 50% of qualified export receipts on line 13(a) attributable to military property	
(c) Export gross receipts (subtract line 13(b) from line 13(a))	
14 Annualized export gross receipts (line 2 times line 13(c))	
15 Annualized export gross receipts of all other DISCs in your controlled group	
16 Line 14 plus line 15	
17 Enter the smaller of (a) line 12 divided by line 16 or (b) 1 (one)	
18 Line 5 times line 17	
19 Small DISC phaseout:	
(a) Enter the greater of (a) $150,000 less line 5 (but not more than $50,000) or (b) zero	
(b) Line 19(a) times 2 (two)	
20 Subtract line 19(b) from line 18 (enter zero if less than zero)	
21 Line 1 divided by line 5	
22 Taxable income attributable to base period export gross receipts (line 20 times line 21) (enter here and on line 8, Part I)	

PART III.—Deemed Distributions Under Section 995(b)(2)

1 Annual installment of distribution attributable to revocation of election in an earlier year	
2 Annual installment of distribution attributable to not qualifying as a DISC in an earlier year	
3 Total deemed distributions under section 995(b)(2) (add line 1 and line 2)	

PART IV.—Actual Distributions

1 Distributions to meet qualification requirements under section 992(c) (attach computation)	
2 Other actual distributions	
3 Total of line 1 and line 2	
4 Amount on line 3 treated as distributed out of:	
(a) Previously taxed income	
(b) Accumulated DISC income (including DISC income of the current year)	
(c) Other earnings and profits	
(d) Other	

Schedule K **Shareholder's Statement of DISC Distribution**
(Attach a separate Copy A, Schedule K (Form 1120-DISC) for each shareholder receiving a deemed or actual distribution. Give Copy B to the shareholder. See instructions on the back of Copy C.)

Additional Information	Yes	No
H Did you claim a deduction for expenses connected with:		
(1) Entertainment facility (boat, resort, ranch, etc.)?		
(2) Living accommodations (except employees on business)?		
(3) Employees attending conventions or meetings outside the North American area? (See section 274(h).)		
(4) Employees' families at conventions or meetings?		
If "Yes," were any of these conventions or meetings outside the North American area? (See section 274(h).)		
(5) Employee or family vacations not reported on Form W-2?		
I Refer to page 7 of the instructions and state the main:		
Business activity ▶		
Product or service ▶		
J Were you a U.S. shareholder of any controlled foreign corporation? (See sections 951 and 957.) If "Yes," attach Form 3646 (and Form 2952 where appropriate) for each corporation.		
K (1) Did 95% or more of your gross receipts for the tax year consist of qualified export receipts (defined in section 993(a))?		
(2) Did the adjusted basis of your qualified export assets (as defined in section 993(b)) at the end of the tax year equal or exceed 95% of the sum of the adjusted basis of all your assets at the end of the tax year?		
(3) If the answer to (1) or (2) is "No," did you make a pro rata distribution of property as defined in section 992(c)?		
L Did you have more than one class of stock at any time during the tax year?		
M Was the par or stated value of your stock at least $2,500 on each day of the tax year (for a new corporation, on the last day for making an election and for each succeeding day)?		
N Are you a member of a controlled group that includes other DISCs? (If "Yes," complete (1) and (2) below.)		
(1) Report in Part II, Section B of Schedule N the names, addresses, and employer identification numbers of the DISCs.		
(2) State the name and employer identification number of the DISC in your controlled group completing Columns 3 and 4 of Part I, Section B of Schedule N. See specific instructions for Schedule N (Form 1120-DISC).		
Name ▶ ... E.I.N. ▶		
O Did you have your own bank account?		
P Did you keep separate books and records?		
Q At any time during the tax year, did you have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country? (If "Yes," see the instructions for Question Q.)		
R Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? If "Yes," you may have to file Forms 3520, 3520-A, or 926.		
S During the tax year were any part of your tax accounting records kept on a computerized system?		
T (1) Do you or any member of the controlled group (as defined in Section 993(a)(3)) of which you are a member have operations in or related to any country (or with the government, a company, or a national of that country) associated in carrying out the boycott of Israel which is on the list maintained by the Secretary of the Treasury under Section 999(a)(3)?		
(2) Did you or any member of the controlled group of which you are a member have operations in any nonlisted country, that you know or have reason to know requires participation in or cooperation with an international boycott against Israel?		
(3) Did you or any member of the controlled group of which you are a member have operations in any country, that you know or have reason to know requires participation in or cooperation with an international boycott other than the boycott of Israel?		
If you answered "Yes" to any of the questions in T, see instructions and Form 5713, International Boycott Report.		

Schedule L **Balance Sheets**

Assets	(A) Beginning of the tax year	(B) End of the tax year
1 Qualified assets:		
(a) Working capital (cash and necessary temporary investments)		
(b) Funds awaiting investment (cash in U.S. banks in excess of working capital needs to acquire other qualified export assets)		
(c) Export-Import Bank obligations		
(d) Trade receivables (accounts and notes receivable)		
(i) Subtract allowance for bad debts	( )	( )
(e) Export property (net) (including inventory and qualified property held for lease)		
(f) Producer's loans		
(g) Investment in related foreign export corporations		
(h) Depreciable assets		
(i) Subtract accumulated depreciation	( )	( )
(j) Other (attach schedule)		
2 Nonqualified assets (net) (list):		
3 Total assets		
Liabilities and Stockholders' Equity		
4 Accounts payable		
5 Other current liabilities (attach schedule)		
6 Mortgages, notes, bonds payable in 1 year or more		
7 Other liabilities (attach schedule)		
8 Capital stock		
9 Paid-in or capital surplus		
10 Other earnings and profits		
11 Previously taxed income (sec. 996(f)(2))		
12 Accumulated DISC income		
13 Subtract cost of treasury stock	( )	( )
14 Total liabilities and stockholders' equity		

Schedule M-1 **Reconciliation of Income per Books With Income per Return**

1 Net income on books		6 Income recorded on books this year and not included in this return (itemize)	
2 Excess of capital losses over capital gains			
3 Taxable income not recorded on books this year (itemize)		7 Deductions in this return not charged against book income this year (itemize)	
4 Expenses recorded on books this year and not deducted in this return (itemize)			
5 Add lines 1 through 4		8 Add lines 6 and 7	
		9 Income (line 10, page 1) (line 5 less line 8)	

Schedule M-2 **Analysis of Other Earnings and Profits (Line 10 above)**

1 Balance at the beginning of the year		5 Distributions to qualify under sec. 992(c)	
2 Increases (itemize)		6 Other decreases (itemize)	
3 Add lines 1 and 2		7 Add lines 4, 5, and 6	
4 Deficit in earnings and profits		8 Balance at end of year (line 3 less line 7)	

Schedule M-3 **Analysis of Previously Taxed Income (Line 11 above)**

1 Balance at the beginning of the year		5 Deficit in earnings and profits	
2 Deemed distributions under section 995(b)		6 Distributions to qualify under sec. 992(c)	
3 Other increases (itemize)		7 Other decreases (itemize)	
4 Add lines 1, 2, and 3		8 Add lines 5, 6, and 7	
		9 Balance at end of year (line 4 less line 8)	

Schedule M-4 **Analysis of Accumulated DISC Income (Line 12 above)**

1 Balance at the beginning of the year		6 Distributions to qualify under sec. 992(c)	
2 Increases (itemize)		7 Distributions upon disqualification (sec. 995(b)(2))	
3 Add lines 1 and 2		8 Other decreases (itemize)	
4 Deficit in earnings and profits		9 Add lines 4 through 8	
5 Redemptions under section 996(d)		10 Balance at end of year (line 3 less line 9)	

Schedule N **Export Gross Receipts of the DISC and Related U.S. Persons (Attach separate Schedule N (Form 1120-DISC))**

Schedule P **Computation of Inter-company Transfer Price or Commission (Attach separate Schedule P (Form 1120-DISC))**

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1981 Department of the Treasury Internal Revenue Service

Instructions for Form 1120-DISC

Domestic International Sales Corporation Return

(References are to the Internal Revenue Code)

Paperwork Reduction Act Notice

The Paperwork Reduction Act of 1980 says that we must tell you why we are collecting this information, how it is to be used, and whether your response is voluntary, required to obtain a benefit, or mandatory. We ask for the information to carry out the Internal Revenue Laws of the United States. The information is used to ensure that you are complying with these laws and so that we can figure and collect the correct amount of tax. Your response is mandatory.

General Instructions

A. Purpose of Form 1120–DISC

Form 1120–DISC is an information return filed by domestic international sales corporations—DISCs—and former DISCs.

B. What is a DISC?

A DISC is a domestic corporation that has elected to be treated as a DISC and meets certain conditions regarding its income and assets. Generally, a DISC is not taxed on its income. Shareholders of a DISC are taxed on a portion of its income, unless the income is actually distributed.

To be a DISC, a corporation must be organized under the laws of a State or the District of Columbia and meet the following tests:

- Its election to be treated as a DISC is in effect for the tax year.
- At least 95% of its gross receipts during the tax year are qualified export receipts.
- At the end of the tax year, the adjusted basis of its qualified export assets is at least 95% of the sum of the adjusted basis of all its assets.
- It has one class of stock, and its outstanding stock has a par value of at least $2,500 on each day of the tax year (or, for a new corporation, on the last day to elect DISC treatment for the year and on each later day).
- On each day of the tax year it has its own bank account and keeps separate books and records.

See section 992 and the related regulations for details and Instruction C for definitions.

1. Electing DISC treatment.—An existing corporation that wants to be treated as a DISC must file Form 4876 within 90 days before the start of the tax year for which the election is to take effect. A new corporation must file during the first 90 days of its existence.

For the election to be valid, all the corporation's shareholders on the first day of the tax year the election is to take effect must consent to it.

2. End of election.—The election to be treated as a DISC can end automatically, or it can be revoked.

The election ends *automatically* if, any time after it is made, the corporation has 5 consecutive tax years when it does not meet the terms listed above for being a DISC.

The election can be revoked for any tax year after the first year it is in effect. A revocation is effective either for the tax year in which it is made (if made during the first 90 days of the tax year) or for the next year (if made after the first 90 days of the tax year).

3. Distribution to meet qualification requirements.—A DISC that does not meet the gross receipts or qualified export asset conditions during the tax year will still be considered to have met them if, after the year ends, the DISC makes a prorated property distribution to its shareholders and specifies at the time that this is a distribution to meet the qualification requirements.

If the DISC did not meet the gross receipts test, the distribution equals the part of its taxable income attributable to gross receipts that are not qualified export gross receipts. If it did not meet the qualified export asset test, the distribution equals the fair market value of the assets that are not qualified export assets on the last day of the tax year. If the DISC did not meet either test, the distribution equals the sum of both amounts. Regulations section 1.992–3 explains how to figure the distribution.

"Interest" on late distribution.—If the DISC makes this distribution after the date Form 1120–DISC is due, an interest charge must be paid to the IRS service center where you filed the form. The charge is 4½% of the distribution times the number of tax years that begin after the tax year to which the distribution relates until the date the DISC paid the distribution.

If you must pay this interest charge, send the payment to the service center within 30 days of making the distribution. On the payment write the DISC's name, address, and employer identification number; the tax year involved; and a statement that the payment represents the interest charge under regulations section 1.992–3 (c)(4).

4. Ineligible organizations.—The following organizations are not eligible for DISC treatment. File the return indicated instead of Form 1120–DISC.

- Tax-exempt organizations (section 501): File the appropriate return in the Form 990 series.
- Personal holding companies (section 542): File Form 1120 with Schedule PH (Form 1120).
- Financial institution affected by section 581 or 593: File Form 1120.
- Life, mutual, or other insurance companies (subchapter L): File Form 1120L, 1120M, or 1120.
- Regulated investment company (section 851(a)): File Form 1120.
- An electing small business corporation (section 1371(b)): File Form 1120S.

C. Definitions

1. The following definitions are based on section 993.

a. Qualified export receipts, in general, are any of the following:

(1) Gross receipts from selling, exchanging, or otherwise disposing of export property.

(2) Gross receipts from renting export property that the lessee uses outside the U.S.

(3) Gross receipts from supporting services related to any qualified sale, exchange, rental, or other disposition of export property by the corporation.

(4) If there is gain, gross receipts from selling, exchanging, or otherwise disposing of qualified export assets that are not export property.

(5) Dividends or amounts includible in gross income under section 951 regarding stock of a related foreign export corporation.

(6) Interest on any obligation that is a qualified export asset.

(7) Gross receipts for engineering or architectural services on construction projects outside the U.S.

(8) Gross receipts for managerial services performed for an unrelated DISC.

For more information, see regulations section 1.993–1.

b. Qualified export assets are any of the following:

(1) Export property.

(2) Assets used mainly in performing the engineering or architectural services listed under qualified export receipts, item 7, or managerial services which further the production of qualified export receipts, items 1, 2, 3, and 7, or in assembling, servicing, handling, selling, leasing, packaging, transporting, or storing of export property.

(3) Accounts receivable produced by transactions listed under qualified export receipts, items 1–4, 7, or 8.

(4) Temporary investments, such as money and bank deposits, in an amount reasonable to meet the corporation's needs for working capital.

(5) Obligations related to a producer's loan.

(6) A related foreign export corporation's stock or securities that the DISC holds.

(7) Certain obligations that are issued or insured by the U.S. Export-Import Bank or the Foreign Credit Insurance Association and that the DISC acquires from the Bank, the Association, or the person who sold or bought the goods from which the obligations arose.

(8) Certain obligations, held by the DISC, that were issued by a domestic corporation organized to finance export property sales under an agreement with the Export-Import Bank, by which the corporation makes export loans that the Bank guarantees.

(9) Other deposits in the U.S. used to acquire qualified export assets within the time provided by regulations section 1.993–2(j).

Regulations section 1.993–2 gives more information.

c. Export property must meet all the following terms. It is:

(1) Made, grown, or extracted in the U.S. by someone other than a DISC.

(2) Neither excluded under section 993(c)(2) nor declared in short supply (Section 993(c)(3).)

(3) Held mainly for sale or rental, in the ordinary course of trade or business, by or to a DISC for direct use, consumption, or disposition outside the U.S.

(4) Not more than 50% of its fair market value is attributable to articles imported into the U.S.

(5) Neither sold nor leased by or to another DISC that, immediately before or after the transaction, either belongs to the same controlled group (defined in section 993(a)(3)) as your DISC or is related to your DISC in a way that would result in losses being denied under section 267.

See regulations section 1.993–3 for details.

d. A producer's loan must meet all the following terms:

(1) Satisfy sections 993(d)(2) and (3) limiting loans the DISC makes to any one borrower.

(2) Not raise the unpaid balance due the DISC on all its producer's loans above the level of accumulated income it had at the start of the month in which it made the loan.

(3) Be indicated by written evidence of indebtedness, such as a note, that has a stated maturity date no more than 5 years after the date of the loan.

(4) Be made to a person in the U.S. in the trade or business of making, growing, or extracting export property.

(5) Be designated as a producer's loan when made.

For more information, see regulations section 1.993–4.

e. A related foreign export corporation of any of the following kinds can pay dividends and interest to the DISC without loss of DISC status. The DISC's investment must be related to exports from the U.S.

(1) *A foreign international sales corporation (FISC)* is a related foreign export corporation if:

(i) The DISC directly owns more than 50% of the total voting power of the foreign corporation's stock,

(ii) For the tax year that ends with your DISC's tax year or ends within it, at least 95% of the foreign corporation's gross receipts consists of the qualified export receipts described in items 1–4 of definition a above and interest on the qualified export assets listed in items 3 and 4 of definition b above, and

(iii) The adjusted basis of the qualified export assets that are listed in items 1–4 of definition b above and that the foreign corporation held at the end of the tax year is at least 95% of the adjusted basis of all assets it held then.

(2) *A real property holding company* is a related foreign export corporation if:

(i) The DISC directly owns more than 50% of the total voting power of the foreign corporation's stock, and

(ii) Applicable foreign law forbids the DISC to hold title to real property; the foreign corporation's sole function is to hold the title; and only the DISC uses the property, under lease or otherwise.

(3) *An associated foreign corporation* is a related foreign export corporation if:

(i) The DISC or a controlled group of corporations to which the DISC belongs owns less than 10% of the total voting power of the foreign corporation's stock. Section 1563 defines a controlled group in this sense, and sections 1563(d) and (e) define ownership, and

(ii) The DISC's ownership of the foreign corporation's stock or securities reasonably furthers any transactions that lead to qualified export receipts for the DISC.

See regulations section 1.993–5 for more information about related foreign export corporations.

f. Gross receipts are the DISC's total receipts from (1) selling or renting property that the corporation holds for sale or rental in the course of its trade or business and (2) all other sources. For commissions on selling or renting property, include gross receipts from selling or renting the property on which the commissions arose. Regulations section 1.993–6 gives more information.

g. United States, as used in these instructions, includes Puerto Rico and U.S. possessions, as well as the 50 States and the District of Columbia.

2. Inter-company pricing rules (Section 994).—If a related person described in section 482 sells export property to the DISC, use inter-company pricing rules to figure taxable income for the DISC and the seller. These rules generally do not permit the related person to price at a loss. There must be a written agreement for the inter-company pricing rules to apply. Under inter-company pricing, the DISC's taxable income from the sale (regardless of the price actually charged) is the greatest of:

(a) 4% of qualified export receipts on the DISC's sale of the property; plus 10% of the DISC's export promotion expenses attributable to the receipts.

(b) 50% of the DISC's and the seller's combined taxable income from qualified export receipts on the property, derived from the DISC's selling it; plus 10% of the DISC's export promotion expenses attributable to the receipts.

(c) Taxable income based on the sale price actually charged, as long as it accurately reflects taxable income without evading taxes.

Schedule P (Form 1120–DISC) explains inter-company pricing in more detail.

Export promotion expenses are incurred to help distribute or sell export property for use or distribution outside the U.S. These expenses do not include income tax, but do include 50% of the cost of shipping the property on U.S.-owned and operated aircraft or ships if the law and regulations do not require that it be shipped on them.

D. Filing Form 1120–DISC

1. Who Files Form 1120–DISC.—You must file Form 1120–DISC if your corporation elected, by filing Form 4876, to be treated as a DISC.

If the corporation is a former DISC, you must file Form 1120–DISC for it, in addition to any other return required. A former DISC is a corporation that was a DISC in an earlier year but did not meet the terms of being a DISC during its 1981 tax year; and at the beginning of the year, it had undistributed income that was previously taxed or accumulated DISC income. (See section 992 and the related regulations.)

In regard to a former DISC, you need not complete the items for figuring taxable income, but you must complete Schedules J, K, L, and M of Form 1120–DISC. Write "Former DISC" across the top of the return.

2. When to File.—File Form 1120–DISC by the 15th day of the 9th month after the tax year ends. No extensions are granted.

Period covered.—File the 1981 return for calendar year 1981 and fiscal years that began in 1981 and end in 1982. If the return is for a fiscal year, fill in the tax year space at the top of the form.

If the DISC's tax year began in 1980, use the 1980 Form 1120–DISC.

Change in accounting period.—To change your accounting period, file Form 1128, Application for Change in Accounting Period.

Final return.—If the corporation ceased to exist, write "Final return" across the top of the form.

3. Where to File.—

If the principal business, office, or agency is located in	Use the following Internal Revenue Service Center address
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
Michigan, Ohio	Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
California, Hawaii	Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN 37501
District of Columbia, Delaware, Maryland, Pennsylvania	Philadelphia, PA 19255

If the DISC is one of a group of DISCs controlled by a common parent, file with the service center where the common parent files.

A group of corporations in several service center regions may file their separate returns with the service center for the main office of the managing corporation that keeps all the books and records.

4. Other Returns or Statements That May Be Required.—

a. Amended return.

To correct any error in a Form 1120–DISC already filed, file an amended Form 1120–DISC and write "Amended" across the top.

b. Financial statements.

The balance sheets must agree with your books and records. Reconcile any differences.

c. Stock in foreign corporation.

If, on the last day of your tax year, you owned at least 5% in value of a foreign personal holding company's outstanding stock, attach a statement showing the foreign company's gross income, deductions, credits, taxable income, and undistributed foreign personal holding company income.

If you controlled a foreign corporation or owned at least 10% of the shares in a controlled foreign corporation, you may have to file Forms 2952 and 3646.

d. Form 1042.

File Forms 1042 and 1042S to report tax withheld from amounts paid to nonresident aliens and foreign corporations (sections 1441 through 1461). In addition, please inform your shareholders who are

nonresident alien individuals or foreign corporations, trusts, or estates that if they have gains from disposing of stock in the DISC or former DISC, or distributions from accumulated DISC income, including deemed distributions, they should treat these amounts as effectively connected with the conduct of a trade or business through a permanent establishment in the U.S.

e. Attachments.

If you need more space, attach separate sheets to the back of Form 1120–DISC. Attach schedules in alphabetical order and forms in numerical order. Be sure to put the DISC's name and employer identification number (EIN) on each sheet.

5. Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of a corporation.

If your corporate officer filled in Form 1120–DISC, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares Form 1120–DISC and does not charge the corporation, that person should not sign the return. Certain others who prepare Form 1120–DISC should not sign. For example, a regular, full time employee of the corporation such as a clerk, secretary, etc. does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120–DISC must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer is required to sign Form 1120–DISC, please contact an IRS office.

The preparer required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120–DISC to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045**, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

E. Figuring Taxable Income

A DISC must figure its taxable income although it does not pay most taxes. Of the taxes imposed by sections 1 through 1564, a DISC is subject only to the tax imposed by sections 1491 through 1494 on certain transfers to avoid tax. A DISC is exempt from corporate income tax, minimum tax on tax preference items, and accumulated earnings tax.

A DISC and its shareholders are not entitled to the possessions corporation tax credit (Section 936). Also, a DISC cannot claim the investment tax credit, the Work Incentive (WIN) credit, and the Jobs Credit; and these credits do not pass through to shareholders of a DISC.

Accounting methods.—Compute taxable income by the accounting method regularly used to keep the DISC's books and records. The method used must clearly reflect taxable income. (See section 446.)

A member of a controlled group must avoid using an accounting method that would distort any group member's income, including its own. For example, a DISC acts as a commission agent for property sales by a related corporation that uses the accrual method and pays the DISC its commission more than 2 months after the sale. The DISC, then, should not use the cash method of accounting, because it materially distorts the income of the DISC.

Unless the law specifically permits otherwise, the DISC may change from the accounting method it used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method.

F. Penalties

Avoid penalties by filing accurate returns on time with complete information. The DISC may have to pay the following penalties unless it can show that it had reasonable cause for not giving information or not filing a return.

- $100 for each instance of not giving information, up to $25,000 during the calendar year.
- $1,000 for not filing a return.

SPECIFIC INSTRUCTIONS

Rounding Off.—You may show money items as whole-dollar amounts by dropping amounts under 50 cents and increasing amounts from 50 to 99 cents to the next higher dollar.

Question E.—If there are no assets at the end of the tax year, enter the assets as of the beginning of the tax year.

Question F.—For rules of stock attribution, see section 267(c). If the owner of the voting stock of the DISC was an alien individual or a foreign corporation, partnership, trust, or estate, check the "Yes" box in the "Foreign Owner" column and enter the name of the owner's country, in parentheses, in the address column. "Owner's country" for individuals is their country of residence; for other foreign entities, it is the country in which organized or otherwise created, or in which administered.

(Numbered to correspond to line numbers on page 1 of the return.)

5. Cost of goods sold.—Enter the amount from line 7, Schedule A.

Cost of operations (when inventories are not an income-determining factor).—If the amount on line 5 includes an amount applicable to cost of operations, attach a schedule showing in detail (1) salaries and wages and (2) other costs.

11(a). Net operating loss deduction.—The "net operating loss deduction" is the sum of the net operating loss carryovers and carrybacks to the tax year. (Section 172(a).)

Your 1981 net operating loss is the excess of allowable deductions over gross income before your net operating loss deduction for other years is subtracted. In addition, you would figure your dividends-received deduction on Schedule C without regard to the 85% limitation in section 246(b). (Regulations section 1.172–2.)

After you apply the net operating loss to the year of the loss, you can carry any remaining loss 3 years back and 15 years forward; or you can elect to carry it forward to the 15 years after the loss. After applying the loss to the first tax year, the part of the loss you may carry to each remaining tax year is any excess of the loss over the sum of the taxable income for the earlier tax years to which you may carry the loss. (See section 172(b).)

To determine how much of a net operating loss that will still be available to carry to a later year, figure the net operating loss deduction without regard to the net operating loss for the loss year or any later tax year. In some cases, do not include any net operating loss attributable to a foreign expropriation loss.

A deficit in earnings and profits is chargeable in the following order:

(1) first, to any other earnings and profits;

(2) second, to any accumulated DISC income; and

(3) finally, to previously taxed income. Do not apply any deficit in earnings and profits against accumulated DISC income that, as a result of the corporation's revoking its election to be treated as a DISC (or other disqualification), is deemed distributed to the shareholders. (Section 995(b)(2)(A).)

12. Taxable income.—If you use either the gross receipts method or combined taxable income method to compute the DISC's taxable income attributable to any transactions involving products or product lines, attach Schedule P (Form 1120–DISC). Show in detail the DISC's taxable income attributable to each such transaction or group of transactions.

Line 13.—If the DISC is a producer of domestic crude oil and overpaid the windfall profit tax, include the overpayment (from Form 6249) in the total on line 13. Also enter the overpayment separately in the margin beside line 13 and identify it as "Overpaid windfall profit tax." Attach Form 6249 when you file Form 1120–DISC.

Schedule A.—Cost of Goods Sold

If you use inter-company pricing rules, reflect in Schedule A actual purchases from a related supplier. See General Instruction C2 and use the transfer price you compute in Part II of Schedule P (Form 1120–DISC).

If the DISC acts as another person's commission agent on a sale, do not enter any amount in Schedule A for the sale. See Schedule P (Form 1120–DISC).

Valuation Methods. Your inventories can be valued at: 1. cost; 2. cost or market value (whichever is lower); or 3. any other method that is approved by the Commissioner of Internal Revenue and that conforms to the provisions of the applicable regulations cited below.

Taxpayers using erroneous valuation methods must change to a method permitted for Federal income tax purposes. Such changes should be made by filing Form 3115. For more information about the change, see regulations section 1.446–1(e)(3) and Rev. Proc. 70–27, 1970–2 C.B. 509.

In line 8(a), check the method(s) used for valuing inventories. Under "lower of cost or market," market generally applies to normal market conditions where there is a current bid price prevailing at the date the inventory is valued. When no regular open market exists or when quotations are nominal because of inactive market conditions, use fair market prices from the most reliable sales or purchase transactions that occurred near the date the inventory is valued. For more requirements, see regulations section 1.471–4.

Inventory may be valued below cost when the merchandise is 1. unsalable at normal prices or 2. unusable in the normal way because the goods are "subnormal" (that is because of damage, imperfections, shop wear, etc.) within the meaning of regulations section 1.471–2(c). Such goods may be valued at a current bona fide selling price minus direct cost of disposition (but not less than scrap value) if you can establish such a price. See regulations section 1.471–2(c) for more requirements.

In line 8(b), indicate whether you used a method of inventory valuation other than those described in line 8(a). Attach a statement describing the method used.

If this is the first year the "last-in first-out" (LIFO) inventory method was either adopted or extended to inventory goods not previously valued under the LIFO method, provided in section 472, attach Form 970, Application to Use LIFO Inventory Methods, or a statement with the information required by Form 970. Also check the LIFO box in line 8(c). Enter the amount or percent of total closing inventories covered under section 472 in line 8(d). Estimates are acceptable.

Schedule B.—Gross Income

(Numbered to correspond to line numbers in Schedule B.)

If an income item falls in two or more categories, report each part on the applicable line. For example, if interest income consists of qualified interest from a foreign international sales corporation and nonqualified interest from a domestic obligation, enter the qualified interest on an attached schedule for line 2(g) and the nonqualified interest on an attached schedule for line 3(f).

For gain from selling qualified export assets, you will need to attach a separate schedule in addition to the forms required for lines 2(h) and (i).

If you use the installment method of reporting, attach a schedule showing for the current and 3 preceding years: (a) gross sales, (b) cost of goods sold, (c) gross profit, (d) percentage of gross profit to gross sales, (e) amount collected, and (f) gross profit on the amount collected.

Commissions: Special Rule.—If the DISC received commissions on selling or renting property or furnishing services, list in column B the gross receipts from the sales, rentals, or services on which the commissions arose, and in column C, list the commissions earned. In column D report receipts from non-commission sales or rentals of property or furnishing of services, as well as all other receipts.

For purposes of completing line 1(a) and line 1(b), related purchasers are members of the same controlled group (as defined in section 993(a)(3)) as the DISC. All other purchasers are unrelated.

A qualified export sale or lease must meet a use test and a destination test in order to qualify.

The use requirement applies at the time of sale or lease. If the property is used predominantly outside the U.S., and the sale or lease is not for ultimate use in the U.S., it is a qualified export sale or lease. Otherwise, if a reasonable person would believe that the property will be used in the U.S., the sale or lease is not a qualified export sale or lease.

For example, if property is sold to a foreign wholesaler, and it is known in trade circles that the wholesaler, to a substantial extent, supplies the U.S. retail market, the sale would not be a qualified export sale, and the receipts would not be qualified export receipts.

Destination test.—Regardless of where title or risk of loss shifts from the seller or lessor, the property must be delivered under one of the following conditions:

(a) Within the U.S. to a carrier or freight forwarder for ultimate delivery outside the U.S. to a buyer or lessee.

(b) Within the U.S. to a buyer or lessee who, within 1 year of the sale or lease, delivers it outside the U.S. or delivers it to another person for ultimate delivery outside the U.S.

(c) Within or outside the U.S. to a DISC that is not a member of the same controlled group (as defined in section 993(a)(3)) as the DISC that is making the sale or lease.

(d) Outside the U.S. by means of the seller's delivery vehicle (ship, plane, etc.).

(e) Outside the U.S. to a buyer or lessee at a storage or assembly site if the property was previously shipped from the U.S. by the DISC.

(f) Outside the U.S. to a purchaser or lessee if the property was previously shipped by the seller or lessor from the U.S. and if the property is located outside the U.S. pursuant to a prior lease by the seller or lessor, and either (a) the prior lease terminated at the expiration of its term (or by the action of the prior lessee acting alone), (b) the sale occurred or the term of the subsequent lease began after the time at which the term of the prior lease would have expired, or (c) the lessee under the subsequent lease is not a related person (a member of the same controlled group as defined in section 993(a)(3) or a relationship that would result in a disallowance of losses under section 267 or section 707(b)) immediately before or after the lease with respect to the lessor and the prior lease was terminated by the action of the lessor (acting alone or together with the lessee).

Qualified export receipts to be entered in line 1 are received from the sale of property, such as inventory, that is produced in the U.S. for direct use, consumption, or disposition outside the U.S. These sales are qualified export sales.

1(a).—Enter the DISC's qualified export receipts from export property sold to foreign, unrelated buyers for delivery outside the U.S. Do not include amounts entered on line 1(b).

1(b).—Enter the DISC's qualified export receipts from export property sold for delivery outside the U.S. to (i) a related foreign entity for resale to a foreign, unrelated buyer or (ii) an unrelated buyer when a related foreign entity acts as commission agent.

2(a).—Enter the gross amount received from leasing or subleasing export property to unrelated persons for use outside the U.S.

Receipts from leasing export property may qualify in some years and not in others, depending on where the lessee uses the property. Enter only receipts that qualify during the tax year. (Use Schedule E to deduct expenses such as repairs, interest, taxes, and depreciation.)

2(b).—A service connected to a sale or lease is related to it if the service is usually furnished with that type of sale or lease in the trade or business where it took place. A service is subsidiary if it is less important than the sale or lease.

2(c).—Include receipts from engineering or architectural services on foreign construction projects abroad or proposed for location abroad. These services include feasibility studies, design and engineering, and general supervision of construction, but do not include services connected with exploring for minerals.

2(d).—Include receipts for export management services provided to unrelated DISCs.

2(f).—Include interest received on any loan that qualifies as a producer's loan.

2(g).—Enter interest on any qualified export asset other than interest on producer's loans.

For example, include interest on accounts receivable from sales in which the DISC acted as a principal or agent and interest on certain obligations issued, guaranteed, or insured by the Export-Import Bank or the Foreign Credit Insurance Association.

2(h).—On Schedule D (Form 1120) report in detail every sale or exchange of a capital asset, even if there is no gain or loss.

In addition to Schedule D (Form 1120), attach a separate schedule computing gain from the sale of qualified export assets.

2(i).—Enter the net gain or loss from line 11, Part II, Form 4797.

In addition to Form 4797, attach a separate schedule computing gain from the sale of qualified export assets.

3(b).—Enter receipts from selling products subsidized under a U.S. program if they have been designated as excluded receipts.

3(e).—Enter receipts from selling or leasing property or services for use by any part of the U.S. Government if law or regulations require U.S. products or services to be used.

3(d).—Enter receipts from a DISC that belongs to the same controlled group (defined in section 993(a)(3)).

3(f).—Include in an attached schedule any nonqualified gross receipts not reported on lines 3(a) through 3(e). Do not offset an income item against a similar expense item.

Schedule C.—Dividends and Special Deductions

(Numbered to correspond to line numbers in Schedule C.)

Column A

1. Enter dividends received from domestic corporations for which you can take the 85% deduction under section 243(a)(1). Include taxable distributions from a DISC or former DISC if they are eligible for this deduction.

For dividends from a regulated investment company, see section 854 for the amount subject to the 85% deduction.

So-called dividends or earnings from mutual savings banks, etc., are really interest. Report them in Schedule B, not in Schedule C.

2. Enter dividends received on the preferred stock of a public utility that can take the deduction for dividends paid (section 247).

3. Enter dividends received from foreign corporations for which you can take the 85% deduction in section 245(a).

4. Enter dividends you can deduct that you received from wholly-owned foreign subsidiaries.

6. Enter foreign dividends that are not reportable on lines 3 and 4. Exclude distributions of amounts constructively taxed under subpart F for your 1981 tax year or in earlier years.

7. Include income constructively received from controlled foreign corporations under subpart F. This amount should equal the total of amounts on line 5, Schedule A, of all Forms 3646.

8. Enter taxable distributions from a DISC or former DISC that are not eligible for the 85% dividends-received deduction. See sections 246(d), 995(b), and 996 (a)(3).

9. Include: dividends, except capital gain dividends, from regulated investment companies that are not subject to the 85% deduction; dividends from tax-exempt organizations; dividends, except capital gain dividends, from a real estate investment trust that, for the trust's tax year in which the dividends are paid, qualifies under sections 856 through 860; dividends not eligible for a dividends-received deduction because of the holding period of the stock or an obligation to make corresponding payments for similar stock; and other taxable dividend income not reported above.

11. Enter qualified dividends from the DISC's investment in a related foreign export corporation (defined in General Instruction C1(e)). Include income constructively received from controlled foreign corporations under subpart F. Generally, the investment will be in stock or securities of the DISC's foreign selling subsidiary that qualifies as a foreign international sales corporation (FISC).

Column C

Multiply the dividends received that are entered in lines 1–4, Column A, by the percentages shown in lines 1–4, Column B. Enter the result in lines 1–4, Column C.

In general, no dividends-received deduction will be allowed on any share of stock (a) disposed of before the corporation has held it 15 days or (2) to the extent the corporation must pay corresponding amounts for substantially identical stock or securities.

No deduction is allowed for dividends received from another DISC or former DISC if the dividend is paid from accumulated DISC income or previously taxed income or if it is a deemed distribution under section 995(b)(1).

5. Line 5 may not exceed 85% of line 10, page 1. For this purpose, figure line 10 before carrying back any capital loss to the 1981 tax year.

In a year when a net operating loss occurs, this 85% limit does not apply even if the dividends-received deduction creates the loss.

Schedule E.—Deductions

(Numbered to correspond to line numbers in Schedule E.)

Enter export promotion expenses on line 1. Export promotion expenses are a DISC's ordinary and necessary expenses paid or incurred to obtain qualified export receipts. Do not include income taxes. Any part of an expense not incurred to obtain qualified export receipts should be entered in line 2.

1(c).—Attach Form 4562 if you deduct depreciation. Enter on line 1(c) the depreciation not claimed on Schedule A or elsewhere on the return.

1(h).—Enter half the freight expenses (except insurance) for shipping export property aboard U.S. flag ships and U.S. owned and operated aircraft, unless the law required you to use U.S. ships or aircraft.

1(i).—Attach a schedule showing the name, social security number, amount of compensation, and expense account allowance for your six highest paid officers.

To determine the highest paid officers, add all allowances, including expense account allowances, to each officer's compensation. Expense account allowance means amounts (1) received as advances or reimbursements (except compensation) or (2) paid by or for the corporation for expenses incurred by or for an officer. Do not show expense account allowances for any officer whose combined compensation and expense account allowance is under $50,000.

An officer is a person, such as a regular officer or chairman of the board, who is elected or appointed to office or is designated as an officer in the corporation's charter or bylaws.

1(j).—Enter the cost of incidental repairs, such as labor and supplies, that do not add to the property's value or appreciably prolong its life.

1(k).—If you amortize expenses, attach a schedule showing: (1) a description of the expenses amortized; (2) date acquired, completed, or spent; (3) amount amortized; (4) amortization deducted in earlier years; (5) amortization period (number of months); (6) amortization for the 1981 tax year; and (7) total amortization less the amount you claim in Schedule A or elsewhere on the return.

1(l).—If the DISC has any kind of funded deferred compensation plan, such as a pension or profit-sharing plan (except a Simplified Employee Pension), file one of the forms described below. The Employee Retirement Income Security Act of 1974 imposes penalties for not filing these forms on time.

Form 5500.—Complete this form for each plan with 100 or more participants.

Form 5500–C or **5500–R.**—Complete the applicable form for each plan with fewer than 100 participants.

Only one return is required for a plan of a controlled group of corporations or a multiemployer-collectively bargained plan. Individual participating employers or contributing employers do not need to file separately.

1(m).—Enter your contributions to employee benefit programs, such as insurance or health and welfare programs, that are not an incidental part of a plan included on line 1(l). Also include contributions to a qualified group legal services plan. Section 120 gives certain rules that the DISC must follow for its employees (including spouses and dependents) to be able to exclude from their income the DISC's contributions to the legal services plan.

2(a).—You may treat bad debts in either of two ways: (i) as a deduction for debts that become partly or wholly worthless, or (ii) as a deduction for a reasonable addition to a reserve for bad debts. (Section 166.)

When applying to change the way you compute bad debts, file Form 3115.

2(b).—Enter taxes paid or accrued during the tax year. See section 164(d) for apportioning real property tax between seller and buyer.

2(c).—Do not include interest on debts incurred or continued to buy or carry obligations on which the interest is wholly exempt from income tax. (Section 265.)

Section 267 limits deductions for unpaid expenses and interest in transactions between related taxpayers. Section 461(g) limits a cash basis taxpayer's deduction for prepaid interest.

2(d).—Enter contributions or gifts paid within the tax year to or for the use of charitable and governmental organizations described in section 170(c). Include any unused contributions carried over from earlier years.

The DISC may claim up to 5% of modified adjusted taxable income as contributions. Apply the 5% limit to the amount on line 12, page 1, before deducting dividends received (line 11(b), page 1), premiums paid on bond repurchases (section 249), or payments made to the National Railroad Passenger Corporation (section 250); and before figuring carrybacks to the 1981 tax year for net operating loss (section 172) or capital loss (section 1212 (a)(1)).

Do not deduct charitable contributions above the 5% limit for the 1981 tax year. You may carry over the excess for the next 5 tax years, as long as it does not increase a net operating loss carryover (section 170(d)(2)(B)).

A corporation on the accrual basis may elect to deduct contributions paid by the 15th day of the 3d month after the tax year ends, if the board of directors authorized the contributions during the tax year. Attach both of the following to the return: a declaration, signed by an officer, stating that the board of directors adopted the resolution authorizing the contributions during the tax year, and a copy of the resolution.

If a contribution is made in property other than money, attach a schedule describing the kind contributed and what method was used to determine the fair market value.

If you include a contribution carryover, show the amount and how you determined it.

Contributed property.—To report contributed property, reduce its value by the ordinary income that would have resulted if the property were sold at its fair market value. Some contributions must also be reduced by 60.87% of the long-term capital gain that would have resulted from a sale at fair market value. These are contributions of: (1) tangible personal property to an organization for use in a way unrelated to the basis of its exemption, or (2) property to or for use by certain private foundations. (Section 170(e).)

Section 170(e)(3) gives special rules about contributing inventory or other ordinary income property to certain organizations.

Bargain sale to a charitable organization.—If a charitable contribution deduction for property sold to a charitable organization is claimed, the adjusted basis for determining gain from the sale is an amount which is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property.

2(e).—Enter the freight expense not deducted on line 1(h) as an export promotion expense.

2(g).—Do not deduct any amount allocable to exempt income. Items directly attributable to wholly exempt income must be allocated to that income, and items directly attributable to any class of taxable

income must be allocated to that income. If an item is indirectly attributable to both taxable and exempt income, allocate a reasonable proportion to each.

Attach a statement showing (1) the amount of each class of exempt income and (2) the amount of expense items allocated to each class. Show apportioned amounts separately.

Schedule J.—Deemed and Actual Distributions to Shareholders for the Tax Year

Part I.—Deemed distributions under section 995(b)(1)

(Numbered to correspond to line numbers in Part I, Schedule J.)

2. Attach a computation showing the gain the DISC recognized during the tax year on selling or exchanging property. Include only limited gain on qualified export assets that the DISC acquired by transactions in which gain was not recognized. Report the same amount of the DISC's gain that the transferor did not recognize on the earlier transfer.

3. Attach a computation showing gain (not included on line 2) that the DISC recognized during the tax year on selling or exchanging property. Include only the amount of the DISC's gain that the transferor did not recognize on the earlier transfer and that would have been treated as ordinary income if the property had been sold or exchanged rather than transferred to the DISC. Do not include gain on sale or exchange of the DISC's stock in trade or other property that either would be included in inventory if on hand at the end of the tax year or is held primarily for sale in the normal course of business.

4. To figure taxable income attributable to military property, use the gross income attributable to military property for the year and the deductions properly allocated to that income. "Military property" is defined in section 38 of the International Security Assistance and Arms Export Control Act of 1976 (22 USC 2778) and related regulations (22 CFR 121.01).

11. A DISC is deemed to distribute any income that resulted from cooperating with an international boycott (section 995 (b)(1)(F)(ii)). See Form 5713 to compute this deemed distribution and to learn reporting requirements about any DISC with operations related to a boycotting country.

12. A DISC is deemed to distribute the amount of any illegal payments, such as bribes or kickbacks, that it pays, directly or indirectly, to government officials, employees, or agents (section 995(b)(1)(F) (iii)).

14. Attach a computation showing the earnings and profits for the tax year.

The allowance for depreciation (and any amortization) is the amount that would be allowable if the DISC had used the straight-line method of depreciation for each tax year beginning after June 30, 1972. See section 312(k)(2) for exception.

16. Attach a computation showing: (1) the DISC's foreign investment in producer's loans during the tax year; (2) accumulated earnings and profits (including earnings and profits for the 1981 tax year) less the amount on line 15, Part I; and (3) accumulated DISC income. Enter the least of these amounts (but not less than zero) on line 16.

Foreign investment in producer's loans is the least of:

(1) the net increase in foreign assets by members of the controlled group (defined in section 993(a)(3)) to which the DISC belongs.

(2) the actual foreign investment by the group's domestic members.

(3) the DISC's outstanding producer's loans to members of the controlled group. "Net increase in foreign assets" and "actual foreign investment" are defined in sections 995(d)(2) and (3).

Part II.—Taxable income attributable to base period export gross receipts

(Numbered to correspond to line numbers in Part II, Schedule J.)

The DISC is deemed to distribute taxable income attributable to base period gross receipts. Complete Part II to arrive at this amount. For the DISC's 1981 tax year, the base period consists of the DISC's tax years that began in 1974, 1975, 1976, and 1977. For the DISC's 1980 tax year, the base period consists of the DISC's tax years 1973 through 1976. If the DISC's latest tax year began in 1980, use the 1980 Form 1120–DISC.

4. If any other DISCs belong to your controlled group, include their total annualized income for the latest tax year ending with or within your 1981 tax year. Do not include taxable losses.

5. If this amount is $100,000 or less, skip to line 22; enter zero there and on line 8, Part I.

6. **Column C.**—Generally, if export property does not qualify under section 993 (c)(2) as giving rise to export gross receipts in your 1981 year, exclude gross receipts on that property in computing export gross receipts for the base period.

However, if the property qualifies under section 603(b)(2) of the Tax Reduction Act of 1975, you must increase export gross receipts for the base period. See section 1101(g)(5) of the Tax Reform Act of 1976 for the computation to use.

For transactions on a commission basis, enter gross receipts, not just commissions.

11b. Add to export gross receipts for the base period if either of the following is true: (1) stock ownership in the DISC is separated, during the base period, from ownership in the underlying trade or business that produced the export gross receipts; or (2) any 5% or more shareholder owned at least 5% of another DISC's stock in a base period year. See sections 995 (e)(9) and (10).

15. Include the export gross receipts annualized for all DISCs in your controlled group. Annualize the receipts for the DISCs' latest tax year that ended with or within your 1981 year.

Part III.—Deemed distribution under section 995(b)(2)

If the corporation is a former DISC or if it revoked DISC status for 1981, each shareholder is deemed to have received a distribution taxable as a dividend. The deemed distribution equals the shareholder's prorated share of the DISC's income accumulated during the years just before DISC status ended. The shareholder will be deemed to receive the distribution in equal parts on the last day of the corporation's tax year for the shorter of the following periods after DISC status ended:

- 10 tax years.
- twice the number of years the corporation was a DISC.

Schedule K.—Shareholder's Statement of DISC Distribution

Attach a separate Copy A, Schedule K (Form 1120–DISC) to Form 1120–DISC for each shareholder who had an actual or deemed distribution during the DISC's tax year.

Additional Information

Question Q.—Check the Yes box if either (1) or (2) below applies to you. Otherwise check the No box.

(1) At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country; AND

- The combined value of the accounts was more than $1,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

(2) You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get Form 90–22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a bank account, securities accounts, or other financial account in a foreign country.

If you checked Yes for Question Q, file Form 90–22.1 by June 30, 1982, with the Department of the Treasury at the address shown on the form. Form 90–22.1 is not a tax return, so do not file it with the IRS.

You can get Form 90–22.1 from many IRS offices.

Question R.—Check the Yes box if you were a grantor of or a transferor to a foreign trust that existed during the tax year.

Question T.—File Form 5713 if the DISC or any member of its controlled group (defined in section 993(a)) has operations in or related to a boycotting country (or a national, company, or government of a boycotting country). A DISC that cooperates with an international boycott is also deemed to distribute part of its income. See Form 5713 for more information.

Schedule N.—Export Gross Receipts of the DISC and Related U.S. Persons

Complete and attach Schedule N (Form 1120–DISC) to Form 1120–DISC.

Schedule P.—Computation of Inter-Company Transfer Price or Commission

Attach a separate Schedule P (Form 1120–DISC) for each transaction or group of transactions to which you apply the inter-company pricing rules of section 994 (a)(1) and (2). (See General Instruction C2.)

Codes for Principal Business Activity

These industry titles and definitions are based, in general, on the Enterprise Standard Industrial Classification system authorized by the Statistical Policy Division, Office of Information and Regulatory Affairs, Office of Management and Budget, to classify enterprises by type of activity. The system follows closely the Standard Industrial Classification used to classify establishments. However, certain activities such as manufacturing, do not apply to a DISC.

Using the list below, enter on page 1, under B, the code number for the specific industry group from which the largest percentage of "total receipts" is derived. "Total receipts" means all income (line 4, page 1). On page 5, question 1, state the principal business activity and principal product or service that account for the largest percentage of total receipts. For example, if the principal business activity is "Wholesale trade: Machinery, equipment, and supplies," the principal product or service may be "Engines and turbines."

TRANSPORTATION, COMMUNICATION, ELECTRIC, GAS, AND SANITARY SERVICES

Code

Transportation:
4400 Water transportation
4700 Other transportation services

Electric, gas, and sanitary services:
4910 Electric services
4920 Gas production and distribution
4930 Combination utility services

WHOLESALE TRADE

Durable:
5008 Machinery, equipment, and supplies
5010 Motor vehicles and automotive equipment
5020 Furniture and home furnishings
5030 Lumber and construction materials
5040 Sporting, recreational, photographic, and hobby goods, toys, and supplies
5050 Metals and minerals, except petroleum and scrap
5060 Electrical goods
5070 Hardware, plumbing and heating equipment
5098 Other durable goods

Code

Nondurable:
5110 Paper and paper products
5129 Drugs, drug proprietaries, and druggists' sundries
5130 Apparel, piece goods, and notions
5140 Groceries and related products
5150 Farm-product raw materials
5160 Chemicals and allied products
5170 Petroleum and petroleum products
5180 Alcoholic beverages
5190 Miscellaneous nondurable goods

RETAIL TRADE

Building materials, hardware, garden supply, and mobile home dealers:
5220 Building materials dealers
5251 Hardware stores
5265 Garden supplies and mobile home dealers

5300 General merchandise stores
5410 Grocery stores
5490 Other food stores

Automotive dealers and service stations:
5515 Motor vehicle dealers
5541 Gasoline service stations
5598 Other automotive dealers

Code

5600 Apparel and accessory stores
5700 Furniture and home furnishings stores
5800 Eating and drinking places

Miscellaneous retail stores:
5912 Drug stores and proprietary stores
5921 Liquor stores
5995 Other miscellaneous retail stores

FINANCE, INSURANCE, AND REAL ESTATE

Credit agencies other than banks:
6199 Other credit agencies

SERVICES

Business services:
7389 Export management services

Auto repair and services; miscellaneous repair services:
7500 Lease or rental of motor vehicles

Amusement and recreation services:
7812 Motion picture production, distribution, and services

Other services:
8911 Architectural and engineering services
8930 Accounting, auditing, and bookkeeping
8980 Miscellaneous services

Form **3468**
Department of the Treasury
Internal Revenue Service (0)

Computation of Investment Credit

▶ Attach to your tax return.
▶ Use separate Schedule B (Form 3468) to figure your tentative business energy investment credit.

OMB No. 1545-0155
1981
27

Name | Identifying number as shown on page 1 of your tax return

Part I Elections (Check the box(es) below that apply to you (see Instruction D).)

A The corporation elects the basic or basic and matching employee plan percentage under section 48(n)(1) . . . . . ☐
B I elect to increase my qualified investment to 100% for certain commuter highway vehicles under section 46(c)(6) . . . . . ☐
C I elect to increase my qualified investment by all qualified progress expenditures made this tax year and all later years . . . . ☐

Enter total qualified progress expenditures included in column (4), Part II ▶ .....
D I claim full credit on certain ships under section 46(g)(3). (See Instruction B for details.) . . . . . ☐

Part II Qualified Investment

Figure your qualified investment in new or used investment credit property acquired or constructed and placed in service during the tax year. The qualified investment for qualified progress expenditures and qualified rehabilitation expenditures is allowed in the tax year the expenditure is incurred or in the case of self-constructed property the year the expenditure is chargable to a capital account for the property.

For certain taxpayers, the basis or cost of property placed in service after February 18, 1981, is limited to the amount the taxpayer is at risk for the property at year end. See Instruction E.

Note: *Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.*

1 Recovery Property	Line	(1) Recovery Period	(2) Unadjusted Basis	(3) Applicable percentage	(4) Qualified investment (Column 2 × column 3)
New	(a)	3-Year		60	
	(b)	Other		100	
Used	(c)	3-Year		60	
	(d)	Other		100	
2 Total—Add lines 1(a) through 1(d)					2

3 Nonrecovery Property	Line	(1) Life years	(2) Basis or cost	(3) Applicable percentage	(4) Qualified investment (Column 2 × column 3)
New	(a)	3 or more but less than 5		33⅓	
	(b)	5 or more but less than 7		66⅔	
	(c)	7 or more		100	
Used	(d)	3 or more but less than 5		33⅓	
	(e)	5 or more but less than 7		66⅔	
	(f)	7 or more		100	

4 Total—Add lines 3(a) through 3(f)	4	
5 New commuter highway vehicle—Enter total qualified investment. (See Instruction D)	5	
6 Used commuter highway vehicle—Enter total qualified investment. (See Instruction D)	6	
7 Qualified rehabilitation expenditures incurred before January 1, 1982, for: (see specific instructions)		
(a) Improvements with 5 or more but less than 7 years—Enter 66⅔% of expenditures	7(a)	
(b) Improvements with 7 or more life years—Enter 100% of expenditures	7(b)	
8 Total qualified investment in 10% property—Add lines 2, 4, 5, 6, 7(a) and 7(b). (See instructions for special limits)	8	
9 Enter 100% of qualified rehabilitation expenditures incurred after December 31, 1981, for:		
(a) 30-year old buildings	9a	
(b) 40-year old buildings	9b	
(c) Certified historic structures (Enter the Dept. of Interior assigned project number .....)	9c	
10 Total qualified investment—Add lines 8, 9(a), 9(b), and 9(c)	10	

Part III Tentative Regular Investment Credit

11 10% of line 8	11	
12 15% of line 9(a)	12	
13 20% of line 9(b)	13	
14 25% of line 9(c)	14	
15 Corporations electing the basic or basic and matching employee plan percentage for contributions to tax credit employee stock ownership plans—Check box A above (see Instruction D) (a) Basic 1% credit—Enter 1% of line 10	15a	
(b) Matching credit (not more than 0.5%)—Enter allowable percentage times adjusted line 10 (attach schedule)	15b	
16 Credit from Cooperative—Enter regular investment credit from cooperatives	16	
17 Current year regular investment credit—Add lines 11 through 16	17	
18 Carryover of unused credits	18	
19 Carryback of unused credits	19	
20 Tentative regular investment credit—Add lines 17, 18, and 19, enter here and in Part IV, line 21	20	

For Paperwork Reduction Act Notice, see page 2.

Part IV Tax Liability Limitations

21 Tentative credit from Part III, line 20			21
22 (a) Individuals—Enter amount from Form 1040, line 37, page 2			22
(b) Estates and trusts—Enter amount from Form 1041, line 26, page 1			
(c) Corporations—Enter amount from Schedule J (Form 1120), line 3, page 3			
(d) Others—Enter tax before credits from your return			
23 (a) Credit for the elderly (individuals only)	23(a)		
(b) Foreign tax credit	23(b)		
(c) Tax on lump-sum distribution from Form 4972 or Form 5544	23(c)		
(d) Possessions corporation tax credit (corporations only)	23(d)		
(e) Section 72(m)(5) penalty tax (individuals only)	23(e)		
24 Total—Add lines 23(a) through 23(e)			24
25 Subtract line 24 from line 22			25
26 (a) Enter smaller of line 25 or $25,000. See instruction for line 26			26(a)
(b) If line 25 is more than line 26(a), and your tax year ends in 1981, enter 80% of the excess (if your tax year ends in 1982, enter 90% of the excess)			26(b)
27 Regular investment credit limitation—Add lines 26(a) and 26(b)			27
28 Allowed regular investment credit—Enter the smaller of line 21 or line 27			28
29 Business energy investment credit limitation—Subtract line 28 from line 25			29
30 Business energy investment credit—Enter amount from line 14 of Schedule B (Form 3468)			30
31 Allowed business energy investment credit—Enter smaller of line 29 or line 30			31
32 Total allowed regular and business energy investment credit—Add lines 28 and 31. Enter here and on Form 1040, line 41, Schedule J (Form 1120), line 4(b), page 3; or the proper line on other returns			32

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carryout the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and so that we can figure and collect the correct amount of tax. You are required to give us this information.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1981—O-343-453 58-040-1110

1981 Department of the Treasury Internal Revenue Service

Instructions for Form 3468

Computation of Investment Credit

(References are to the Internal Revenue Code)

1980–81 Fiscal year taxpayers may use 1981 Form 3468 if 1981 tax law changes affect their 1980–81 tax year. See specific instructions.

Highlights for 1981

1. The investment credit is increased based on increased applicable percentages for accelerated cost recovery property. See lines 1(a) through 1(d) of Form 3468 and related instructions.

2. A separate 1981 Schedule B (Form 3468) is provided for computation of the tentative business energy investment credit. The credit from separate Schedule B is entered on line 30 of Form 3468.

3. Partnerships and 1120S corporations must now complete certain parts of Form 3468. See Specific Instructions.

4. Effective for property placed in service after February 18, 1981, the basis and cost of investment credit property is limited to the amount at risk for certain taxpayers. See Instruction E.

5. The investment credit for certain rehabilitation expenditures made after December 31, 1981, is increased. See lines 9, 12, 13, and 14 of Form 3468.

6. Certain petroleum storage facilities qualify for the investment credit after December 31, 1980.

7. The used property limitation is increased from $100,000 to $125,000. See Instructions for lines 1(c)–(d), 3(d)–(f), and 6.

8. An unused investment credit may be carried back 3 years and forward 15 years. See Instructions for lines 18 and 19.

General Instructions

A. Purpose.—An individual, estate, trust, or corporation claiming a regular or business energy investment credit uses Form 3468 to figure the credit and make certain elections.

A partnership and subchapter S corporation completes only Part I and a portion of Part II of Form 3468 to figure the basis or cost of property to pass through to their individual partners and shareholders. Form 3468 is attached to the partnership and corporate return to show the total cost or basis of property that is passed through.

This credit does not apply to a Domestic International Sales Corporation (DISC). It is not divided among DISC shareholders.

For detailed information on investment credit, see **Publication 572,** Investment Credit, and the regulations under sections 46 and 48.

How to Claim the Credit.—Attach Form 3468 to your tax return. Enter the allowed credit from line 32 on the proper line of your return.

An estate or trust that divides the qualified investment among itself and its beneficiaries must also attach a statement showing each beneficiary's share of the basis of new property, the cost of used property, qualified rehabilitation expenditures, qualified progress expenditures, qualified basis in amortizable forestation and reforestation expenditures, and the life-years assigned to the property.

If you are a partner, beneficiary, shareholder in a subchapter S corporation, or lessee, use Form 3468 to figure the credit based on your share of the investment by the partnership, trust, estate, subchapter S corporation, or lessor.

B. How to Figure the Credit.—The credit for new property is figured on the basis of the property. You do not have to reduce the basis of new property for additional first-year depreciation or salvage value before figuring the credit.

The credit for used property is figured on the cost of the property. The cost of used property does not include the basis of any property traded in unless the trade-in caused the recapture of all or part of an investment credit allowed earlier, or a reduction in an investment credit carryback or carryover.

For nonrecovery property the useful life of the property for investment credit must be the same as the useful life for depreciation or amortization.

For recovery property, the class of property determines the percentage qualifying for investment credit. Even if you elect an alternate recovery period under section 168(b) of 5 or 12 years for 3-year property, the property is still treated as 3-year property, and the lower percentage applies.

See section 48(k) for special rules on figuring investment credit for movie and television films or tapes.

See section 46(e) for limitations on the investment credit for mutual savings institutions, regulated investment companies, and real estate investment trusts.

Generally, you may only take an investment credit of half of the regular investment credit for certain vessels. See sections 46(g)(1) through (6) for more information. If you claim the full credit, check box D in Part I of Form 3468.

C. Regular Investment Credit Property.—Generally, you may take the investment credit the first year you place qualified property in service, make qualified progress or rehabilitation expenditures, or acquire an amortizable basis in qualified forestation or reforestation expenditures.

The property must be depreciable property used in a trade or business with a life of 3 years or more. Enter only the business part of the investment in property that is for both business and personal use.

Examples of investment credit property and property that is not investment credit property are listed below. For more details see **Publication 572.**

Generally, investment credit property is:

(1) Tangible personal property as defined in section 48(a)(1).

(2) Elevators and escalators.

(3) Other tangible property, including certain real property, used as an integral part of manufacturing, production, or extraction, or used as a research facility or bulk storage facility for fungible commodities for these activities.

(4) Livestock other than horses if you do not sell or dispose of substantially identical livestock (not subject to recapture tax) during the 1-year period beginning 6 months before the date you got the livestock. Reduce the cost of the livestock you got by the amount you received on the disposition of the substantially identical livestock.

(5) Certain single-purpose agricultural or horticultural structures defined in section 48(p).

(6) Effective before January 1, 1982: Rehabilitation expenditures for business and productive buildings that have been in use for at least 20 years. This does not include those to be used in residences, such as apartments.

Effective after December 31, 1981: Rehabilitation expenditures for qualified 30-year buildings, 40-year buildings, and certified historic structures. See sections 46(a)(2)(F) and 48(g) for details.

(7) Forestation and reforestation expenditures that are amortizable under section 194. See section 48(a)(1)(F) for more information.

(8) Petroleum storage facilities after December 31, 1980. Section 48(m) transitional rules apply to this property.

Exceptions.—The regular investment credit generally does not apply to property that is:

(1) Used mainly outside the U.S.

(2) Used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in an unrelated trade or business.

(3) Used by governmental units.

(4) Used for lodging or for furnishing the lodging (see section 48(a)(3) for exceptions, i.e. hotel or motel furnishings).

(5) Amortized or depreciated under sections 184, 167(k), 191, and 188.

(6) Acquired or constructed with "excluded cost-sharing payments" from grants made after September 30, 1979, under any program listed in section 126(a) or by grants under the Energy Security Act.

D. Elections.—There are certain elections you may make that affect the amount of investment credit you can claim. Some of these elections are made by checking the boxes in Part I of Form 3468. Others are made by attaching a statement to Form 3468.

(1) Employee Plan Percentages.—A corporation may elect an additional credit for a contribution of stock or cash to a tax credit employee stock ownership plan. This required contribution must equal at least 1% of the qualified investment (line 10) minus any part of the additional credit carried over to a later year. Make the election by checking box A in Part I of Form 3468.

(2) Commuter Highway Vehicle.—Employers may elect under section 46(c)(6) to claim the full investment credit for commuter highway vehicles with a useful life of 3 years or more but less than 7 years (vehicles with a useful life of 7 years or more qualify for the full credit without the election). Make this election by checking box B in Part I of Form 3468. See section 46(c)(6) for the definition of commuter highway vehicle and other details. Enter 100% of basis in new vehicles on line 5, and 100% of cost (subject to the overall limitation) of used vehicles on line 6.

(3) Qualified Progress Expenditures.—You may elect under section 46(d) to increase your qualified investment for a year by qualified progress expenditures. Make this election by checking box C in Part I of Form 3468. The election applies to all progress expenditure property for the tax year it is made and all later tax years. On the line between blocks C and D, Part I, enter your 1981 qualified investment (column (4) of Part II) for progress expenditures for which you made an election in any tax year.

(4) Election for Leased Property.—If you lease property to someone else, you may elect to treat all or part of your investment in new property as if it were made by the person who is leasing it from you. See section 48(d) and regulations sections 1.48–4(f) and (g) for making the election. For the limitation on the availability of the credit to certain owners of property for lease, see section 46(e)(3).

E. At Risk Limitation for Individuals, Subchapter S Corporations, and Personal Holding Companies.—Effective for investment credit property (and certain energy property) placed in service after February 18, 1981, the allowable basis or cost of property for investment credit purposes is limited to the amount a taxpayer is at risk for the property at the close of the taxpayer's tax year.

A person is generally considered at risk for property to the extent of the qualified loans and cash and the adjusted basis of property contributed for acquisition or construction of property. See Publication 572 and sections 46(c)(8) and 465 for definitions, exceptions, and other details.

Specific Instructions

1980–81 Fiscal Year Taxpayers.—If any of the 1981 tax law changes (see highlights) affect the amount of investment credit you are allowed for your 1980–81 tax year, you may figure your investment credit for your 1980–81 tax year on the 1981 Form 3468 (using those provisions of law that pertain to you) instead of the 1980 Form 3468. Enter the credit from line 32 of the 1981 Form 3468 on the appropriate line of your 1980 tax return.

If you have already filed your 1980–81 income tax return and claimed a different investment credit than you are now entitled to, you should file Form 1040X, 1120X, or an amended income tax return, whichever applies, and attach a completed 1981 Form 3468 to your return.

Partnerships and Subchapter S corporations are to complete Form 3468 as follows:

(1) Enter name and identifying number at top of form.

(2) Make necessary elections in Part I.

(3) Complete only column (2) of lines 1(a)—1(d) and 3(a)—3(f). Complete lines 5, 6, 7, and 9. See General Instruction E before completing these lines.

Recovery Property. Lines 1(a)—1(d).—Enter on the proper line the unadjusted basis of new or used recovery property. Recovery property is property that is depreciated under the Accelerated Cost Recovery System (ACRS). See sections 46(c)(7) and 168.

Nonrecovery Property. Lines 3(a)—3(f).—Enter the basis or cost of nonrecovery property. Nonrecovery property includes all property placed in service before January 1, 1981, and certain other property that does not qualify for ACRS. See section 168(e).

Enter the amortizable basis in forestation and reforestation expenditures on line 3(c). See section 48(a)(1)(F). See section 46(c)(5) for rules for certain pollution control facilities.

Qualified Progress Expenditures. Lines 1(a), 1(b), 3(a), 3(b), and 3(c).—Enter on the proper line the amount of qualified progress expenditures made in the tax year. Before January 1, 1981, progress expenditure property had to have a useful life of 7 years or more. After December 31, 1980, the useful life or recovery period can be any period or life of 3 years or more.

Do not take any qualified progress expenditures for the year in which the progress expenditure property is placed in service or for the year for which recapture is required for the property. The investment credit allowed for the year the property is placed in service is based on the entire qualified investment in the property reduced by the progress expenditures that were included as qualified investment in earlier years.

See section 46(d) for more information.

Used Property Dollar Limitation. Lines 1(c)—(d), 3(d)—(f), and 6.—In general, for tax years beginning in 1981 you may not take into account more than $125,000 ($100,000 for tax years beginning in 1980) of the cost of used property in any one year. Determine the $125,000 amount before applying the percentages based on recovery period or useful life. On the proper line, enter the cost (subject to the dollar limitation) of used property placed in service during the year. Property you inherited, received as a gift, or acquired from certain related persons does not qualify for the investment credit.

If a husband and wife file separate returns, each may claim up to $62,500. If one of them has no qualifying used property, the other may claim up to $125,000.

The $125,000 limitation applies to a partnership, subchapter S corporation, estate, or trust. The $125,000 must be divided among the estate or trust and its beneficiaries based on the income of the estate or trust allocable to each. The $125,000 limitation also applies to each partner, shareholder, and beneficiary. Controlled corporate groups must divide the limitation among all component members. See section 48(c) and related regulations.

Lines 7(a), 7(b), 9(a), 9(b), and 9(c). Rehabilitation Expenditures.—Enter on the proper line the qualified rehabilitation expenditures made during the tax year.

Before January 1, 1982, the additions or improvements for which rehabilitation expenditures were made had to have a useful life of 5 years or more. After December 31, 1981, the additions or improvements must have a useful life of 15 years or more.

After December 31, 1981, the increase in basis of the qualified rehabilitated building that would result from the expenditures must be decreased by the allowed credit except in the case of certified historic structures. The increase in basis must be depreciated by a straight line depreciation method. See section 212(e)(2) of the Economic Recovery Tax Act of 1981 for transitional rules and code section 48(g) for other details.

If you claim a credit for a certified historic structure on line 9(c), you must enter the project number assigned by the Department of Interior. You must also attach a copy of the final certification letter issued by the Department of Interior to the first return you file after receiving the certification. If you have not yet received the final certification, attach a copy of the first page of the application you submitted (U.S. Department of the Interior Form FHR–8–253a, Historic Preservation Certification Application—Part 2).

Lines 8, 9, and 26(a) Limitations.—Mutual savings institutions, regulated investment companies, and real estate investment trusts are subject to special limitations for the amounts to be entered on lines 8, 9(a)–(c), and line 26(a). See regulations section 1.46–4.

Line 11.—Generally, the percentage is 10% of line 8. However, to the extent basis is attributable to construction before January 22, 1975, the percentage is 7% (4% for public utility property). If you have this property, do not enter the credit on this line. Include it on line 16, and write "7% (or 4%) credit $....." on the dotted line next to the entry space. Attach a separate computation identifying the property.

Line 15(a).—You may take the additional 1% credit if you qualify and make the election. See General Instruction D(1).

Line 15(b).—The matching employee plan credit on line 15(b) is limited to a maximum of 0.5% times the qualified investment for property acquired, constructed, or erected after 1976. See section 46(a)(2)(E).

Line 16. Credit from Cooperative.—Section 1381(a) cooperative organizations may claim the regular and energy investment credits. If the cooperative cannot use any of the credit because of the tax liability limitation that applies, the unused credit from tax years ending after October 31, 1978, must be allocated to the patrons of the cooperative. The recapture provisions of section 47 apply as if the cooperative had kept the credit and not allocated it.

Patrons should enter their regular investment credit from a cooperative on line 16.

Lines 18 and 19.—Carryback and Carryover of Unused Credits.—If you cannot use part of a regular or energy investment credit earned in any tax year ending after Dec. 31, 1973, because of tax liability limitations or the operation of the alternative minimum tax, you may carry it back 3 years and forward 15 years. You must apply the unused credit first to the earliest of the years to which it may be carried, and then to each of the other tax years. However, if you are subject to the alternative minimum tax, you may be able to apply your investment credit from the active conduct of a trade or business against that tax. See Form 6251, Computation of Alternative Minimum Tax, for more information.

Line 26. Limitation.—If the tax liability (line 25) is $25,000 or less, the investment credit may not be more than the amount of the tax liability.

If the tax liability is more than $25,000, the credit may not be more than $25,000 plus 80% of the excess for 1981 calendar year taxpayers (90% for tax years ending in 1982).

If you and your spouse file separate returns, each must use $12,500 instead of $25,000. However, if only one has any qualifying investment, that one may use the entire $25,000.

Controlled corporate groups (see section 46(a)(6)) must divide the $25,000 among all component members.

An estate or trust must allocate the $25,000 among itself and its beneficiaries in the same ratio as the qualified investment was allocated.

Line 29. Business Energy Investment Credit Limitation.—The energy credit is limited to the tax on line 25 minus the regular investment credit allowed on line 28.

☆ U.S. GOVERNMENT PRINTING OFFICE : 1981—O-343-161 E. I. NO. 43-1118299

Form **6765**
Department of the Treasury
Internal Revenue Service

Credit for Increasing Research Activities

▶ Attach to your tax return ▶ See separate instructions

OMB No. 1545-0619

1981

Name

Identifying number as shown on page 1 of your tax return

If you are a partnership, estate, trust, or subchapter S corporation that shares the credit among your partners, beneficiaries, or shareholders, complete only lines 1 through 12.

If you are an individual partner, beneficiary, or shareholder who receives a credit from a partnership, estate, trust, or subchapter S corporation, and you have no other credit for increasing research activities, skip lines 1 through 8 and enter your share of the credit on line 9, 10, 11. Complete the rest of the form as it applies. If you are a member of a group of trades or businesses under common control (whether or not incorporated), or an estate or trust that shares the credit between yourself and your beneficiaries, see the instructions for lines 6 and 12 before completing the form.

If you have made an acquisition or disposition of a major portion of your trade or business during the tax year or preceding tax year, please see instructions for Special Rules before completing the form.

Part I Allowable Credit

1 Qualified research expenses paid or incurred after June 30, 1981, during this tax year (see instructions for line 1):		
a Wages for qualified services	1a	
b Cost of supplies used in conducting qualified research	1b	
c Rental or lease costs for personal property used in conducting qualified research	1c	
d 65% of contract research expenses paid or incurred for qualified research. (Do not enter corporate expenses reported in line 1e.)	1d	
e Corporations—Enter 65% of amounts paid or incurred to qualified organizations for basic research	1e	
f Total—Add lines 1a through 1e	1f	
2 Base period research expenses (see instructions for line 2):		
a Wages for qualified services	2a	
b Cost of supplies used in conducting qualified research	2b	
c Rental or lease costs for personal property used in conducting qualified research	2c	
d 65% of contract research expenses paid or incurred for qualified research. (Do not enter corporate expenses reported in line 2e.)	2d	
e Corporations—Enter 65% of amounts paid or incurred to qualified organizations for basic research	2e	
f Total—Add lines 2a through 2e	2f	
g Line 2f times adjustment factor (see instructions for line 2g)	2g	
3 Subtract line 2g from line 1f	3	
4 Limitation—Enter 50% of line 1f	4	
5 Enter the smaller of line 3 or line 4	5	
6 Tentative credit—Enter 25% of line 5	6	
7 Carryback of unused credit(s)	7	
8 Allowable credit—Add lines 6 and 7	8	
9 Credit from a partnership (including any carryback of unused credit(s))	9	
10 Credit from an estate or trust (including any carryback of unused credit(s))	10	
11 Credit from a subchapter S corporation (including any carryback of unused credit(s))	11	
12 Total credit—Add lines 8, 9, 10, and 11	12	

Part II Tax Liability Limitation

13 a Individuals—Enter amount from Form 1040, line 37		
b Estates and trusts—Enter amount from Form 1041, line 26		
c Corporations (1120 filers)—Enter amount from Schedule J (Form 1120), line 3		
d Other organizations (see instructions for line 13d)	13	
14 Enter total allowed credits from your return (see instructions)	14	
15 Tax on lump-sum distributions from Form 4972 or Form 5544	15	
16 Section 72(m)(5) penalty tax (individuals only)	16	
17 Total—Add lines 14, 15, and 16	17	
18 Limitation—Subtract line 17 from line 13. (Individuals see Part IV on page 2.)	18	

Part III Allowed Credit for Corporations, Estates, and Trusts

19 Allowed credit—Enter the smaller of line 18, Part II, or line 12, Part I. (Enter here and on the appropriate line of your tax return as explained in the instructions for line 19.)	19	

For Paperwork Reduction Act Notice, see page 2.

Part IV Allowed Credit for Individuals

20 a Allowed credit for line 8, Part I—Enter the smallest of line 8, Part I; line 18, Part II; or the amount from the formula in the instructions for line 20	20a	
b Allowed credit for line 9, Part I—Enter the smallest of line 9, Part I; line 18, Part II; or the amount from the formula in the instructions for line 20	20b	
c Allowed credit for line 10, Part I—Enter the smallest of line 10, Part I; line 18, Part II; or the amount from the formula in the instructions for line 20	20c	
d Allowed credit for line 11, Part I—Enter the smallest of line 11, Part I; line 18, Part II; or the amount from the formula in the instructions for line 20	20d	
21 Total credit allowed for individuals—Add lines 20a, 20b, 20c, and 20d. Do not enter more than line 18, Part II. (Enter here and include the credit in the total for line 46, page 2, Form 1040.)	21	

Paperwork Reduction Act Notice.—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and so that we can figure and collect the correct amount of tax. You are required to give us this information.

1981 Department of the Treasury
Internal Revenue Service

Instructions for Form 6765

Credit for Increasing Research Activities

(References are to the Internal Revenue Code.)

1980–81 fiscal year taxpayers with tax years ending after June 30, 1981, are to use the 1981 Form 6765 to claim the research credit for their 1980–81 tax year.

General Instructions

For tax years ending after June 30, 1981, there is an income tax credit for increasing the research activities of a trade or business. Generally, the credit is 25% of the increase in qualified research expenses paid or incurred in the current tax year over base period research expenses.

Purpose of Form 6765.—Form 6765 must be used to figure and claim the credit for increasing the research activities of a trade or business.

Who Must File.—Any individual, estate, trust, organization or corporation claiming a credit for increasing research activities, or any subchapter S corporation, partnership, estate, or trust that shares the credit among its shareholders, partners, or beneficiaries, must attach this form to its income tax return.

Subchapter S corporations, partnerships, estates, or trusts that share the credit among their shareholders, partners, or beneficiaries must, in addition to filing this form with their income tax return, show on Schedule K–1, or on an attachment to Schedule K–1, the credit for each shareholder, partner, or beneficiary.

For more details on allocation of the credit, see section 44F(f)(2).

Amended Return.—If you have filed your 1980–81 income tax return without claiming a credit for increasing research activities that you are entitled to, you should file Form 1040X, 1120X, or an amended income tax return, whichever applies. Attach a completed 1981 Form 6765 to the return you file.

Carryback and Carryover of Unused Credit.—Any credit that you cannot use because it is more than the tax liability figured on line 18 of Form 6765 or the tax liability computed in the formula in the instructions for line 20 of the form may be carried back to each of the 3 years before the year the unused credit originated (unused credit year). The credit may be carried to tax years ending before July 1, 1981. If you have an unused credit after carryback, it may be carried forward to each of the 15 years after the unused credit year.

Special Rules

(1) Trades or Businesses that are Under Common Control.—For a group of trades or businesses that are under common control (whether or not incorporated), the credit for increasing research activities is figured as if all the organizations that are under common control are one trade or business. The credit figured for the group must then be shared among the members of the group on the basis of each member's proportionate contribution to the increase in research expenses (line 3 Form 6765). See section 44F(f)(1).

(2) Adjustments for Certain Acquisitions and Dispositions.—If a major portion of a trade or business is acquired or disposed of after June 30, 1980, adjustments must be made to research expenses for the period before or after the acquisition or disposition. See section 44F(f)(3) for details.

(3) Short Tax Year.—For any short tax year, qualified research expenses are annualized as prescribed by regulations.

Publication 906.—For more detailed information, please get Publication 906, Targeted Jobs, WIN, and Research Credits.

Specific Instructions

Note: Where an individual shareholder, partner, or beneficiary is entitled to a credit for increasing research activities from two sources, such as from a sole proprietorship and a partnership, the credit of the proprietorship would be figured on lines 1 through 6 of Form 6765. The credit arising from the partnership would be entered on line 9 of the same form. Parts II and IV would be completed to determine the total credit (proprietorship credit on line 20a plus the partnership credit on line 20b) to be entered on the individual taxpayer's Form 1040.

Lines 1a–1d.—Qualified research expenses are amounts spent in carrying on any trade or business of the taxpayer after June 30, 1981, for the following.

a Wages paid or incurred for qualified services performed by employees (wages used in figuring the jobs credit (section 44B) and the WIN credit (section 40) are excluded).

b Supplies used in the conduct of qualified research.

c Rental or lease expenses paid or incurred to other persons for the right to use personal property in conducting qualified research.

d 65% of any amount paid or incurred for qualified research performed on your behalf. Prepaid contract research expenses are considered to be paid in the year the research is actually done.

Line 1e.—Qualified research expense also includes 65% of any amount paid or incurred by a corporation to any qualified organization for basic research to be performed by the qualified organization. The amount must be paid or incurred pursuant to a written research agreement between the corporation and the organization. Prepaid basic research expenses are considered to be paid in the year the research is actually done. See section 44F(e) for other details.

Qualified research does not include research conducted outside the U.S., research in the social sciences or humanities, and research to the extent funded by any grant, contract, or otherwise by another person (or any governmental entity). See section 44F for other exceptions and special rules.

Line 2.—Base period research expenses are the average annual qualified research expenses (listed above) for the 3 years immediately before the current tax year, except that:

- for the first tax year that ends after June 30, 1981, the base period expenses are those qualified research expenses for the one year immediately before the current tax year, and
- for the second tax year that ends after June 30, 1981, the base period expenses are the average annual qualified research expenses for the 2 years immediately before the current tax year.

Line 2g.—If your first tax year ending after June 30, 1981, does not contain a full 12 months after this date, you must adjust your base period research expenses to make them comparable with the expenses paid in the less than 12 months period after June 30, 1981. To do this, divide your base period research expenses by 12 and multiply the result by the number of months in your tax year after June 30, 1981.

Line 4.—Base period research expenses cannot be less than 50% of current year research expenses. This rule applies both to existing businesses and newly organized businesses.

Line 6.—*Trades or businesses under common control.*—The member of the group that made the greatest contribution to the increase in research expenditures of the group must report the computation of the group credit on lines 1 through 6 (ignoring lines 7 through 21) of Form 6765. Each member, including the member described above, must enter its apportioned share of the current year's credit on line 6 of a separate Form 6765 (ignoring lines 1 through 5). Each member must then complete lines 7 through 21 as applicable. Each member must attach to its Form 6765 a schedule showing the apportionment of the total group credit to the members of the group.

Lines 9–11.—The credit figured on lines 1 through 12 by a subchapter S corporation, partnership, estate, or trust is apportioned to the individual shareholders, partners, or beneficiaries, respectively. This apportioned credit (and any unused credit from these entities) is entered on line 9, 10, or 11 of a separate Form 6765 by these individuals. They must complete Parts II and IV of the separate Form 6765 to determine the allowed credit to be entered on their tax returns.

Line 12.—*Estates or trusts.*—An estate or trust completes lines 1 through 12 (ignoring line 7) and apportions the credit on line 12 between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each. The estate or trust then enters its share of the credit on line 6 of a separate Form 6765 and completes lines 7 through 19, as applicable, to determine its allowed credit to be claimed on Form 1041. Both forms are attached to Form 1041 for the tax year the credit is earned. The beneficiaries' share will be apportioned to the individual beneficiaries and each beneficiary determines his or her allowed credit as explained above.

Lines 13–18.—The total credit allowed in any tax year (current year credit plus unused credits from other years) cannot exceed tax liability as defined in section 44F(g)(1)(A). Lines 13 through 18 provide for the computation of this tax liability.

Line 13d.—Other organizations should enter their income tax from the appropriate line of their tax return as follows:

1. Form 990–C, Schedule J, line 2, page 3.
2. Form 990–T, line 7 or 8, page 1.
3. Form 1120F, Schedule J, line 3, page 5.
4. Form 1120L, line 6, page 1.
5. Form 1120M, Part I, line 12, page 1.

Line 14.—Enter the total of the credits listed below that were taken to reduce the tax liability shown on line 13 of Form 6765.

- Credit for the elderly (individuals only).
- Foreign tax credit.
- Investment credit.
- WIN credit.
- Credit for political contributions (individuals only).
- Credit for child and dependent care expenses (individuals only).
- Jobs credit.
- Residential energy credits (individuals only).
- Nonconventional source fuel credit.
- Credit for alcohol used as a fuel.
- Possessions corporation tax credit (corporations only).

Line 19.—Corporations, estates, trusts, and other organizations must claim the credit by including it in the total amount entered on the appropriate line of their 1981 tax return as follows:

1. Form 1120, Schedule J, line 4 (e), page 3.
2. Form 990–C, Schedule J, line 3(e), page 3.
3. Form 990–T, line 9(d), page 1.
4. Form 1041, line 29, page 1.
5. Form 1120F, Schedule J, line 4(e), page 5.
6. Form 1120L, line 7(e), page 1.
7. Form 1120M, Part I, line 13(e), page 1.

Filers for a 1980–81 fiscal year are to enter the credit on the corresponding line of their 1980 tax return. If no line on the 1980 tax return was the exact equivalent, include the credit in the line for the total nonrefundable credits.

All filers should write "Research Credit" in the margin beside the line in which the credit is included, and show the amount.

Line 20 Limits.—If you are an individual, the credit on line 8 (from Schedule C or Schedule F (Form 1040)), line 9, line 10, or line 11 is limited to the tax on line 18 that is attributable to your interest in each unincorporated business, partnership, estate, trust, or subchapter S corporation. This amount is figured separately for each business enterprise by using the following formula:

$$\text{Line 18} \times \frac{\text{Taxable income attributable to your interest in each unincorporated business, 1065, 1041, or 1120S entity}}{\text{Taxable income for the year (Form 1040, line 34)}}$$

Note: The carryback or carryover of an unused credit resulting from the application of any of the limitations (lines 20a, 20b, 20c, and 20d) is subject to these separate limitations in each year to which it is carried.

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Form **6839** (6-84)
Department of the Treasury
Internal Revenue Service

User Survey

Statistics of Income — 1981 — Corporation Income Tax Returns

Please take a few moments to answer the following questions concerning this *Statistics of Income* publication. Your responses will enable us to direct our efforts to meeting the needs of our users. After indicating your responses, please fold, tape, and mail. No postage is required. Thank you for your assistance.

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2. Have you ever used any other *Statistics of Income* publication?
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4. Rank in order of importance to you the following sections of the publication.
   - ____ Tables
   - ____ Changes in law
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5. How would you describe the readability of the text?
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1981 Statistics of Income

Corporation Income Tax Returns

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