

Corporation Income Tax Returns, Preliminary Data, 1983

By Karen Gutmann*

Preliminary data from U.S. corporate tax returns for 1983 reflect a period of U.S. economic growth [1]. Improving business conditions pushed total corporate receipts from operations and investments up 1.1 percent. Costs and other deductible expenses increased by only 0.6 percent, resulting in a sharp increase in total net income (less deficit) of 20.9 percent over 1982. This article discusses significant changes in data between the 1982 and 1983 income years. Data will be compared for the number of returns filed as well as for the major components of the tax return: the income statement, the balance sheet, income tax assessed and tax credits claimed. A discussion of the data sources and limitations follows the text, and tables present detailed tax return data by industrial division and for the corporate population as a whole.

NUMBER OF RETURNS

There has been a slowdown in the number of corporation income tax returns filed in recent years. An estimated 3 million income tax returns of active corporations were filed for 1983, an increase of 2.5 percent over 1982. The average rate of growth for 1981, 1982 and 1983 was only slightly more than half that of the 4 preceding years (Figure A). The latter period saw a sharp slowdown in the chartering of new corporations, as well as a significant increase in the number of business failures [2]. In addition, a small contributing factor may be the continuing growth in the number of mergers and acquisitions of U.S. corporations. A recovering economy makes more cash and credit available to finance consolidation. In 1983, the number of completed mergers and acquisitions involving only U.S. companies (where a U.S.-owned corporation is purchased by or merged into another U.S.-owned corporation) rose 8.0 percent [3].

Figure A - Growth Rate of Returns Filed

Income Year	Number of returns	Percent change from previous year
1977.....	2,241,887	7.7%
1978.....	2,376,779	6.0
1979.....	2,556,794	7.6
1980.....	2,710,538	6.0
1981.....	2,812,420	3.8
1982.....	2,925,933	4.0
1983 (preliminary).	2,999,182	2.5

INCOME STATEMENT

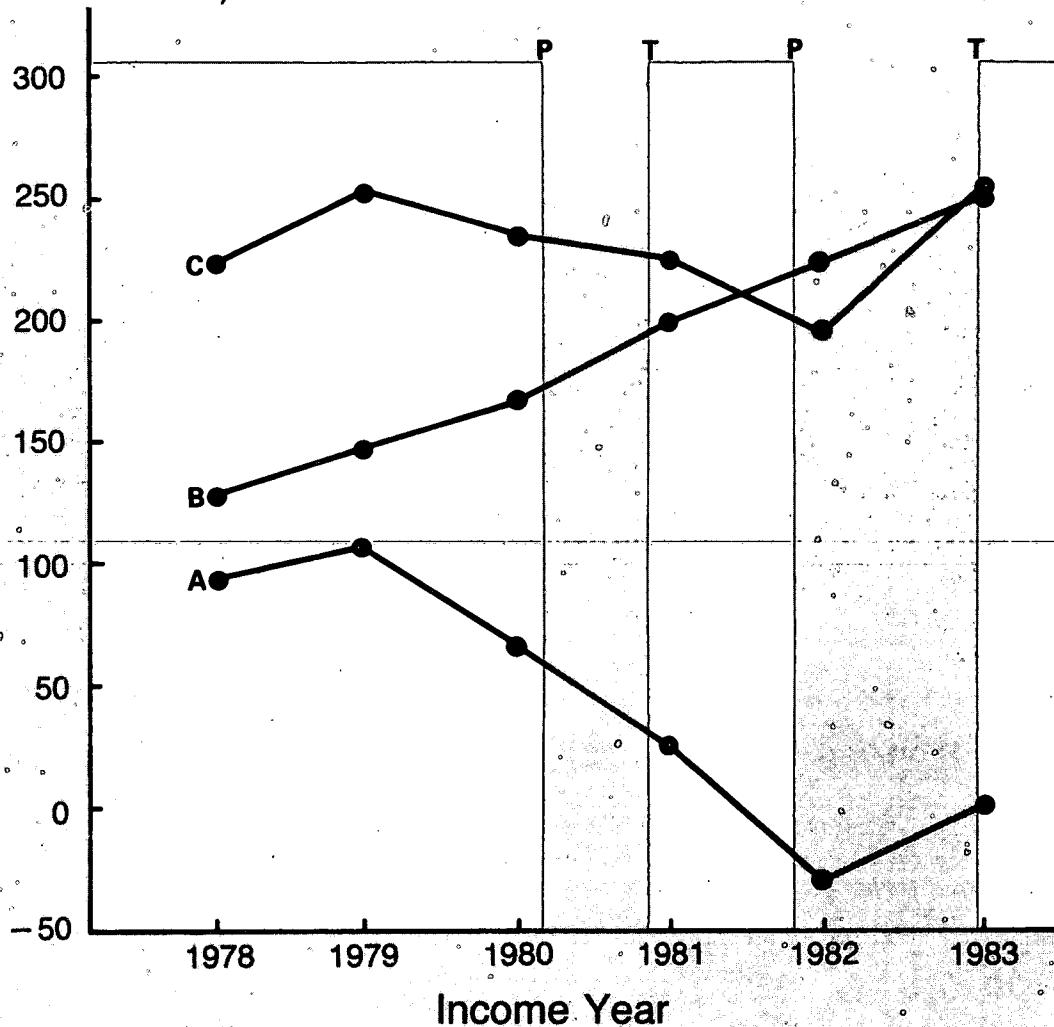
A 21 percent rise in corporate profits for 1983 reversed the downward trend that began with 1980. Figure B shows the movement of undistributed after-tax profits from 1978 to 1983 as well as other components of corporate cash flow [4]. It is noteworthy that deductions for non-cash expenses offset a net after-tax loss such that corporations still experienced a reasonably stable positive cash flow for 1982.

Despite the increase, however, net income was still almost \$27 billion below the 1981 level, part of which is due to larger depreciation deductions allowed after the 1981 enactment of the Economic Recovery Tax Act (ERTA). As the recovering economy renewed demand for goods and services, business receipts rose nearly \$150 billion, an increase of 2.4 percent. Interest income, on the other hand, decreased by approximately \$23 billion. This decrease was to be expected, with the average prime rate charged by banks on loans continuing its decline from a record 18.9 percent in 1981 to 14.9 percent in 1982 and 10.8 percent in 1983 [5].

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Figure B.
Corporate Profits and Cash Flow, Returns of Active Corporations, 1978-1983

(Billions of Dollars)



- A: Undistributed Corporate Profits After Tax
- B: Deductions for Non-Cash Expenses
- C: Corporate Cash Flow

Note: Business cycle peaks (P) and troughs (T) are turning points in economic activity, as designated by the National Bureau of Economic Research, Inc. Shaded areas represent recessions.

Also attributable in part to lower interest rates was a significant decrease to interest paid as a deductible expense. This item declined by \$42 billion between 1982 and 1983, an 8.2 percent drop. At the same time, the Accelerated Cost Recovery System for depreciation (ACRS), introduced by ERTA and modified in 1982, continued to exert a downward pressure on the net income computed for tax purposes by contributing to a depreciation deduction that was \$27 billion higher for 1983 than for 1982 [6]. Corporate cost of sales and operations and deductions for compensation paid to corporate officers together increased \$24 billion. In combination, the lower interest write-off offset these changes such that total corporate deductible expenses rose only 0.6 percent.

While profits rose sharply overall, the change to net income varied widely by industrial activity. Figure C shows that significant growth in net income for the three largest industry groupings (manufacturing, trade and finance) offset the decline in net income experienced in all but one of the remaining five.

BALANCE SHEET

For the first time, total assets as reported on tax returns passed the \$10 trillion mark, an increase of nearly \$800 billion over 1982. This 8.5 percent increase was smaller than the 9.4 percent increase of the previous year. "Other current liabilities" contributed the most change to corporate debt with an increase of nearly \$280 billion. Ninety percent of this rise came from banks and credit institutions which typically include deposits and withdrawable shares in this category.

Assets rose by a greater amount than did liabilities, thus increasing stockholders' equity. As business activity accelerated in 1983, corporate receivables grew by nearly \$250 billion, accounting for a large portion of asset growth. More than 70 percent of receivables growth was in the finance industries, indicating an increase in business and consumer indebtedness. Spurred on by accelerated depreciation and the more generous investment credit provisions allowed by ERTA, corporations continued to add to their physical capital. This is reflected in the net increase in depreciable assets of nearly \$140 billion.

Another asset item of interest is inventories. In 1983, ending inventories rose 2.7 percent after a 1.2 percent decline in 1982. Figure D shows inventory change for corporations engaged primarily in manufacturing and trade. These two activities together accounted for 84.6 percent of total ending inventories in 1983. In the recessionary period that ended in late 1982, declining sales meant that corporations were unable to move current inventory and, accordingly, they reduced their purchases of new inventory. Between 1981 and 1982, both inventories and business receipts decreased by about the same percentage. With the onset of the recovery in early 1983, current inventory was depleted, spurring new inventory purchases. As a result of an encouraging economic outlook, inventory growth began to outpace somewhat that of sales between 1982 and 1983.

Corporate debt as a percentage of total assets rose slightly from 73.6 to 74.1 percent, reversing a decline begun in 1981 when the debt ratio fell to 73.7 percent from the 1980 level of 75.0. The debt ratio measures the

Figure C - Net Income (Less Deficit), 1982 and 1983
[Millions of dollars]

Industrial division	1982	1983 (preliminary)	Percent change
	(1)	(2)	
All industries ¹	\$154,334.1	\$186,640.7	20.9%
Agriculture, forestry and fishing.....	-86.4	-197.9	-129.0
Mining.....	543.6	-1,538.8	-383.1
Construction.....	2,324.0	2,256.3	-2.9
Manufacturing.....	75,791.3	94,814.5	25.1
Transportation and public utilities.....	18,336.0	19,476.8	6.2
Wholesale and retail trade.....	28,442.7	34,984.8	23.0
Finance, insurance and real estate.....	21,804.1	31,557.5	44.7
Services.....	7,199.3	6,087.6	-15.4

¹Includes "nature of business not allocable," which was not shown separately.

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

Figure D.--Change in Inventories, 1982 to 1983
[Billions of dollars]

Industry	Ending inventories		
	1982	1983	Percent change
	(1)	(2)	(3)
All industries....	\$581.2	\$596.7	2.7%
Manufacturing.....	274.6	268.6	-2.2
Wholesale and retail trade.....	214.8	236.5	10.1

percentage of total funds provided by creditors. Generally, a lower debt ratio is considered desirable since the lower the ratio, the more easily a company would be able to absorb decreases to net income. Another important financial ratio is the current ratio, which is computed by dividing current assets by current liabilities. This ratio indicates the ability of corporations to cover short-term debts. For 1982 and 1983, the ratio of current assets to current liabilities remained nearly constant at just less than 1:1 [7].

INCOME TAX AND TAX CREDITS

For 1983, income tax (before credits) rose 5.6 percent to almost \$90 billion in contrast to the 15.5 percent decrease recorded for 1982. Total income tax credits increased by only 1 percent. The combined effect of these two factors was a 9.4 percent increase in Federal income tax after credits. Despite the increase in income tax liability, after-tax corporate profits increased approximately 26 percent.

The method for computing corporate income tax remained essentially the same as in recent years. The regular corporate tax rate was 46 percent of taxable income above \$100,000. The first \$100,000 of taxable income was taxed as follows:

- \$25,000 or less at 15 percent;
- \$25,001 to \$50,000 at 18 percent;
- \$50,001 to \$75,000 at 30 percent; and
- \$75,001 to \$100,000 at 40 percent.

As in previous years, when corporations reported net long-term capital gains, they had the option of using the regular method described above or an alternative method, whichever produced the lesser amount of tax owed. The alternative method pulled net long-term capital gains out of taxable income and taxed them separately at a special rate of 28 percent. The rest of taxable income was taxed at the rates stated above. Income tax credits were applied against the corporation's

regular or alternative tax. Additional tax from recomputing prior-year investment credit, additional tax from tax preferences and the personal holding company tax were not reduced by these credits.

ERTA allowed corporations to take a credit based on contributions to an employee stock ownership plan, effective for tax years ending after 1982. This new credit reduced regular and alternative tax by nearly \$900 million for 1983. The jobs and research activities credits increased at significant rates, but the absolute increases involved were relatively small (\$117 million and \$431 million, respectively). Investment credit, one of the largest single credits, decreased by \$1.4 billion continuing a decline begun in 1982. However, an \$800 million increase in the largest credit, the foreign tax credit, as well as increases to all but one of the other credits, largely offset this drop.

SUMMARY

The economic recovery begun in 1983 sharply reversed the downward trend in corporate income and profits that began in 1979. The 21 percent rise in total net income and improvements in indicators of corporate financial strength are signs of a recovering economy. However, immediate response to the economic turnaround of 1983 varied widely by industry, with corporations involved in manufacturing, trade and finance showing the greatest improvements. As corporate profits rose, total corporate income tax increased more than 9 percent.

DATA SOURCES AND LIMITATIONS

These preliminary statistics are based on a sample of the following types of corporation income tax returns: Form 1120--U.S. Corporation Income Tax Return; 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; Form 1120F--Return of a Foreign Corporation; and Form 1120-DISC--Domestic International Sales Corporation Return. The sample was selected after revenue processing but before audit. Both 1982 and 1983 returns were generally stratified using net income or loss, total assets and business activity. For Tax Year 1983, returns of corporations with accounting periods ended July 1983 through June 1984 were selected at rates ranging from 0.35 to 100 percent. There were 90,191 returns in the 1983 preliminary sample, estimating a total population of 2,999,182. The corresponding sample size and population for the preliminary 1982 data were 93,668 and 2,925,939, respectively. Sample size and population for the revised 1982 data referred to in this article were 93,675 and 2,925,933, respectively.

Because the data presented in this article are estimates based on a sample, they are subject to sampling error. To use the data properly, the magnitude of the sampling error should be known. Coefficients of variation are used to measure that magnitude.

The following table presents approximate coefficients of variation for frequency estimates. The coefficients of variation shown here are intended only as a general indication of the data reliability. For numbers of corporations other than those shown below, the corresponding coefficients of variation can be estimated by interpolation. The reliability and use of estimates based on samples and the use of coefficients of variation for evaluating the precision of sample estimates are discussed in the Appendix.

<u>Estimated number of returns</u>	<u>Approximate coefficient of variation</u>
1,000,000	0.02
160,000	0.05
40,000	0.10
10,000	0.20
4,500	0.30
3,300	0.35
1,600	0.50

The preliminary estimates used in this article are also subject to nonsampling error. Preliminary data were drawn from sampled returns processed through December 1985. Returns processed after this date will be reflected in the final statistics to be published later in 1986. In addition, as this article goes to print, a thorough review of the data is in process. Errors will be uncovered and corrected during this review, but the corrections cannot be generalized to predict the differences between the complete data and this preliminary report. Although added returns from late corporate filers will tend to increase aggregate amounts, corrections made in review may cause either a net increase or decrease in individual items. Figure E illustrates the changes between key preliminary and revised data for the 1982 Statistics of Income report, but these figures should be used with caution because of the anomalies discussed above.

NOTES AND REFERENCES

- [1] The estimates in this report are based on data from returns with accounting periods ending from July 1983 through June 1984. This span, in effect, defines the income year such that noncalendar year accounting periods are centered on the calendar year ended December.
- [2] Executive Office of the President, Council of Economic Advisers, Economic Report of the President, February 1985, p. 337.

Figure E --Returns of Active Corporations: Comparison of Selected 1982 Preliminary and Final Estimates
[Millions of dollars]

Item	1982 preliminary data	1982 final data	Difference	Percent difference 1982 preliminary and final data
	(1)	(2)	(3)	(4)
Total assets.....	\$9,337,313	\$9,357,785	+\$20,472	+0.22%
Depreciable assets.....	2,580,236	2,583,060	+2,824	+0.11
Business receipts.....	6,147,176	6,156,994	+9,818	+0.16
Depreciation deduction.....	212,857	213,179	+322	+0.15
Net income (less deficit).....	151,127	154,334	+3,207	+2.12
Income subject to tax.....	205,035	205,175	+140	+0.07
Income tax before credits.....	85,002	85,078	+76	+0.09
Income tax credits, total.....	39,660	39,694	+34	+0.09

[3] The number of completed domestic mergers rose from 1,960 in 1982 to 2,125 in 1983. The Hay Group, Information for Industry, Mergers and Acquisitions, The Journal of Corporate Venture, 1984 Almanac and Index, pp. 5-6.

[4] The amounts in Figure B were computed as follows:

A: Undistributed corporate profits after tax equals net income (less deficit), minus income tax after credits, plus foreign tax credits, minus cash distributions to stockholders. Foreign tax credits are based on tax paid to foreign countries. Since foreign income and taxes are not included in this computation, neither are foreign tax credits. Cash distributions to stockholders are reported from the corporations' book accounts on Schedule M-2 of the tax return. Corporations which show a net loss on their tax

return may show a net gain on their books and may pay dividends.

B: Deductions for non-cash expenses equals the sum of the deductions for depreciation, depletion and amortization.

C: Corporate cash flow equals undistributed corporate profits after tax plus deductions for non-cash expenses (A + B).

[5] Executive Office of the President, Council of Economic Advisers, Economic Report of the President, February 1984, pp. 298-299.

[6] See Johns, Max, "Accelerated Cost Recovery System, 1981: A Reading on the Initial Impact," Statistics of Income and Related Administrative Record Research: 1984, October 1984, pp. 71-77.

[7] For more detailed financial ratios using tax data, see Troy, Leo, Almanac of Business and Industrial Financial Ratios, 1978 through 1985 editions.

Table 1.--Returns of Active Corporations: Selected Items by Industrial Division, 1983 Preliminary Data
 [All figures are estimates based on samples--money amounts are in thousands of dollars]

Item	1982	1983 Preliminary	Percent Change
	(1)	(2)	(3)
All Industries¹			
Number of returns.....	2,925,933	2,999,182	2.5
Total assets.....	9,357,784,804	10,156,377,797	8.5
Total receipts.....	7,024,097,766	7,098,621,182	1.1
Business receipts.....	6,156,994,009	6,303,043,003	2.4
Net income (less deficit).....	154,334,143	186,640,724	20.9
Income subject to tax.....	205,175,407	217,006,471	5.8
Income tax before credits.....	85,077,493	89,802,226	5.6
Income tax after credits ²	47,071,799	51,421,975	9.2
Agriculture, forestry and fishing			
Number of returns.....	91,320	92,154	0.9
Total assets.....	50,409,537	50,218,935	-0.4
Total receipts.....	65,356,911	59,103,515	-10.0
Business receipts.....	60,643,550	55,008,884	-9.3
Net income (less deficit).....	-86,418	-197,924	-129.0
Income subject to tax.....	1,604,445	1,464,070	-8.7
Income tax before credits.....	490,228	417,388	-14.9
Income tax after credits ²	375,348	312,484	-16.7
Mining			
Number of returns.....	36,676	36,999	0.9
Total assets.....	192,380,473	193,040,341	0.3
Total receipts.....	203,098,557	131,936,756	-35.0
Business receipts.....	191,152,749	122,091,351	-36.1
Net income (less deficit).....	543,578	-1,538,758	-383.1
Income subject to tax.....	7,319,683	4,608,875	-37.0
Income tax before credits.....	3,203,406	1,974,829	-38.4
Income tax after credits ²	1,044,031	714,633	-31.6
Construction			
Number of returns.....	282,345	283,344	0.4
Total assets.....	153,085,046	160,919,019	5.1
Total receipts.....	281,747,868	290,108,368	3.0
Business receipts.....	271,633,721	280,230,939	3.2
Net income (less deficit).....	2,323,952	2,256,274	-2.9
Income subject to tax.....	5,973,416	5,486,120	-8.2
Income tax before credits.....	2,069,718	1,788,973	-13.6
Income tax after credits ²	1,583,063	1,385,540	-12.5
Manufacturing			
Number of returns.....	259,106	261,818	1.0
Total assets.....	2,060,710,683	2,223,229,574	7.9
Total receipts.....	2,488,331,915	2,530,955,902	1.7
Business receipts.....	2,357,973,059	2,396,538,375	1.6
Net income (less deficit).....	75,791,264	94,814,467	25.1
Income subject to tax.....	102,157,505	112,901,621	10.5
Income tax before credits.....	45,015,096	49,857,937	10.8
Income tax after credits ²	21,625,905	24,718,845	14.3

Corporation Returns, 1983

Table 1.--Returns of Active Corporations: Selected Items by Industrial Division, 1983-Preliminary Data--Continued

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

Item	1982	1983 Preliminary	Percent Change
	(1)	(2)	(3)
Transportation and public utilities			
Number of returns.....	115,470	122,551	6.1
Total assets.....	919,861,069	998,290,736	8.5
Total receipts.....	632,294,442	656,842,704	3.9
Business receipts.....	606,039,657	627,292,051	3.5
Net income (less deficit).....	18,335,959	19,476,807	6.2
Income subject to tax.....	25,955,886	25,580,815	-1.4
Income tax before credits.....	11,356,073	11,287,931	-0.6
Income tax after credits ²	4,918,681	5,411,853	10.0
Wholesale and retail trade			
Number of returns.....	839,547	851,951	1.5
Total assets.....	753,351,132	799,939,532	6.2
Total receipts.....	2,017,701,364	2,110,203,691	4.6
Business receipts.....	1,972,305,356	2,062,267,205	4.6
Net income (less deficit).....	28,442,678	34,984,828	23.0
Income subject to tax.....	30,107,072	33,249,446	10.4
Income tax before credits.....	11,372,087	12,614,904	10.9
Income tax after credits ²	9,385,787	10,551,382	12.4
Finance, insurance, and real estate			
Number of returns.....	461,630	479,501	3.9
Total assets.....	4,987,466,401	5,460,978,707	9.5
Total receipts.....	949,867,877	900,133,315	-5.2
Business receipts.....	337,493,098	362,219,037	7.3
Net income (less deficit).....	21,804,088	31,557,470	44.7
Income subject to tax.....	19,973,233	22,406,865	12.2
Income tax before credits.....	7,643,631	8,334,625	9.0
Income tax after credits ²	5,485,777	5,667,118	3.3
Services			
Number of returns.....	819,706	848,829	3.6
Total assets.....	237,876,895	269,350,718	13.2
Total receipts.....	380,767,394	416,009,599	9.3
Business receipts.....	355,090,610	391,617,540	10.3
Net income (less deficit).....	7,199,258	6,087,564	-15.4
Income subject to tax.....	11,941,166	11,794,121	-5.7
Income tax before credits.....	3,885,618	3,665,426	-5.7
Income tax after credits ²	2,617,453	2,665,404	1.8

¹Includes "nature of business not allocable," which was not shown separately.²Income tax after credits is computed as follows: Income tax before credits less total tax credits, plus additional taxes for investment credit recapture and minimum tax.

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

Table 2.--Returns of Active Corporations: Balance Sheet, Income Statement, Tax, and Credit Items, 1982 and 1983 (Preliminary)

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

Item	1982	1983 Preliminary	Percent change 1982 to 1983
	(1)	(2)	(3)
1 Number of returns	2,925,933	2,999,182	2.5
2 Total assets	9,357,784,804	10,156,377,797	8.5
3 Cash	540,903,600	590,463,551	9.2
4 Notes and accounts receivable	2,420,475,398	2,662,723,763	10.0
5 Less: Allowance for bad debts	46,645,987	50,898,922	9.1
6 Inventories	581,241,455	596,712,953	2.7
7 Investments in Government obligations, total ¹	605,513,662	679,046,104	12.1
8 Other current assets	436,507,859	425,953,279	-2.4
9 Loans to stockholders	38,304,326	47,880,279	25.0
10 Mortgage and real estate	942,428,269	980,115,442	4.0
11 Other investments	1,604,730,616	1,794,157,159	11.8
12 Depreciable assets	2,583,060,326	2,719,893,488	5.3
13 Less: Accumulated depreciation	942,704,683	1,020,709,911	8.3
14 Depletable assets	94,637,768	108,229,391	14.4
15 Less: Accumulated depletion	29,442,570	32,825,691	11.5
16 Land	110,318,941	118,831,605	7.7
17 Intangible assets (amortizable)	81,178,989	87,366,441	7.6
18 Less: Accumulated amortization	24,869,273	24,959,000	0.4
19 Other assets	362,146,111	474,397,869	31.0
20 Total liabilities and net worth	9,357,784,804	10,156,377,797	8.5
21 Accounts payable	678,630,282	658,292,750	-3.0
22 Mortgages, notes, and bonds payable in less than one year	667,060,956	756,408,956	13.4
23 Other current liabilities	3,220,923,530	3,499,858,998	8.7
24 Loans from stockholders	117,424,462	130,157,946	10.8
25 Mortgages, notes, and bonds payable in one year or more	1,224,277,725	1,318,711,255	7.7
26 Other liabilities	979,894,871	1,158,862,277	18.3
27 Capital stock	658,259,634	785,968,507	19.4
28 Paid-in or capital surplus	782,269,156	870,384,560	11.3
29 Retained earnings, appropriated	54,727,615	52,670,222	-3.8
30 Retained earnings, unappropriated	1,173,094,293	1,214,409,168	3.5
31 Less: Cost of treasury stock	198,777,714	289,346,839	45.6
32 Total receipts	7,024,097,766	7,098,621,182	1.1
33 Business receipts	6,156,994,009	6,303,043,003	2.4
34 Interest on Government obligations: State and local	14,124,877	16,631,821	17.7
35 Other interest	515,628,874	492,401,824	-4.5
36 Rents	69,614,109	69,388,063	-0.3
37 Royalties	13,473,404	13,820,138	2.6
38 Net short-term capital gain reduced by net long-term capital loss	2,882,207	5,033,196	74.6
39 Net long-term capital gain reduced by net short-term capital loss	26,318,184	33,327,922	26.6
40 Net gain, noncapital assets	20,992,023	25,991,002	23.8
41 Dividends received from domestic corporations	18,155,559	19,624,947	8.1
42 Dividends received from foreign corporations	13,950,906	14,173,440	1.6
43 Other receipts	171,999,616	103,149,031	-40.0
44 Total deductions	6,869,267,462	6,910,246,197	0.6
45 Cost of sales and operations	4,270,850,310	4,283,308,833	0.3

Table 2.--Returns of Active Corporations: Balance Sheet, Income Statement, Tax, and Credit Items, 1982 and 1983 (Preliminary)--Continued

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

Item	1982	1983 Preliminary	Percent change 1982 to 1983
	(1)	(2)	(3)
Total receipts (continued)			
46 Compensation of officers	129,481,025	140,954,711	8.9
47 Repairs	72,524,061	74,452,237	2.7
48 Bad debts	26,690,963	30,407,762	13.9
49 Rent paid on business property	94,917,540	104,361,065	9.9
50 Taxes paid	165,888,353	172,712,924	4.1
51 Interest paid	515,032,667	473,061,575	-8.2
52 Contributions or gifts	2,906,476	3,538,892	21.8
53 Amortization	3,784,654	4,493,831	18.7
54 Depreciation	213,179,160	240,591,603	12.9
55 Depletion	7,021,176	7,556,992	7.6
56 Advertising	64,987,632	72,067,521	10.9
57 Pension, profit-sharing, stock bonus, and annuity plans	54,232,011	54,001,098	-0.4
58 Employee benefit programs	51,838,884	58,662,414	13.2
59 Net loss, noncapital assets	10,367,020	7,566,330	-27.0
60 Other deductions	1,185,565,538	1,182,508,415	-0.3
61 Total receipts less total deductions	154,830,304	188,374,986	21.7
62 Constructive taxable income from related foreign corporations	13,628,716	14,897,558	9.3
63 Net income (less deficit), total	154,334,143	186,640,724	20.9
64 Net income	274,352,942	294,957,060	7.5
65 Deficit	120,018,799	108,316,336	-9.8
66 Statutory special deductions, total	19,527,353	27,367,240	40.1
67 Net operating loss deduction	11,385,921	18,092,563	59.3
68 Dividends-received deduction	8,105,493	9,232,629	13.9
69 Public utility dividends-paid deduction	35,939	42,048	17.0
70 Income subject to tax, total	205,175,407	217,006,471	5.8
71 Net long-term capital gain taxed at alternative rates	12,025,442	13,973,999	16.2
72 Income tax before credits ²	85,077,493	89,802,226	5.6
73 Tax credits, total ³	39,665,225	40,110,177	1.1
74 Foreign tax credit	19,137,201	19,943,868	4.2
75 U.S. possessions tax credit ⁴	2,026,980	1,599,827	-21.1
76 Investment credit	17,312,702	15,912,964	-8.1
77 Jobs credit	327,285	444,235	35.7
78 Research credit	839,220	1,270,588	51.4
79 Employee stock ownership credit	14,450	898,711	6,119.5
80 Income tax after credits	45,412,268	49,692,049	9.4
81 Tax from recomputing prior-year investment credit	1,181,074	1,169,849	-1.0
82 Additional tax for tax preferences	478,457	560,077	17.1
83 Personal holding company tax	6,802	6,182	-9.1
84 Total income tax after credits ⁵	47,078,601	51,428,157	9.2
Distributions to stockholders:			
85 Cash and property except in own stock	132,478,411	129,005,634	-2.6
86 Corporation's own stock	3,642,024	4,779,636	31.2

¹Includes all investments in United States, State and local government obligations.

²Consists of regular and alternative tax.

³Includes \$600,000 and \$7,005,000 of alcohol fuel credit and \$6,787,000 and \$32,980,000 of nonconventional source fuel credit for 1982 and 1983, respectively.

⁴The 1983 preliminary amount for this item is significantly understated because of returns that are to be added. More accurate data will be available in the Spring 1986 issue of the Statistics of Income Bulletin.

⁵Total income tax after credits is computed as follows: Income tax before credits less total tax credits, plus additional tax for tax preferences, tax from recomputing prior-year investment credit and personal holding company tax.

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