

U.S. Possessions Corporation Returns, 1989

Data Release

Since 1921, the United States has utilized the tax laws to encourage employment-producing companies to locate in U.S. possessions [1]. This has been accomplished primarily through the possessions tax credit. Under section 936 of the Internal Revenue Code, a domestic corporation may elect to be treated as a U.S. possessions corporation to claim a tax benefit. In general, the term "possessions corporation" refers to all active corporations which have filed the election (Form 5712, *Election to be Treated as a Possessions Corporation Under Section 936*). Once the election has been made, the possessions corporation may take a tax credit equal to that portion of its U.S. tax attributable to activity in the U.S. possessions. To qualify for this benefit, a corporation must receive 80 percent or more of its gross income from sources within a possession and 75 percent from the active conduct of a trade or business within the U.S. possession. If these requirements are met, the corporation may credit the portion of its U.S. tax attributable to the active conduct of a trade or business within a U.S. possession and to "qualified possessions source investment income" (QPSII) received [2].

Usage of the possessions tax credit provisions for 1989 was similar to that for 1987, the most recent year for which detailed statistics were compiled. The amount of the credit increased roughly 1 percent from 1987, while the number of corporations claiming the possessions tax credit declined slightly. The trend throughout the 1980's was toward a larger credit utilized by fewer corporations. For 1989, approximately \$2.8 billion was claimed as possessions tax credit on U.S. corporation income tax returns. This amount represented nearly 99 percent of the income taxes before credits of the possessions corporations. After a larger decrease from 1985 to 1987, the total number of possessions corporations remained relatively stable, falling from 516 to 513. The continued decline in the number of possessions corporations may be a result of recent proposals to scale back the benefits provided under section 936, or to replace them with a wage-based tax credit.

The vast majority of possessions corporations conducted business in Puerto Rico, which has offered incentives of its own to companies which locate there. Other eligible possessions include the U.S. Virgin Islands, American Samoa and Guam. For 1989, nearly 95 percent of all U.S. possessions corporations operated in Puerto Rico and virtually all of the total possessions tax credit was claimed by these companies.

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The estimated reduction in the U.S. tax liability due to the possessions tax credit was almost \$2.5 billion [3]. This amount was less than the total possessions tax credit because possessions corporations could not claim certain other benefits that would have otherwise been available to them in the absence of section 936. For example, taxes paid to possessions governments would have been eligible for credit under the foreign tax credit provisions.

Table 1 includes balance sheet and income statement information for all active possessions corporations. Approximately 85 percent of these corporations claimed a possessions tax credit. As with past years, manufacturing companies claimed the bulk of the credit. These corporations represented 403 of the 513 possessions corporations and claimed nearly 97 percent of the total credit. Corporations primarily engaged in chemical and allied products manufacturing claimed the largest share of the credit, more than 54 percent, while representing fewer than 17 percent of all possessions corporations. These companies were primarily drug manufacturers. Electrical and electronic equipment manufacturers remained the second largest industrial classification, with 17 percent of the companies. These corporations claimed approximately 17 percent of the total possessions credit.

Table 2 presents tax benefit, employment, and compensation information classified by industrial group for manufacturing corporations located in Puerto Rico for which Federal unemployment tax data (Form 940) were available [4]. For the first time, the tax benefits which companies received as a result of the possessions tax credit were higher than the compensation the companies paid their employees. On a per worker basis, companies received \$22,375 in tax benefits, while paying \$20,540 in compensation. Chemical manufacturers claimed the largest amount of benefits per worker, receiving more than \$64,000 in tax benefits for each of their employees and paying less than \$30,000 in compensation per employee.

Notes and References

- [1] For more information on the background of the possessions tax credit, see Bradford, John J., "U.S. Possessions Corporation Returns, 1987," *Statistics of Income Bulletin*, Summer 1991, Volume 11, Number 1.
- [2] QPSII amounts include income attributable to the investment of funds derived from the active conduct of business in the same possession.
- [3] The estimated reduction in U.S. tax liability was calculated by obtaining the "qualified taxable

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income" of each possessions corporation. This amount was found on the Form 5735, *Computation of Possessions Corporation Tax Credit Allowed under Section 936*. If the corporation did not file a Form 5735 then "taxable income" from the Form 1120, *U.S. Corporation Income Tax Return*, was used as a proxy. These figures were then multiplied by the applicable tax rate. Credits for taxes paid to possessions governments (such as Puerto Rican income

taxes and the "tollgate" tax on dividends paid to foreign shareholders) were estimated and subtracted from the tax liability.

[4] Form 940, *Employer's Annual Federal Unemployment (FUTA) Tax Return*, contains information on the total payments for services of employees, a figure used as an estimate of compensation of employees.

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Table 1.—Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industrial Group

[Money amounts are in thousands of dollars]

Item	Number of returns	All industries	Agriculture, forestry and fishing	Construction	Manufacturing			
					Total	Food and kindred products	Textile mill products	Apparel and other textile products
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns.....	—	513	4	6	403	26	5	60
Total assets	502	34,676,835	49,168	31,458	27,165,225	3,602,276	13,618	739,461
Cash.....	449	6,493,481	135	355	6,187,115	1,946,685	3,009	22,810
Notes and accounts receivable.....	460	7,977,231	477	7,961	5,429,056	572,066	7,663	385,219
Less: Allowance for bad debts.....	150	63,266	21	—	24,568	13,073	100	442
Ending inventories.....	427	2,829,190	22,319	1,346	2,439,102	253,015	2,227	113,639
Investment in U.S. Government obligations.....	27	340,820	—	—	153,085	30,320	—	1,190
Tax-exempt securities.....	26	241,875	—	—	207,159	—	14	902
Other current assets.....	308	1,095,679	12,178	2,108	996,255	70,751	63	32,205
Loans to stockholders.....	26	326,064	—	19	323,753	2,730	—	3,420
Mortgage and real estate loans.....	15	1,895,477	—	—	622,867	—	—	1,062
Other investments.....	167	7,029,177	3,980	11,528	6,066,001	215,982	—	100,029
Depreciable assets.....	464	7,749,900	14,203	5,258	5,606,598	506,920	1,223	140,518
Less: Accumulated depreciation.....	455	2,761,508	4,116	2,383	2,081,912	181,112	607	61,184
Depletable assets.....	7	18,549	—	—	8,595	1,049	—	—
Less: Accumulated depletion.....	6	4,088	—	—	2,704	780	—	—
Land.....	166	146,675	—	—	96,331	14,441	—	849
Intangible assets (amortizable).....	56	263,924	—	—	249,531	30,658	105	14,637
Less: Accumulated amortization.....	38	104,257	—	—	101,546	7,610	54	2,206
Other assets.....	354	1,402,111	13	5,267	988,509	160,235	75	6,812
Total liabilities	502	34,676,835	49,168	31,458	27,165,225	3,602,276	13,618	739,461
Accounts payable.....	466	3,042,621	2,026	3,714	2,740,368	406,142	270	140,804
Mortgages, notes and bonds payable								
in less than 1 year.....	143	1,107,528	16,104	704	562,311	31,939	—	47,753
Other current liabilities.....	432	4,703,319	1,866	1,574	724,278	104,204	261	15,248
Loans from stockholders.....	32	114,468	716	—	96,635	76	219	6,584
Mortgages, notes and bonds payable								
in 1 year or more.....	95	885,524	134	425	376,539	40,072	—	8,544
Other liabilities.....	145	793,619	156	1,546	396,273	49,848	475	5,404
Capital stock.....	487	483,939	13,051	113	380,272	68,995	96	30,288
Paid-in or capital surplus.....	274	2,656,563	—	211	1,297,690	186,130	—	18,048
Retained earnings, appropriated.....	6	753	—	—	413	405	—	—
Retained earnings, unappropriated.....	495	20,950,066	15,115	23,171	20,637,430	2,735,272	12,296	470,867
Less: Cost of treasury stock.....	25	61,613	—	—	46,963	609	—	4,078
Total receipts ²	507	23,480,564	84,270	73,389	20,551,029	2,740,668	11,489	870,234
Business receipts.....	434	18,683,875	81,889	64,346	17,192,235	2,223,614	11,369	862,650
Interest on State and local Government obligations.....	40	26,117	—	—	22,909	—	116	608
Other interest.....	337	1,429,037	123	524	983,683	161,554	(?)	3,105
Rents.....	38	631,616	—	37	5,561	675	—	—
Royalties.....	4	6,375	—	—	6,375	—	—	—
Net short-term capital gain reduced by net long-term capital loss.....	7	11,536	—	8,275	2,725	—	—	—
Net long-term capital gain reduced by net short-term capital loss.....	22	31,866	500	—	4,823	52	—	13
Net gain, noncapital assets.....	45	25,580	—	8	17,193	18	4	22
Dividends.....	23	64,168	—	—	62,475	8,742	—	81
Other receipts.....	310	2,390,193	1,758	199	2,273,059	346,013	—	3,756
Total deductions ³	474	15,048,817	78,035	59,940	12,380,684	1,793,647	9,520	732,661
Cost of sales and operations.....	415	10,581,221	66,745	50,096	9,320,083	1,514,283	7,702	667,696
Compensation of officers.....	80	21,294	—	193	11,492	2,758	100	1,908
Salaries and wages not deducted elsewhere.....	312	606,029	507	1,629	264,634	45,202	386	6,782
Repairs.....	219	104,232	17	161	39,284	11,012	33	89
Bad debts.....	117	46,791	76	264	4,113	1,160	46	375
Rents paid.....	240	68,602	276	296	32,732	3,215	—	1,787
Taxes paid.....	377	271,378	3,251	956	224,700	22,590	451	18,504
Interest paid.....	227	444,456	1,472	179	63,745	8,327	44	3,380
Contributions.....	153	3,103	3	8	2,923	482	1	103
Amortization.....	72	20,750	3	4	14,598	197	21	65
Depreciation.....	365	367,883	500	1,756	204,863	29,662	119	8,197
Advertising.....	143	71,447	4	30	36,216	18,531	—	242
Pension, profit-sharing, stock bonus and annuity plans.....	113	27,843	—	267	12,617	1,584	5	603
Employee benefit programs.....	218	111,767	151	407	73,220	14,662	118	2,752
Net loss, noncapital assets.....	55	6,877	—	—	6,033	329	—	160
Other deductions.....	442	2,316,092	3,031	3,699	2,084,029	120,050	515	22,083
Total receipts less total deductions	513	8,431,747	8,235	13,449	8,170,345	946,822	1,969	137,573
Net income (less deficit)	513	8,405,630	8,235	13,449	8,147,435	946,822	1,853	136,965
Net income.....	451	8,463,043	8,235	13,886	8,177,292	948,645	1,853	137,959
Deficit.....	62	57,413	—	436	29,857	1,823	—	994
Income subject to tax	440	6,388,870	7,731	13,666	6,109,975	942,414	1,790	134,655
U.S. taxes before credits, total ⁴	443	2,855,757	2,632	4,721	2,760,944	320,600	610	45,752
Income tax.....	440	2,851,992	2,628	4,721	2,757,274	320,420	610	45,748
U.S. possessions tax credit.....	434	2,820,257	2,619	4,716	2,726,546	318,323	610	45,662
Foreign tax credit.....	12	524	—	—	524	—	—	1
Other credits.....	4	288	9	14	975	61	12	140
U.S. taxes after credits ⁵	119	34,689	13	5	33,841	2,277	—	88
Reduction in U.S. tax liability due to U.S. possessions tax credit.....	437	2,454,919	2,352	4,234	2,373,438	273,536	546	39,720
Distributions to stockholders ⁶	187	5,292,786	—	—	5,118,344	546,357	—	60,150

Footnotes at end of table.

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Table 1.—Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industrial Group—Continued

(Money amounts are in thousands of dollars)

Item	Manufacturing—Continued							
	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
			Total	Drugs				
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Number of returns.....	7	7	88	57	5	17	14	3
Total assets.....	34,948	89,208	13,423,387	12,325,646	865,256	302,626	225,044	32,735
Cash.....	1,538	33,880	2,092,979	2,027,263	16,983	44,884	31,764	604
Notes and accounts receivable.....	15,527	22,200	2,705,277	2,438,417	134,939	82,077	68,671	3,320
Less: Allowance for bad debts.....	169	106	4,399	3,478	—	159	292	323
Ending inventories.....	4,470	1,700	828,715	682,501	373,202	24,024	65,540	3,003
Investment in U.S. Government obligations.....	593	—	89,535	85,339	240	616	11,404	—
Tax-exempt securities.....	22	15,500	107,819	107,319	15,000	172	12,885	—
Other current assets.....	1,109	65	182,970	137,856	50,945	604	4,070	648
Loans to stockholders.....	—	1,051	256,986	84,089	—	—	58	—
Mortgage and real estate loans.....	—	—	314,178	312,828	—	—	—	—
Other investments.....	28	3,052	4,495,778	4,243,367	32,023	34,028	19,950	15,924
Depreciable assets.....	14,473	14,647	2,922,527	2,725,885	481,790	146,629	20,794	17,223
Less: Accumulated depreciation.....	3,926	6,200	945,084	877,510	256,833	46,551	10,819	9,921
Depletable assets.....	324	—	2,009	—	5,214	—	—	—
Less: Accumulated depletion.....	23	—	853	—	1,048	—	—	—
Land.....	476	707	39,472	37,129	413	7,170	106	1,502
Intangible assets (amortizable).....	—	3,385	90,520	90,155	26,837	390	3	—
Less: Accumulated amortization.....	—	1,011	48,106	47,891	22,605	123	1	—
Other assets.....	506	338	293,064	262,378	8,290	8,865	912	755
Total liabilities.....	34,948	89,208	13,423,387	12,325,646	865,256	302,626	225,044	32,735
Accounts payable.....	1,922	1,542	1,531,161	1,450,550	144,388	13,283	30,415	794
Mortgages, notes and bonds payable								
in less than 1 year.....	4,525	—	231,107	225,231	35,747	7,269	6,284	2,253
Other current liabilities.....	1,835	1,905	241,295	209,768	3,878	6,936	2,746	5,597
Loans from stockholders.....	—	8,273	3,843	3,428	55,352	6,997	—	—
Mortgages, notes and bonds payable								
in 1 year or more.....	1,591	—	40,184	39,949	162,425	17,208	—	555
Other liabilities.....	—	267	242,449	211,878	267	5,201	622	291
Capital stock.....	242	692	185,426	181,729	33,693	2,568	1,256	234
Paid-in or capital surplus.....	5,433	5,977	427,872	416,332	165,195	34,919	39,136	13,281
Retained earnings, appropriated.....	—	—	—	—	—	—	2	—
Retained earnings, unappropriated.....	19,401	71,145	10,520,063	9,606,784	264,310	214,064	179,033	9,730
Less: Cost of treasury stock.....	—	594	13	—	—	5,818	34,448	—
Total receipts *	37,813	52,007	7,598,153	6,867,466	2,238,099	202,619	293,678	42,806
Business receipts.....	37,497	47,898	5,538,127	4,923,574	2,177,145	185,611	281,855	40,155
Interest on State and local Government obligations.....	—	200	14,092	14,061	38	—	1,056	—
Other interest.....	57	3,742	481,331	450,089	12,713	6,041	7,101	311
Rents.....	—	5	163	151	33	3,858	12	—
Royalties.....	—	—	5,834	5,834	—	—	—	—
Net short-term capital gain reduced by net long-term capital loss.....	—	—	2,630	2,630	16	—	—	—
Net long-term capital gain reduced by net short-term capital loss.....	—	—	4,275	4,260	—	—	—	—
Net gain, noncapital assets.....	6	(¹)	440	296	—	3	—	—
Dividends.....	—	—	2,877	2,877	48,000	—	—	18
Other receipts.....	253	161	1,548,383	1,453,713	154	7,106	3,554	2,322
Total deductions *	33,326	32,038	2,994,765	2,703,015	2,063,133	140,930	248,849	35,551
Cost of sales and operations.....	29,336	19,079	1,660,631	1,437,444	1,977,775	116,219	227,520	25,555
Compensation of officers.....	51	407	2,405	1,805	195	—	377	263
Salaries and wages not deducted elsewhere.....	873	2,739	57,964	49,095	2,578	4,189	4,266	1,797
Repairs.....	26	143	12,797	12,276	87	703	376	143
Bad debts.....	—	144	424	217	19	177	—	10
Rents paid.....	71	263	9,669	8,769	6,773	198	365	428
Taxes paid.....	915	771	31,309	26,569	10,659	2,915	3,339	1,591
Interest paid.....	99	447	14,001	13,616	23,290	1,908	1,188	737
Contributions.....	1	28	993	923	—	15	89	20
Amortization.....	—	262	1,594	1,545	1,288	94	1	—
Depreciation.....	928	820	81,175	77,297	11,672	3,951	775	2,932
Advertising.....	2	185	5,509	344	156	222	15	48
Pension, profit-sharing, stock bonus and annuity plans.....	71	210	2,952	2,780	—	42	10	3
Employee benefit programs.....	236	590	21,644	20,747	1,058	553	2,617	487
Net loss, noncapital assets.....	—	592	196	120	—	22	(¹)	10
Other deductions.....	718	5,609	1,093,097	1,051,012	28,870	9,817	7,712	1,528
Total receipts less total deductions.....	4,487	19,969	4,603,387	4,154,451	174,967	61,689	44,929	7,255
Net income (less deficit).....	4,487	19,769	4,589,295	4,140,390	174,928	61,689	43,874	7,255
Net income.....	4,591	20,131	4,589,490	4,140,533	174,928	62,752	44,397	7,255
Deficit.....	104	362	194	143	—	1,063	523	—
Income subject to tax.....	4,591	20,131	4,586,845	4,137,888	126,928	62,491	44,069	7,255
U.S. taxes before credits, total *.....	1,561	6,837	1,559,993	1,407,361	43,160	21,247	14,999	2,467
Income tax.....	1,561	6,837	1,559,514	1,406,882	43,156	21,247	14,995	2,467
U.S. possessions tax credit.....	—	6,260	1,536,633	1,385,081	43,008	21,238	14,393	2,411
Foreign tax credit.....	—	80	399	235	(¹)	3	—	—
Other credits.....	16	—	225	157	12	40	33	7
U.S. taxes after credits *.....	—	496	22,937	22,021	151	5	606	56
Reduction in U.S. tax liability due to U.S. possessions tax credit.....	1,390	5,805	1,326,824	1,191,259	33,193	17,645	12,809	2,046
Distributions to stockholders.....	635	1,076	2,427,428	2,356,007	241,024	68,380	13,320	5,300

Footnotes at end of table.

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Table 1.—Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industrial Group—Continued

[Money amounts are in thousands of dollars]

Item	Manufacturing—Continued						Transportation and public utilities (23)
	Fabricated metal products (17)	Machinery, except electrical (18)	Electrical and electronic equipment (19)	Transportation equipment (20)	Instruments and related products (21)	Miscellaneous manufacturing and manufacturing not allocable (22)	
Number of returns.....	22	7	69	5	43	22	3
Total assets.....	366,609	820,349	3,969,009	70,723	2,141,176	303,933	1,515,658
Cash.....	23,777	529,192	840,689	958	749,947	41,140	28,770
Notes and accounts receivable.....	63,915	13,389	932,307	23,288	294,753	90,162	122,386
Less: Allowance for bad debts.....	264	247	3,209	115	590	334	10,528
Ending inventories.....	50,541	73,385	417,228	10,288	142,677	50,233	50,888
Investment in U.S. Government obligations.....	—	2,447	—	—	—	15,380	—
Tax-exempt securities.....	—	—	2,750	—	52,094	—	—
Other current assets.....	116,217	108,676	314,755	1,882	73,436	9,664	6,866
Loans to stockholders.....	—	—	20,109	4,150	33,446	1,805	—
Mortgage and real estate loans.....	—	—	307,053	—	573	—	—
Other investments.....	27,173	1,801	746,725	23,000	335,875	14,634	7
Depreciable assets.....	140,304	133,488	573,354	11,205	327,330	84,946	1,722,807
Less: Accumulated depreciation.....	62,506	74,544	279,049	4,050	90,436	33,623	584,486
Depletable assets.....	—	—	—	—	—	—	9,024
Less: Accumulated depletion.....	—	—	—	—	—	—	1,215
Land.....	2,478	1,508	11,159	11	8,478	5,233	18,934
Intangible assets (amortizable).....	4,905	—	49,114	—	19,806	611	—
Less: Accumulated amortization.....	624	—	3,375	—	15,548	189	—
Other assets.....	691	31,275	239,401	106	209,334	24,269	154,604
Total liabilities.....	366,609	820,349	3,969,009	70,723	2,141,176	303,933	1,515,658
Accounts payable.....	33,091	20,124	255,489	1,427	119,308	11,567	75,571
Mortgages, notes and bonds payable							
in less than 1 year.....	2,576	581	63,062	485	120,092	1,066	9,163
Other current liabilities.....	7,256	1,234	96,458	1,604	215,792	17,076	79,735
Loans from stockholders.....	87	—	10,718	—	—	572	—
Mortgages, notes and bonds payable							
in 1 year or more.....	561	3,045	21,746	—	22,873	9,769	165,824
Other liabilities.....	218	1,874	66,423	299	14,048	4,498	8,203
Capital stock.....	9,780	3,193	4,600	61	38,898	1,967	5
Paid-in or capital surplus.....	24,081	4,189	269,925	752	52,678	36,105	1,209,262
Retained earnings, appropriated.....	—	—	7	—	—	—	—
Retained earnings, unappropriated.....	289,192	786,108	3,180,925	66,096	1,560,151	221,313	32,105
Less: Cost of treasury stock.....	234	—	325	—	664	—	—
Total receipts ¹.....	272,141	820,812	3,440,034	74,665	1,310,594	274,003	655,924
Business receipts.....	262,295	781,574	3,067,114	73,890	1,070,976	242,525	32,689
Interest on State and local Government obligations.....	—	—	1,163	—	3,654	1,976	—
Other interest.....	7,898	38,424	172,339	522	61,115	4,826	3,892
Rents.....	21	—	40	—	692	—	583,081
Royalties.....	—	—	400	—	141	—	—
Net short-term capital gain reduced by net long-term capital loss.....	—	—	79	—	—	—	—
Net long-term capital gain reduced by net short-term capital loss.....	141	—	209	—	133	—	—
Net gain, noncapital assets.....	64	192	16,379	—	1	—	—
Dividends.....	—	—	1,581	—	1,193	—	—
Other receipts.....	1,723	623	160,729	253	172,687	24,630	36,262
Total deductions ².....	214,351	589,303	2,295,356	56,671	737,743	182,453	505,461
Cost of sales and operations.....	181,717	433,026	1,726,960	49,372	428,802	156,151	—
Compensation of officers.....	235	—	1,468	—	760	384	—
Salaries and wages not deducted elsewhere.....	4,593	32,356	69,820	1,000	17,660	4,310	178,704
Repairs.....	1,299	4,426	6,223	88	1,646	39	54,629
Bad debts.....	83	163	185	122	59	933	13,592
Rents paid.....	862	1,403	5,248	120	1,396	795	8,204
Taxes paid.....	5,276	7,277	26,677	933	8,276	1,462	12,904
Interest paid.....	331	429	3,371	—	416	413	17,150
Contributions.....	12	764	90	16	220	10	—
Amortization.....	5	—	2,283	—	8,418	331	5,078
Depreciation.....	8,477	13,151	25,346	873	11,707	1,817	131,909
Advertising.....	29	28	767	(1)	212	2,385	5,199
Pension, profit-sharing, stock bonus and annuity plans.....	89	2,554	2,903	234	1,180	104	12,148
Employee benefit programs.....	1,823	556	17,182	2,048	3,356	1,002	28,515
Net loss, noncapital assets.....	15	—	9	—	649	7	239
Other deductions.....	9,508	93,169	405,192	1,864	261,406	12,661	42,269
Total receipts less total deductions.....	57,790	231,509	1,144,678	17,994	572,850	91,549	150,463
Net income (less deficit).....	57,790	231,509	1,143,515	17,994	569,196	89,574	150,463
Net income.....	57,790	231,613	1,159,653	17,994	569,451	97,870	161,622
Deficit.....	—	104	16,137	—	255	8,296	11,159
Income subject to tax.....	57,785	229,781	1,156,873	17,994	568,446	97,870	161,622
U.S. taxes before credits, total ³	21,749	78,129	393,748	6,118	193,696	33,267	54,951
Income tax.....	19,590	78,129	393,338	6,118	193,270	33,267	54,951
U.S. possessions tax credit.....	19,573	78,113	390,600	6,003	192,562	32,987	54,951
Foreign tax credit.....	4	—	—	—	34	3	7
Other credits.....	51	16	161	12	108	51	—
U.S. taxes after credits ³	2,173	16	3,149	115	1,093	277	—
Reduction in U.S. tax liability due to U.S. possessions tax credit.....	17,538	103,256	321,355	5,077	171,354	27,524	45,778
Distributions to stockholders ⁴.....	3,779	105,206	1,362,058	13,900	140,341	94,392	158,278

Footnotes at end of table.

U.S. Possessions Corporation Returns, 1989

Table 1.—Returns of Active U.S. Possessions Corporations: Balance Sheets, Income Statements, Tax, and Distributions to Stockholders, by Selected Industrial Group—Continued

(Money amounts are in thousands of dollars)

Item	Wholesale and retail trade			Finance, insurance and real estate				Services
	Total	Wholesale trade	Retail trade	Total	Credit agencies other than banks	Holding and other investment companies, except bank holding companies	Other finance, insurance and real estate	
	(24)	(25)	(26)	(27)	(28)	(29)	(30)	(31)
Number of returns.....	32	24	7	30	14	4	12	33
Total assets	640,037	306,731	232,193	5,066,623	3,069,890	17,716	1,989,018	287,406
Cash.....	64,831	32,376	32,246	169,353	119,854	10,027	39,472	42,413
Notes and accounts receivable.....	99,847	94,853	2,936	2,248,247	918,755	220	1,327,272	71,120
Less: Allowance for bad debts.....	3,017	3,005	12	22,698	15,704	--	6,984	2,434
Ending inventories.....	102,878	61,486	41,412	--	--	--	--	7,764
Investment in U.S. Government obligations.....	--	--	--	187,535	50,858	--	--	--
Tax-exempt securities.....	505	505	--	34,211	34,177	--	136,677	--
Other current assets.....	9,812	4,820	4,873	54,199	46,527	7,401	34	--
Loans to stockholders.....	2,208	2,195	--	--	--	--	270	12,144
Mortgage and real estate loans.....	--	--	--	1,272,610	1,263,848	--	--	85
Other investments.....	26,478	947	25,525	860,958	511,721	--	8,763	--
Depreciable assets.....	205,698	103,347	102,318	85,453	44,969	20	369,237	28,007
Less: Accumulated depreciation.....	27,488	11,567	15,894	31,407	16,024	--	40,464	104,630
Depletable assets.....	--	--	--	618	618	--	15,383	26,920
Less: Accumulated depletion.....	--	--	--	167	167	--	--	--
Land.....	12,590	899	11,691	7,659	1,695	--	5,964	13,160
Intangible assets (amortizable).....	3	3	--	--	--	--	--	14,390
Less: Accumulated amortization.....	--	--	--	--	--	--	--	2,711
Other assets.....	45,692	18,793	27,098	182,051	98,762	46	83,244	25,758
Total liabilities	540,037	306,731	232,193	5,066,623	3,069,890	17,716	1,989,018	287,406
Accounts payable.....	106,242	66,439	40,921	68,053	2,744	10	65,300	44,637
Mortgages, notes and bonds payable								
in less than 1 year.....	48,648	42,659	5,303	454,597	444,985	436	9,176	15,952
Other current liabilities.....	102,127	80,124	21,931	3,788,644	2,180,008	19	1,588,616	24,013
Loans from stockholders.....	2,354	1,726	627	13,692	--	--	13,692	95
Mortgages, notes and bonds payable								
in 1 year or more.....	151,521	29,337	122,184	123,065	118,721	--	4,344	68,016
Other liabilities.....	23,052	992	22,060	358,800	144,152	3,773	210,875	5,588
Capital stock.....	19,442	19,301	77	70,004	27,782	54	42,188	1,042
Paid-in or capital surplus.....	31,855	14,365	17,490	80,731	32,857	999	46,875	35,615
Retained earnings, appropriated.....	--	--	--	340	206	--	132	--
Retained earnings, unappropriated.....	55,821	50,922	4,493	139,321	113,143	12,423	13,755	92,229
Less: Cost of treasury stock.....	3,026	134	2,892	10,824	4,689	--	6,135	781
Total receipts ¹	1,323,563	657,614	654,817	513,055	302,166	3,590	207,300	263,718
Business receipts.....	1,306,038	644,055	650,926	40,411	27,412	--	12,999	131,481
Interest on State and local Government obligations.....	--	--	--	3,208	2,600	607	1	--
Other interest.....	3,736	3,196	476	450,439	261,086	629	188,724	5,799
Rents.....	3,591	2,126	1,465	376	255	--	121	39,181
Royalties.....	--	--	--	--	--	--	--	--
Net short-term capital gain reduced by net long-term capital loss.....	--	--	--	--	--	--	--	536
Net long-term capital gain reduced by net short-term capital loss.....	4,669	4,851	18	762	--	20	742	20,913
Net gain, noncapital assets.....	7	2	5	8,327	4,317	--	4,010	46
Dividends.....	1	--	(¹)	1,692	1,689	3	--	--
Other receipts.....	5,312	3,385	1,927	7,841	4,807	2,331	703	65,762
Total deductions ²	1,305,890	649,980	644,835	484,647	290,306	483	193,759	227,158
Cost of sales and operations.....	1,061,048	538,213	512,162	4,116	--	--	4,116	70,758
Compensation of officers.....	2,757	759	1,751	5,896	5,714	--	182	957
Salaries and wages not deducted elsewhere.....	78,974	29,094	49,879	37,214	18,591	276	18,347	44,276
Repairs.....	4,588	2,057	2,531	2,758	1,767	9	982	2,768
Bad debts.....	1,573	880	647	21,503	10,867	--	10,635	5,671
Rents paid.....	11,255	2,734	8,509	5,668	2,693	45	2,929	10,166
Taxes paid.....	18,286	6,341	11,921	6,978	4,901	32	2,046	4,189
Interest paid.....	23,532	9,066	14,454	328,531	196,971	(¹)	131,561	9,847
Contributions.....	73	55	18	37	37	--	--	58
Amortization.....	144	131	13	139	55	--	83	784
Depreciation.....	15,015	7,601	7,413	8,100	4,945	25	3,131	5,636
Advertising.....	19,212	13,609	5,803	5,433	2,610	--	2,823	5,349
Pension, profit-sharing, stock bonus and annuity plans.....	769	209	560	1,138	1,052	17	69	867
Employee benefit programs.....	3,570	642	2,922	4,564	1,978	13	2,573	1,332
Net loss, noncapital assets.....	9	6	2	396	395	(¹)	--	(¹)
Other deductions.....	65,229	38,711	26,462	52,216	37,784	65	14,366	65,294
Total receipts less total deductions	17,663	7,635	9,982	28,508	11,860	3,107	13,541	36,560
Net income (less deficit)	17,663	7,635	9,982	25,300	9,261	2,501	13,539	36,560
Net income.....	26,302	16,115	10,140	31,045	12,957	2,504	15,584	38,117
Deficit.....	8,639	8,480	158	5,745	3,696	-3	2,045	1,557
Income subject to tax	26,234	16,048	10,140	27,068	12,762	2,501	11,604	35,611
U.S. taxes before credits, total ³	8,883	5,423	3,452	9,256	4,332	893	4,032	12,146
Income tax.....	8,882	5,423	3,452	9,166	4,329	844	3,992	12,145
U.S. possessions tax credit.....	8,780	5,422	3,351	8,698	3,952	838	3,908	11,721
Foreign tax credit.....	--	--	--	--	--	--	--	--
Other credits.....	75	56	18	70	33	9	28	77
U.S. taxes after credits ⁴	103	1	101	559	379	55	125	424
Reduction in U.S. tax liability due to U.S. possessions tax credit	7,746	4,759	2,973	8,666	4,274	762	3,629	10,512
Distributions to stockholders ⁵	7,624	6,195	1,429	6,807	1,764	--	5,043	1,733

¹ Less than \$500.

² Receipt and deduction items were not required to be reported separately for 104 corporations that elected the profit-split method to allocate income and expenses between the possessions corporation and its U.S. parent. For these companies, the individual line items were included on the "other receipts" line.

³ U.S. taxes include income tax, Personal Holding Company tax, taxes from recapture of certain credits, alternative minimum tax and environmental tax.

⁴ Includes stock distributions.

U.S. Possessions Corporation Returns, 1989

Table 2.—Returns of Active Manufacturing U.S. Possessions Corporations Conducting Business in Puerto Rico: Tax Benefits, Employment and Compensation of Employees, by Selected Industrial Group

[Money amounts are in thousands of dollars, except as noted]

Selected manufacturing industries	Number of returns	Gross number of workers	Gross compensation ¹	Compensation per worker (whole dollars)	Benefits per worker (whole dollars)	Ratio of benefits per worker to compensation per worker
	(1)	(2)	(3)	(4)	(5)	(6)
All manufacturing industries.....	380	105,511	2,167,244	20,540	22,375	108.9
Food and kindred products.....	24	11,828	222,883	18,843	22,673	120.3
Textile mill products.....	5	329	3,689	11,203	1,659	14.8
Apparel and other textile products.....	54	19,611	223,420	11,393	1,995	17.5
Men's and boys' clothing.....	12	5,653	68,103	12,047	2,731	22.7
Women's and children's clothing.....	22	6,722	72,795	10,829	1,773	16.4
Hats, caps and other accessories.....	10	3,814	44,621	11,698	1,825	15.6
All other textile products.....	10	3,421	37,901	11,078	1,405	12.7
Paper and allied products.....	6	185	3,761	20,364	7,528	37.0
Chemicals and allied products.....	84	20,599	610,151	29,620	64,349	217.2
Industrial chemicals, plastics materials and synthetics.....	11	1,151	30,774	26,732	86,679	324.2
Drugs.....	55	18,011	548,381	30,447	68,081	217.0
Soap, cleaners and toilet goods.....	10	881	18,674	21,197	26,978	127.3
All other chemical and allied products.....	8	556	12,322	22,155	21,242	95.9
Petroleum (including integrated) and coal products.....	5	939	37,921	40,369	35,336	87.5
Rubber and miscellaneous plastics products.....	17	6,475	209,289	32,321	2,725	8.4
Leather and leather products.....	14	4,466	51,463	11,522	2,868	24.9
Footwear, except rubber.....	11	3,829	43,591	11,384	2,269	19.9
All other leather products.....	3	637	7,872	12,353	6,466	52.3
Fabricated metal products.....	22	2,333	40,511	17,364	7,517	43.3
Machinery, except electrical.....	7	3,303	85,695	25,943	31,260	120.5
Electrical and electronic equipment.....	64	21,256	389,000	18,301	15,018	82.1
Radio, television and communication equipment.....	12	3,821	69,007	18,059	15,296	84.7
Electronic components.....	27	5,575	106,015	19,017	8,623	45.3
All other electrical and electronic equipment.....	25	11,860	213,977	18,042	17,934	99.4
Transportation equipment.....	4	989	16,716	16,900	4,998	29.6
Instruments and related products.....	42	8,483	175,823	20,727	20,200	97.5
Scientific equipment.....	11	1,338	33,571	25,087	51,711	206.1
All other instruments and related products.....	31	7,145	142,252	19,910	14,298	71.8
Miscellaneous manufacturing and manufacturing not allocable.....	21	3,263	54,557	16,717	8,434	50.5

¹ Gross compensation of employees is computed by multiplying total wages (from Form 940) by 1.235. The additional 23.5 percent represents employer-paid non-payroll costs such as social security payments.