
Section 1

Introduction

This report presents statistical estimates based on a stratified sample of approximately 135,000 unaudited returns selected from the nearly 4.9 million active corporate returns filed for the 1999 Tax Year (defined to include accounting periods ending July 1999 through June 2000).

The report is divided into 6 sections. The first section provides statistics summarizing overall corporate activity for Tax Year 1999. Section 2 discusses changes in laws and regulations between this report and that for Tax Year 1998. 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 1999 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, tax form type, accounting period ended, and other selected classifiers. Section 5 contains detailed explanations of the terms used in this 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 key corporation tax 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 years prior to 1998. 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

Glenn Hentz, Ellen Legel, and Janice Washington were responsible for the overall production of this report, which was prepared under the direction of Marty Shiley, Chief, Corporation Returns Analysis Section.

industries are NAICS subsectors. Table 1 presents selected financial data for all minor industries.

The statistics in this publication present data primarily by major industries, sectors, return type and specific categories. The statistics in the 1999 *Corporation Source Book* of Statistics of Income differ from this report by providing data by minor industry and size of total assets for balance sheet, income statement, tax, and selected other items. This publication also provides additional detail on the data contained in the *Statistics of Income Bulletin*, Volume 22, Number 1, Summer 2002.

Overall Corporate Summary

Figure A presents corporation summary statistics for Tax Years 1998 and 1999 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 1.8 percent from 1998 to 1999.

Total assets reached a new high of \$41.5 trillion in 1999 which was an increase of 11.0 percent from the prior year. Total receipts rose 9.1 percent from \$17.3 trillion to \$18.9 trillion. Net income (less deficit) has steadily increased since 1992 with the exception of a decrease in 1998. Net income (less deficit) rose 10.8 percent from \$38.2 billion to \$29.0 billion between 1998 and 1999. Income subject to tax rose by 4.6 percent to \$693.7 billion between 1998 and 1999. Total income tax before credits rose 4.6 percent above the amount reported for 1998, rising from \$231.4 billion to \$242.0 billion. Total income tax after credits increased 63 percent from \$81.5 billion to \$193.0 billion.

The number of returns with total assets of \$250 million or more represented only 0.2 percent of the total number of returns, and 88.5 percent of total assets compared to 87.8 percent in 1998. These 10,380 returns for 1999 accounted for 59.4 percent of the total receipts; 81.6 percent of net income (less deficit); 81.2 percent of income subject to tax; 82.4 percent of total income tax before credits; and 79.8 percent of total income tax after credits.

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Figure A.--Returns of Active Corporations: Number of Returns, Total Assets, Total Receipts, Net Income (Less Deficit), Income Subject to Tax, Total Income Tax Before Credits, Total Income Tax After Credits, by Size of Total Assets, Tax Years 1998 and 1999

(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) ¹	Income subject to tax ²	Total income tax before credits ³	Total income tax after credits ⁴
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1998							
Total.....	4,848,888	37,347,352,986	17,323,955,004	838,223,591	663,385,528	231,399,671	181,545,146
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
1999							
Total.....	4,935,904	41,464,152,854	18,892,385,694	928,955,528	693,735,694	241,987,588	193,027,641
Zero assets.....	313,004	-	442,802,754	7,780,844	21,058,505	7,488,895	5,936,050
\$1 under \$100,000.....	2,532,700	76,119,037	549,906,336	20,303,158	2,930,080	551,106	541,816
\$100,000 under \$250,000.....	791,524	129,018,321	455,915,059	11,720,493	3,679,241	723,064	667,682
\$250,000 under \$500,000.....	477,927	169,121,053	452,379,355	10,178,577	4,410,270	906,507	882,806
\$500,000 under \$1,000,000.....	330,757	231,018,299	548,910,002	11,063,826	5,552,577	1,287,444	1,269,224
\$1,000,000 under \$5,000,000.....	357,966	752,609,634	1,559,518,844	29,717,239	17,335,589	5,254,634	5,084,993
\$5,000,000 under \$10,000,000.....	55,339	383,624,248	778,160,966	13,281,021	8,976,923	3,044,176	2,920,689
\$10,000,000 under \$25,000,000.....	34,953	538,770,077	932,950,831	14,948,529	13,161,817	4,546,120	4,357,949
\$25,000,000 under \$50,000,000.....	13,632	479,299,666	586,493,996	10,418,879	11,509,197	4,050,596	3,823,442
\$50,000,000 under \$100,000,000.....	9,287	660,246,580	551,584,347	12,688,602	13,861,048	4,842,577	4,523,683
\$100,000,000 under \$250,000,000.....	8,434	1,334,487,915	811,656,923	28,929,478	27,701,099	9,802,123	8,929,821
\$250,000,000 or more.....	10,380	36,709,838,024	11,222,106,280	757,924,880	563,559,350	199,490,347	154,089,486

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

² Includes taxable income less net operating loss deduction and special deductions.

³ 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 Part II, line 4 (Form 1120-RC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

⁴ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax credits and qualified zone academy bond 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 entirely 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 the "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: Bennett, Kelly "S Corporation Returns, 1999"

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Statistics of Income Bulletin, Volume 21, Number 4, Spring 2002, pp. 59-110.

Section 6012 of the Internal Revenue Code requires that all corporations, in existence at any time during the tax 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 1999 through June 2000. This span, in effect, defines the tax 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, 1998, and closed on July 31, 1999, and the end of the last-included accounting period, which began on July 1, 1999, and closed on June 30, 2000. 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.--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 Tax Year 1999

(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 before credits ⁴	Total income tax after credits ⁵
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total.....	4,935,904	41,464,152,854	18,892,385,694	928,955,528	693,735,694	241,987,588	193,027,641
December 1999.....	4,004,071	31,155,562,527	13,514,493,848	621,929,769	504,841,614	176,889,925	137,834,825
Noncalendar Year Total.....	931,833	10,308,590,327	5,377,891,845	307,025,758	188,894,081	65,097,663	55,192,816
July 1999.....	54,348	644,546,110	234,281,879	15,850,936	7,893,883	2,709,310	2,519,541
August 1999.....	57,443	597,068,849	248,736,110	16,962,760	7,267,483	2,449,644	2,297,915
September 1999.....	183,196	1,523,842,032	930,489,913	44,882,032	29,239,686	10,097,451	8,016,028
October 1999.....	81,252	1,355,478,652	462,541,539	37,739,355	13,591,418	4,708,164	3,869,769
November 1999.....	41,382	1,421,144,150	315,147,575	35,124,244	19,169,810	6,671,994	3,920,339
January 2000.....	48,661	697,395,852	795,531,346	35,231,450	30,122,343	10,492,747	9,974,464
February 2000.....	44,219	338,733,229	221,472,977	8,818,307	5,121,017	1,720,048	1,636,680
March 2000.....	119,698	1,342,799,198	731,696,650	40,602,770	22,795,797	7,906,302	7,268,531
April 2000.....	53,357	341,854,319	208,050,544	11,497,527	6,506,689	2,187,045	2,007,098
May 2000.....	58,038	479,356,932	330,319,782	25,519,469	17,248,477	5,984,228	5,432,495
June 2000.....	190,239	1,566,371,005	899,623,530	34,796,908	29,937,478	10,170,730	8,249,957

¹ Includes full and part-year returns.

² Includes taxable income before net operating loss deduction and special deductions.

³ Includes taxable income less net operating loss deduction and special deductions.

⁴ 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 Part II, line 4 (Form 1120-RIC); tax from page 1, line 5 (Form 1120-PC); and adjustments to income tax and total tax.

⁵ Credits include foreign tax, U.S. possessions tax, nonconventional source fuel, qualified electric vehicle, general business, prior-year minimum tax and qualified zone academy bond 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."

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Figure B shows that calendar year returns made up 81.1 percent of the number of returns and 66.9 percent of net income (less deficit) for 1999.

In addition, these returns accounted for 75.1 percent of the total assets, 71.5 percent of the total receipts, 72.8 percent of the income subject to tax, 73.1 percent of the total income tax before credits, and 71.4 percent of total income tax after credits. Corporations 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, 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.