

This report presents statistical estimates based on a stratified sample of approximately 132,000 unaudited returns selected from the nearly 4.8 million active corporate returns filed for the 1998 Income Year (defined to include accounting periods ending July 1998 through June 1999).

The report is divided into 7 sections. The first section provides statistics summarizing overall corporate activity for Income Year 1998. Section 2 discusses changes in laws and regulations between this report and that for Income Year 1997. 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 basic tables that contain detailed statistics on 1998 assets, liabilities, receipts, deductions, net income, income tax liability, tax credits, and other financial data. These statistics are presented by industry, asset size, business receipts size, form type, accounting period ended, and other selected classifiers. 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 bridges the new with the former published industry groupings. Section 7 consists of the return forms.

The industry classification used in this report is based on the North American Industry Classification System (NAICS), which replaced the Standard Industrial Classification (SIC) system used in prior years (see Section 2, Changes in Law and Regulations, and Section 6, Bridge between 1998 and 1997 Industry Groupings). A number of similar NAICS industries have been combined in order to keep the number of industries published for Statistics of Income comparable to prior years and to provide reliable statistical estimates. For Statistics of Income, the data are listed under 10 divisions, 22 sectors, 78 major industries, and 195 minor industries. Divisions are groupings of similar

sectors, and major industries are NAICS subsectors. Table 1 presents selected financial data for all minor industries.

The statistics in this report (which provide data primarily by major industries and sectors and by specific categories) differ from the statistics in the 1998 Corporation Source Book of Statistics of Income (which provides data by minor industry and size of total assets for balance sheet, income statement, tax, and selected other items). This report also provides additional detail on the data contained in the *Statistics of Income Bulletin*, Volume 2, Number 5 Summer 2001.

## Overall Corporate Summary

Figure A presents corporation summary statistics for Income Years 1997 and 1998 for number of returns, total assets, total receipts, net income (less deficit), income subject to tax, total income tax before credits, and total income tax after credits. The total number of returns increased approximately 2.9 percent from 1997 to 1998.

Total assets reached a new high of \$37.3 trillion which was an increase of 13.1 percent from the prior year. Total receipts rose 4.3 percent from 16.6 trillion to \$17.3 trillion. Net income (less deficit) fell 8.4 percent from \$915.4 billion to \$838.2 billion between 1997 and 1998. After dropping in 1990 and 1991, net income (less deficit) had been increasing since 1992.

Income subject to tax dropped by 3.0 percent to \$663.4 billion between 1997 and 1998. Total income tax before credits fell 3.3 percent below the amount reported for 1997, falling from \$239.4 billion to \$231.4 billion. Total income tax after credits decreased 1.4 percent from \$184.2 billion to \$181.5 billion.

The number of returns with total assets of \$250 million or more represented less than one percent of the total number of returns and 87.8 percent of total assets compared to 86.5 percent in 1997. The 9,669 returns for 1998 accounted for 57.2 percent of the total receipts; 78.7 percent of net income (less deficit); 79.9 percent of income subject to tax; 81.2 percent of total income tax before credits; and 78.0 percent of total income tax after credits.

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## 1998 Corporation Returns- Introduction

**Figure A. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Assets, Income Years 1997 and 1998**

(All figures are estimates based on samples--money amounts are in thousands of dollars and size of total assets are in whole dollars)

Year and size of total assets	Number of returns	Total assets	Total receipts	Net income (less deficit) <sup>1</sup>	Income subject to tax <sup>2</sup>	Total income tax before credits <sup>3</sup>	Total income tax after credits <sup>4</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>1997</b>							
<b>Total</b> .....	<b>4,710,083</b>	<b>33,029,652,126</b>	<b>16,609,707,302</b>	<b>915,396,637</b>	<b>683,792,847</b>	<b>239,394,206</b>	<b>184,175,993</b>
Zero assets.....	307,594	-	354,673,657	12,008,702	15,377,116	5,465,942	4,796,277
\$1 under \$100,000.....	2,430,785	73,543,332	515,720,884	13,641,947	2,788,014	539,155	532,663
\$100,000 under \$250,000.....	744,661	120,996,350	424,951,652	8,009,111	3,516,403	668,668	652,723
\$250,000 under \$500,000.....	456,592	162,093,930	441,725,598	9,890,987	4,608,963	965,546	945,346
\$500,000 under \$1,000,000.....	312,191	219,605,797	493,050,374	10,611,644	5,553,531	1,307,097	1,271,539
\$1,000,000 under \$5,000,000.....	334,659	704,731,449	1,533,829,265	28,327,126	18,182,481	5,605,231	5,429,675
\$5,000,000 under \$10,000,000.....	53,352	370,623,001	785,614,425	16,449,151	9,230,061	3,172,316	3,044,638
\$10,000,000 under \$25,000,000.....	31,765	491,228,411	854,490,485	18,137,623	13,758,262	4,745,949	4,502,503
\$25,000,000 under \$50,000,000.....	12,734	449,482,837	542,179,317	14,430,213	12,832,109	4,477,624	4,176,002
\$50,000,000 under \$100,000,000.....	8,732	620,938,766	534,328,542	17,516,526	16,822,152	5,893,829	5,398,875
\$100,000,000 under \$250,000,000.....	7,998	1,261,938,943	779,785,500	36,422,219	31,364,198	11,049,952	9,905,916
\$250,000,000 or more.....	9,017	28,554,469,312	9,349,357,602	729,951,387	549,759,557	195,502,897	143,519,835
<b>1998</b>							
<b>Total</b> .....	<b>4,848,888</b>	<b>37,347,352,986</b>	<b>17,323,955,004</b>	<b>838,223,591</b>	<b>663,385,528</b>	<b>231,399,671</b>	<b>181,545,146</b>
Zero assets.....	304,172	-	412,489,344	5,906,399	17,512,482	6,187,427	5,129,643
\$1 under \$100,000.....	2,509,500	75,220,851	539,788,649	17,056,225	3,099,873	604,060	597,085
\$100,000 under \$250,000.....	776,565	126,417,360	448,077,953	11,997,706	3,661,521	689,987	677,333
\$250,000 under \$500,000.....	463,431	163,814,039	441,806,636	10,300,564	4,552,926	905,226	884,724
\$500,000 under \$1,000,000.....	322,730	226,872,923	524,998,052	11,198,253	5,754,675	1,352,264	1,320,803
\$1,000,000 under \$5,000,000.....	347,416	731,984,452	1,554,200,931	30,230,776	18,393,364	5,651,814	5,481,631
\$5,000,000 under \$10,000,000.....	52,411	363,016,963	751,537,041	15,167,172	9,534,685	3,241,430	3,105,822
\$10,000,000 under \$25,000,000.....	32,977	506,967,578	878,602,162	17,061,143	13,814,282	4,771,411	4,549,447
\$25,000,000 under \$50,000,000.....	12,948	455,366,076	545,850,843	11,567,093	11,737,371	4,082,543	3,823,080
\$50,000,000 under \$100,000,000.....	8,862	629,654,520	529,568,062	16,387,195	15,692,539	5,491,351	5,041,075
\$100,000,000 under \$250,000,000.....	8,208	1,294,209,522	790,116,879	31,871,533	29,703,059	10,490,105	9,296,441
\$250,000,000 or more.....	9,669	32,773,828,703	9,906,918,450	659,479,533	529,928,750	187,932,053	141,638,062

<sup>1</sup> Includes taxable income before net operating loss deduction and special deductions.

<sup>2</sup> Includes taxable income less net operating loss deduction and special deductions.

<sup>3</sup> Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax; excess net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from line 4, Part I (Form 1120-RIC); and adjustments to income tax and total tax.

<sup>4</sup> Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business and prior-year minimum tax credits.

Notes: 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."

### Activities Covered

The estimates in this report encompass corporate business activities in the United States as well as certain foreign activities as reported on returns of domestic corporations, and foreign corporations with U.S. business activities. The term domestic corporation 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, their undistributed earnings. The effect of foreign activity on the statistics varies by type of industry and by size of assets. Income from foreign activity is reflected to a greater extent in manufacturing industries than other industries. Also, foreign activity is almost totally concentrated among returns with assets of \$250 million or more [1]. For foreign corporations (defined as those incorporated 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; any investment income from U.S. sources was excluded from the data.

Most foreign corporations are concentrated in "Finance and Insurance", and "Real Estate and Rental and Leasing" sectors. Other foreign corporations, incorporated abroad and not engaged in trade or business in the U.S., were liable for tax only on investment income from U.S. sources, and these returns were excluded from this report.

This report also contains data on S corporations, which are not generally taxable. More detailed information on S corporations is contained in: Wittman, Susan M. "S Corporation Returns, 1998" *Statistics of Income Bulletin*, Volume 20, Number 4, Spring 2001, pp. 46-101.

## 1998 Corporation Returns- Introduction

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. However, inactive corporations have been excluded from these statistics. See Section 3 for more information on the sample.

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). 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.

### Time Period Employed

The estimates in this report are based on data

from returns with accounting periods that coincided with the calendar year and returns with accounting periods that were for noncalendar years ending during the span of months July 1998 through June 1999. 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 in December.

There are 12 accounting periods covered in this report. Code section 441 specified that, in general, a taxpayer's accounting period ends on the last day of the month. There is a span of 23 months between the first-included accounting period, which began on August 1, 1997, and closed on July 31, 1998, and the start of the last-included accounting period, which began on July 1, 1998, and closed on June 30, 1999. 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, the report shows a corporation's position only 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 B shows that calendar year returns made up 79.6 percent of the number of returns and 68.5 percent of net income (less deficit) for 1998.

**Figure B. --Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, and Total Income Tax After Credits, by Accounting Periods for Income Year 1998**

(All figures are estimates based on samples--money amounts are in thousands of dollars)

Accounting period ended <sup>1</sup>	Number of returns	Total assets	Total receipts	Net income (less deficit) <sup>2</sup>	Income subject to tax <sup>3</sup>	Total income tax before credits <sup>4</sup>	Total Income tax after credits <sup>5</sup>
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Total.....</b>	<b>4,848,888</b>	<b>37,347,352,986</b>	<b>17,323,955,004</b>	<b>838,223,591</b>	<b>663,385,528</b>	<b>231,399,671</b>	<b>181,545,146</b>
December 1998.....	3,859,865	28,235,500,926	12,235,388,732	574,137,900	477,870,027	167,604,824	129,698,098
<b>Noncalendar Year Total.....</b>	<b>989,023</b>	<b>9,111,852,060</b>	<b>5,088,566,272</b>	<b>264,085,691</b>	<b>185,515,500</b>	<b>63,794,847</b>	<b>51,847,048</b>
July 1998.....	58,193	532,578,898	216,520,201	17,481,450	7,640,525	2,610,890	2,331,895
August 1998.....	62,320	501,448,709	230,041,498	17,379,167	7,183,989	2,431,295	2,217,531
September 1998.....	192,861	1,430,683,885	956,119,324	49,535,199	34,060,184	11,782,932	9,525,135
October 1998.....	88,410	1,260,771,680	490,993,636	35,003,624	19,501,683	6,699,631	4,637,572
November 1998.....	48,897	1,101,458,199	242,722,413	24,531,113	14,939,720	5,172,775	3,401,955
January 1999.....	50,382	633,803,638	754,793,859	33,220,561	29,924,690	10,441,530	9,404,903
February 1999.....	45,485	330,731,353	205,739,137	8,404,560	5,283,776	1,775,145	1,663,659
March 1999.....	124,317	1,087,512,469	647,002,296	24,117,243	19,543,752	6,710,000	5,951,879
April 1999.....	55,469	319,316,922	208,320,415	10,734,297	6,394,941	2,160,835	1,888,737
May 1999.....	64,246	444,829,205	294,521,787	17,405,878	11,440,767	3,915,602	3,236,314
June 1999.....	198,442	1,468,717,100	841,791,707	26,272,599	29,601,473	10,094,211	7,587,467

<sup>1</sup> Includes full and part-year returns.

<sup>2</sup> Includes taxable income before net operating loss deduction and special deductions.

<sup>3</sup> Includes taxable income less net operating loss deduction and special deductions.

<sup>4</sup> Includes income tax, personal holding company tax, all recapture taxes, alternative minimum tax, excessive net passive income tax (Form 1120S); branch tax (Form 1120-F); taxes from Parts II, III, and IV (Form 1120-REIT); tax from line 4, Part I (Form 1120-RIC); and adjustments to income tax and total tax.

<sup>5</sup> Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, and prior-year minimum tax credits.

Notes: 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."

## 1998 Corporation Returns- Introduction

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In addition, these returns account for 75.6 percent of the total assets, 70.6 percent of the total receipts, 72.0 percent of the income subject to tax, 72.4 percent of the total income tax before credits, and 71.4 percent of total income tax after credits. Corporation returns were usually required to file within two-and-one-half months after the close of the corporate accounting period. However, in accordance with Code section 6081, most corporations could receive filing extensions of 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.

### Notes and References

[1] For more detailed information, see Nutter, Sarah, "Controlled Foreign Corporations, 1996," *Statistics of Income Bulletin*, Volume 20, Number 4, Summer 2001, pp. 134-173.